



IBERDROLA

GENERAL SHAREHOLDERS' MEETING

28 April 2023

SUSTAINABLE
EVENT



External report on the proposed re-election of the
executive chairman as a director

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Iberdrola, S.A.
Plaza Euskadi, 5
Bilbao, 48009

9 March 2023

For the attention of the chair of the Appointments Committee:

Pursuant to the request of the Appointments Committee of Iberdrola, S.A. (hereinafter, "Iberdrola", "the Group" or "the Company"), reflected in our engagement letter dated 30 November 2022, we set out below our report analysing the proposed re-election of Mr José Ignacio Sánchez Galán as an executive director in the context of the 2023 General Shareholders' Meeting.

PricewaterhouseCoopers Asesores de Negocios, S.L.

Introduction

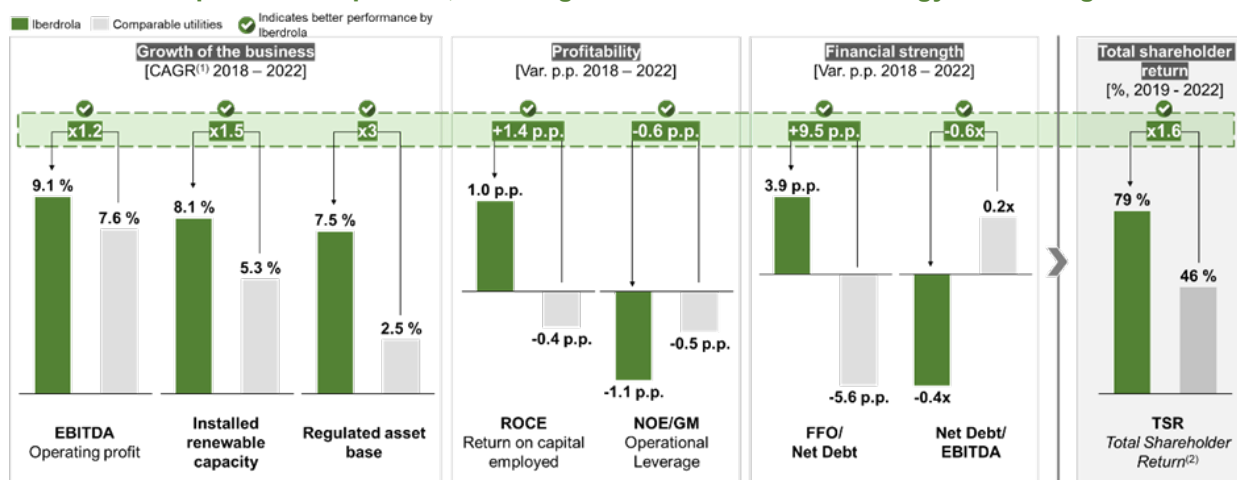
This report is issued in the interest of Iberdrola in order to assess the proposed re-election of Mr José Ignacio Sánchez Galán as an executive director of the Company.

For this purpose, we have analysed several aspects that, according to our understanding, would be considered most relevant attending to market priorities. The document is organised into three sections:

1. Performance of Iberdrola in relation to other comparable utilities and market recognition of management during the chairman's last term of office as a director.
 - Suitability of Iberdrola's strategic vision.
 - Evaluation of economic and financial performance.
 - Analysis of shareholder return.
 - Study of social contribution: ESG performance.
 - Support from shareholders and other Stakeholders.
2. Value of the management team in the Company's current and expected strategic context.
 - Sector-specific context.
 - Response to the Strategic Plan.
 - Track record and recognitions/awards of the management team.
3. Good governance of the Company: application of the Governance and Sustainability System.
 - Corporate structure and governance model.
 - Independence and operation of the Board of Directors.
 - Separation of roles of chairman and chief executive officer.
 - Shareholder and investor relations.
 - External recognition of good governance.

Executive summary

I. During the chairman's last term of office¹, Iberdrola has performed better than the market and its comparable companies², attesting to the success of its strategy and management.



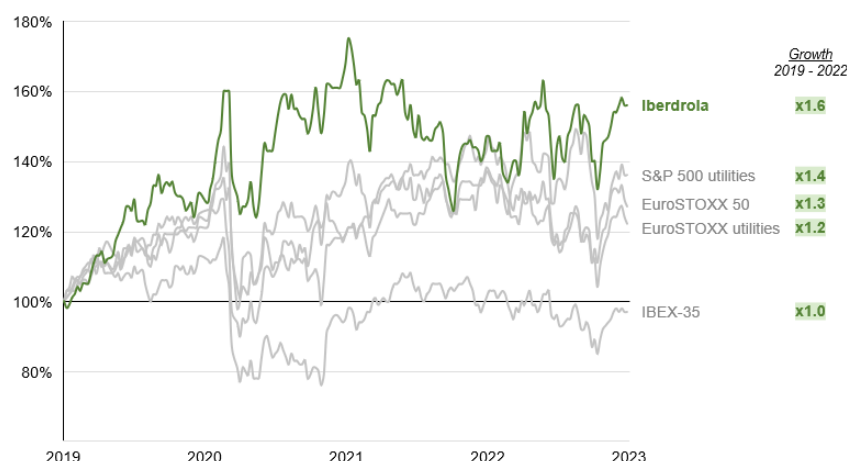
- **Strategic vision.** Iberdrola has cemented its position as a global leader in the energy sector thanks to a pioneering strategy that began over two decades ago, based on an early focus on clean and regulated assets, selective internationalisation, and a firm commitment to rigorous and responsible management³. During the last management period (2019 – 2022), which saw significant disruption for the sector, Iberdrola maintained its strategic vision while proving its capacity to adapt to the circumstances, achieving stable results and contributing to its long-term goals.
- **Economic and financial performance.** During the last management period, Iberdrola achieved better performance than its peers in terms of business growth, improved profitability and reinforcement of financial soundness.
 - The business growth achieved in the 2018 – 2022 period extends both to financial and operating parameters. Iberdrola's operating profit (EBITDA) grew at a rate that is 20% higher than the average among its peers. At the same time, Iberdrola's installed renewable capacity base increased at a rate that is 50% higher than the average among its peers, and the asset base of its Networks Business grew three times faster than the regulated asset base of its peers. Iberdrola is currently the leading electricity utility in Europe and the second largest worldwide in terms of market capitalisation.
 - Iberdrola, in its commitment to efficiency as a strategic management pillar, has improved its profitability during the chairman's latest term of office: the Company has increased its return on capital employed (ROCE), in contrast to the deterioration experienced by its comparable companies in respect of this indicator, and has also enhanced its operating leverage to a greater extent than its peers.
 - During the last management period, Iberdrola has been able to combine growth with an improvement in its financial strength, which contrasts with a generally negative evolution in the sector. This robust financial position is preferentially supported by green financing instruments, which allow the Company to access competitive financing terms. The credit rating awarded to Iberdrola by the leading specialist agencies (Standard & Poor's, Fitch, etc.) is in the upper range of the assessment frameworks, and equal to or higher than the credit ratings of its comparable companies in all cases.
- **Shareholder return.** Iberdrola has remunerated its shareholders at a higher level than the sector during the 2019 – 2022 period. The Company has improved its share price by +60%, beating the leading global indices (+15% compared to the S&P 500 Utilities, +23% compared to the EuroSTOXX 50, +28% compared to the EuroSTOXX Utilities and +62% compared to the IBEX-35), and it has maintained a policy of increasing dividends. This has allowed Iberdrola to offer a total shareholder return (TSR) of +79% in the period, which amply exceeds the average TSR among its peers (1.6x TSR versus comparable companies).

¹ The chairman's last management period runs from 2019 to 2022. The economic and financial analysis uses a base year of 2018, the year before the start of the management period under analysis.

² See details in the main body of the document. Sample of comparable companies: Enel, Engie, EDP, EDF, NextEra, Duke, Southern Company, Dominion, Sempra. Details in Annex A. (1) CAGR, or Compound Annual Growth Rate; (2) TSR, or Total Shareholder Return, calculated without reinvestment of dividends. Information on Iberdrola based on the Company's reporting. Regarding the sample: (i) ROCE: EBITDA/(Assets - Current Liabilities); (ii) NOE/GM: (Gross Margin - EBITDA)/Gross Margin; (iii) FFO/Net Debt: Operating Cash Flow/Net Debt. In the case of the NOE/GM and Net Debt/EBITDA ratios, lower ratios indicate better performance. Source: Capital IQ.

³ Detailed support and evidence in the main body of the document.

Evolution of Iberdrola's share price compared to indices
[Base 100, January 2019 – December 2022]



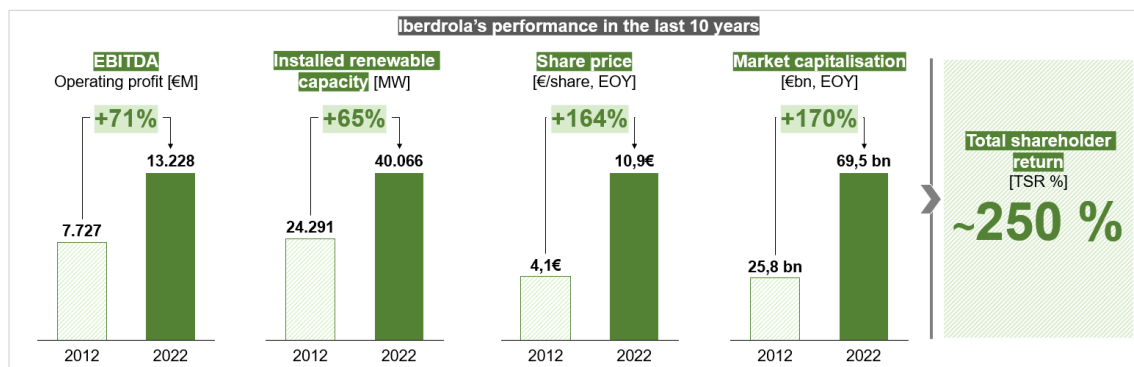
- **Social contribution.** Iberdrola has been a pioneer in the integration of environmental, social and governance (ESG) factors into its strategy, management and governance model, with an approach to value creation that transcends financial aspects. Thus, **Iberdrola has been a precursor of the “social dividend”⁴ concept**, understood as the **contribution of value that its activities entail for all its Stakeholders**, as well as its contribution to the Sustainable Development Goals (SDGs). This concept is directly transferred into the company's strategy and its Governance and Sustainability System.
 - **“E” Environment:** Iberdrola's focus on the energy transition has entailed investments of almost €140,000 million by the Company in the last twenty years, and its “clean” production mix means that its CO₂ emissions per MWh are significantly below the European average.
 - **“S” Social:** Iberdrola's activities have a significant impact on the labour market in the countries in which it has a presence (workforce of approx. 40,000, with 400,000 jobs generated in its value chain), and the Company fosters diversity and inclusion in its workforce. Iberdrola's contribution to global GDP through its activities exceeded €37,150 million in 2021, and its global tax contribution in the last five years exceeds €38,800 million.
 - **“G” Governance:** Iberdrola's Governance and Sustainability System is subject to a process of ongoing review and update, aimed at keeping it at the forefront of the key recommendations and best international practices. Iberdrola is also a reference in terms of corporate compliance and ethics.

Iberdrola has received extensive global recognition for its ESG leadership in recent years, notably including its membership on the Dow Jones Sustainability Index (Iberdrola is the only European utility selected in its 23 editions), its selection in the top 25 of the Global 100 most sustainable companies, and its distinction as one of the world's most ethical companies according to Ethisphere in every ranking published since 2014 (Iberdrola is the only Spanish company included in the ranking). Iberdrola has also been awarded an AAA rating by MSCI ESG Research, the leading ESG ratings provider used by institutional investors.

- **Support for management.** Iberdrola's management has received majority support from the shareholders of the Company, with an average 98% favourable votes at the general shareholders' meetings held in the 2019 – 2022 period. This represents a level of dissent that is less than half the average among its comparable companies. These results are reinforced by the high level of attendance at Iberdrola's General Shareholders' Meeting, which has been, on average, of 72% between 2019 and 2022. This quorum is even more significant given Iberdrola's high level of retail ownership, with a significant percentage of minority shareholders. It should also be noted that there is no government stake in Iberdrola's shares, unlike other comparable European utilities.

⁴ Detailed support and evidence in the main body of the document.

The Company's excellent performance during the chairman's latest term of office has allowed Iberdrola to close out a decade of historic results in terms of business growth and sustainable shareholder remuneration.



II. In a complex sectoral context, the market recognises Iberdrola's potential to create future value and perceives its management team as an added-value element to address future strategic challenges.

- Complex sector-specific context.** Leading economists and experts in the sector agree that the pillars of the energy transition will continue to be key trends in the future. However, the energy sector is currently experiencing significant uncertainty as a result of various short- and medium-term macroeconomic risks, particularly the following:
 - Problems with global supply chains, with unavailability or shortage of certain raw materials and/or components causing tension in the industry since the COVID-19 crisis, with a particular impact on new developments of renewable generation projects.
 - Price increases and volatility of raw materials and key energy products, which have been passed on to energy prices in most markets.
 - Inflation crisis, driven in part by the price increases described above, which has led to a strict response from the central banks, triggering a raise of interest rates.
 - Regulatory instability in the electricity markets, driven by pressure on regulators and governments to act and soften the impact of rising energy bills, affecting remuneration parameters in regulated markets.
- Strategic Plan supported by the market.** In November 2022, Iberdrola's management team announced its Strategic Plan for the 2023-2025 period, which equips the business with the tools and guidelines required for it to meet the challenges that the sector is facing. The market has recognised and approved of this strategy, which has received support from the leading analysts who follow the Company:
 - JP Morgan considers that *"Iberdrola presented a coherent and sensible Strategic Plan, capitalising on its core strengths (geographical and technology diversification)"* and emphasises that *"this is a clear temporary move by Iberdrola, as together with the lower leverage target, it should help strengthen the perception of Iberdrola's lower risk profile"*⁵.
 - According to UBS, *"the new plan addresses key market concerns (the value creation of new renewable projects amidst rising yields and inflation) and delivers above-average earnings growth"*⁶.
 - Likewise, CaixaBank considers that *"this seems a reassuring plan"*, emphasising that *"we continue to believe the stock offers a good balance of growth and shareholder remuneration, now with a more resilient plan to weather the current macro / geopolitical risks"*⁷.
 - Kepler Cheuvreux states that *"Iberdrola's updated plan delivers higher earnings in 2025 than the previous plan with slightly less CAPEX"*, noting that *"[w]e believe this is a smart plan"*⁸.
 - In turn, Credit Suisse notes that *"overall, the 2025 targets presented were ahead of both us and consensus at most levels"*⁹.

It should also be noted that in these highly uncertain times, Iberdrola has a clear roadmap that is not restricted to the period ending in 2025 but extends, with specific goals, to 2030.

⁵ JP Morgan, 02/12/2022.

⁶ UBS, 15/11/2022.

⁷ CaixaBank, 10/11/2022.

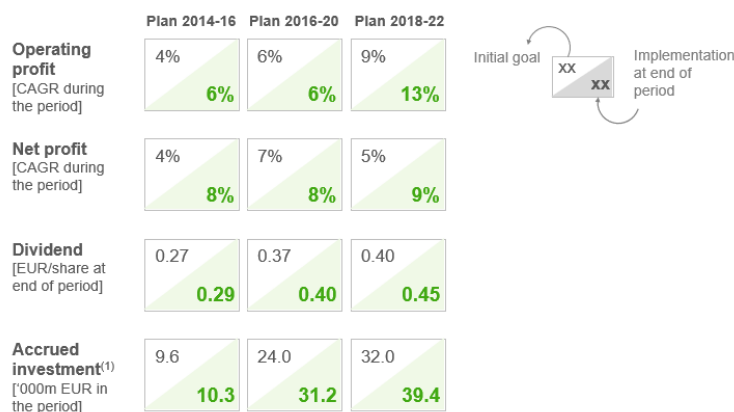
⁸ Kepler Cheuvreux, 10/11/2022.

⁹ Credit Suisse, 10/11/2022.

- **Value of the excellent track record and skills of the current management team.** The successful implementation of the strategy defined for the next period requires a sound management team with a proven track record and suitable skills for the future context.

- **Track record of the chairman.** The successful strategic vision of Iberdrola's executive chairman, as well as his proven ability to lead a successful management model, has enabled the Company to triple the value of the share price since his appointment in 2001, among other milestones. The chairman's outstanding track record is also demonstrated by the achievement of the Company's strategic objectives during the last management period.

Financial objectives in Iberdrola's strategic plans and achievement



As a result, the chairman has received various awards for his management in the last four years, including the following:

- **The CEO 100 – Harvard Business Review** (2019). The chairman was selected as one of the top five CEOs in the world in the latest ranking of “The CEO 100” by Harvard Business Review, which ranked him as the top CEO of all energy companies worldwide.
 - **The Green 30 for 2020 – Bloomberg** (2020). The chairman was named one of the 30 most influential CEOs in the world in the fight against climate change, in the ranking of “The Green 30 for 2020”.
 - **Brand Guardianship Index – Brand Finance** (2021). The chairman was one of the 100 CEOs included in the Brand Finance “Brand Guardianship Index” in 2021.
 - **Best CEO – Institutional Investor** (2022). The chairman was named one of the top three CEOs in Europe in the utilities sector.
 - **Iberdrola: Leading the Energy Revolution – Harvard Business School** (2022). In December 2022, Harvard Business School published the case study “Iberdrola: Leading the Energy Revolution”, which examines the chairman's decisions in the last twenty years that have defined the Company's strategy and its leadership in terms of clean energy.
- **Key skills.** Under the leadership of its chairman, Iberdrola's management team has shown that it has the essential skills and capabilities to meet future challenges, including the following:
 - Strategy implementation. Iberdrola's management team has extensively proven its effectiveness in terms of implementing the Company's strategic bet on the energy transition and regulated assets for over two decades. With regards to the energy transition: (i) Iberdrola already had 4.5 times more installed renewable capacity than its competitors fifteen years ago; (ii) it implemented carbon phase-out plans twice as quickly as its competitors; and (iii) it has secured a leading position in new technologies, such as offshore generation (almost 7,000 MW in operation, construction or contracts with long-term guarantees, making it the second-largest operator in terms of pipeline) and green hydrogen (60 projects underway). All of this is reinforced by Iberdrola's positioning in the Networks Business, where Iberdrola is among the top five operators in its key markets (United States, United Kingdom, Spain and Brazil).
 - Culture of operational efficiency in growth environments, with operational efficiency programmes implemented across all divisions and regions. In this regard, Iberdrola has managed to increase its return on capital employed by +1 p.p. in the last 10 years, achieving a ROCE of 6.6% at year-end 2022, and it has improved its operating leverage, reducing its NOE/GM ratio by 3.4 p.p. to 25.8%.
 - Rigorous balance sheet management, having undertaken intense investment plans while managing to maximise the payment of shareholder dividends (+34% annual dividend/share

in the last 10 years) and increase its financial strength (+5.0 p.p. FFO/Net Debt and +5.7 p.p. RCF¹⁰ /Net Debt in the last decade).

- o Management of the regulated business, with a notable track record in the networks business that has produced around 50% of the company's operating profit in the last four years, and where Iberdrola has demonstrated excellent performance. Among other issues, the Group was involved in 10 contentious matters relating to the regulated business during the 2019 – 2022 period, 80% of which had a favourable outcome, with a positive impact for the Group in excess of €900M during the period¹¹.

Due to all the foregoing, some analysts consider management skills to be one of the key pillars for their confidence in the Company's future performance¹². For example, Barclays states that *"thanks to its valuable business mix and proven management skills, we consider Iberdrola one of the best models in the utilities sector"* and concludes that *"Iberdrola remains our Top Pick among European Utilities"*¹³ and HSBC notes that *"Iberdrola management has a track record of making strategic decisions that add value"*¹⁴.

- **Recognition of future potential.** All in all, Iberdrola continues to be recognised as a company with the potential to continue creating value for its shareholders in the following strategic period. In particular:
 - Iberdrola's market valuation in terms of EV¹⁵ / EBITDA is 30% higher than its European peers', reflecting its attractiveness to shareholders and its potential as a driver for the creation of value in the current economic context. Moreover, Iberdrola's PER ratio¹⁶ also reflects the higher market valuation of the Company compared to its European peers (Iberdrola PER of 22 vs. average of 13 among its European peers).
 - In addition, the percentage of analysts who highlight the company's value creation potential for its shareholders is higher for Iberdrola than for the average of its peers. In fact, Iberdrola had no sell recommendations at year-end 2022¹⁷, as opposed to an average of 7% among its peers.
 - Since the publication of the 2023 – 2025 strategy, nine of the analysts who give coverage to Iberdrola (UBS, BNP, Credit Suisse, Bankinter, Santander, Renta4, Mediobanca, Goldman Sachs and Barclays) have increased its target share price.

In view of the complex sectoral context, the Company's strategic position, and the value that the market allocates to Iberdrola's management successful track record and proven skills, ensuring the continuity of the management team responsible for defining the new strategic plan would offer certainty to Iberdrola's shareholders, reducing the potential risks associated with a change of leadership.

III. Iberdrola's Governance and Sustainability System provides tools that guarantee the separation between the duties of strategic definition and supervision and that of day-to-day management, ensure the diligent and rigorous operation of the Board of Directors, and mitigate the risks associated with any potential concentration of power within a single governance body or person.¹⁸

- **Corporate structure and governance model that guarantee the separation of duties.** Iberdrola has a corporate structure that is organised into three levels: holding, country subholding and head of business companies. The holding company acts as the holder of the shares of the country subholding companies (established in the territories in which the various subsidiaries operate), which in turn hold the shares of the head of business companies.

In terms of the governance model, the effective separation of duties is based on the head of business companies being responsible for the executive management of the businesses, while the duties of strategy and supervision, organisation and coordination are assigned to the holding company. At an intermediate layer, the country subholding companies reinforce the functions of the holding company in relation to their respective territories, countries or businesses, based on their characteristics and features. This model ensures that there is an effective separation of defined roles and makes it possible to distance the responsibilities of supervision and day-to-day management of the businesses by two levels.

Additionally, the country subholding companies and head of business companies have their own boards of directors and management decision-making bodies, including chief executive officers, external directors and audit and compliance committees, as well as internal audit and compliance units or functions. This reinforces the autonomy of the head of business companies to implement the effective

¹⁰ RCF or Retained Cash Flow.

¹¹ Source: Information provided by the Company.

¹² No negative assessments have been found from analysts regarding the performance of the chairman or the management team. Detailed support and evidence in the main body of the document.

¹³ Barclays, 01/12/2022.

¹⁴ HSBC, 07/08/2019.

¹⁵ EV or Enterprise Value.

¹⁶ PER or Price to Earnings Ratio, calculated as Share Price (at financial year-end)/EPS (Earnings Per Share). 2022 data (excluding Enel, which had not published results as at the date of this report). Source: Capital IQ, using normalised EPS.

¹⁷ Taking into account "Strong Sell" and "Sell" recommendations or their equivalents.

¹⁸ Based on Iberdrola's Governance and Sustainability System. Descriptions of policies consulted in Annex B.

day-to-day administration and management of the businesses, in addition to reinforcing the system of checks and balances and controls¹⁹.

- **Independence and operation of the Board of Directors.** Iberdrola's Governance and Sustainability System has mechanisms and conditions that make it possible to ensure the proper operation of the Board of Directors, and particularly strengthen its independence so that it can carry out its supervisory duty²⁰:
 - Composition of the Board: as a result of a pioneering process to transform its composition that started almost two decades ago, the composition of Iberdrola's Board of Directors is now a benchmark in terms of independence, refreshment and diversity:
 - o Iberdrola has strengthened the independence of its Board of Directors in the last two decades. In 2003²¹, the Company had 48% independent directors. In 2012, this figure had increased to 65%. Today, 71% of the members of the Board of Directors are independent directors (versus the IBEX-35 average of 55%).
 - o As a result of a continuous refreshment of Board members, 57% of Iberdrola's directors have been in office for fewer than five years (vs. an IBEX-35 average of 53%), as opposed to the 43% recorded in 2012.
 - o Iberdrola's Board of Directors has a balanced gender composition. Women currently represent 43% of the total members of the board (vs. an IBEX-35 average of 37%), due to a refreshment process that has been committed to gender equality for almost two decades.
 - o The first foreign member of Iberdrola's Board was a British director appointed in 2009. This started a process of internationalisation that has culminated in the current presence of six nationalities on the Board (29% of directors are foreign as opposed to an IBEX-35 average of 23%). Iberdrola's Board is also diverse in terms of knowledge, skills and experience, which are continuously reinforced through training resources regarding key and current matters that are regularly made available to the directors.
 - Consultative committees: all the consultative committees are made up of a majority of independent directors and chaired by directors from that category. In fact, in the specific cases of the Audit and Risk Supervision Committee and the Sustainable Development Committee, all committee members are classified as independent.
 - Lead Independent Director: In line with best good governance practices, Iberdrola has a lead independent director with broad powers that extend beyond those established by law and are aligned with the recommendations of the National Securities Market Commission (CNMV) *Good Governance Code of Listed Companies*. Iberdrola's lead independent director has the duty to lead any succession process in relation to the chairman, in addition to the duties provided by law. The counterbalance role of the lead independent director is currently reinforced insofar as he is also the first vice-chair of the Board and chair of the Company's Remuneration Committee, as well as a member of the Executive Committee.
 - Vice-Chairs: Iberdrola has two non-executive vice-chairs, both classified as independent, who reinforce the Company's checks-and-balances mechanisms and prevent any potential risk of temporary power vacuums on the Board.

In addition, Iberdrola applies the most advanced corporate governance practices, particularly in matters of transparency, appointment of directors, remuneration, risk supervision and control of conflicts of interest²², which reinforce the good governance of the Company.

- **Separation of roles of chairman and chief executive officer.** On 25 October 2022, Iberdrola separated the roles of executive chairman and chief executive officer, appointing Mr Armando Martínez Martínez as chief executive officer while continuing the assignment to him of the duties he had previously been performing in his position as Business CEO.

The Board entrusts the highest executive duties regarding the Group's businesses to its chief executive officer, allocating the remaining powers to the chairman. This separation of roles is one more step in reinforcing the organisational model of the Group, which already counts on other executive checks and balances through the chief executive officers of its country subholding companies and head of business companies.

The duties of the chief executive officer include the following key responsibilities:

- The Group's businesses. The chief executive officer has overall responsibility for the day-to-day management of the business of the Group companies, with the highest executive duties in that area. As a result, the Group's global business CEOs (renewables, networks and retail) report to him. In turn, these business CEOs chair the boards of directors of the head of business

¹⁹ The listed country subholding companies ("Avangrid, Inc." and "Neoenergia, S.A.") have a special framework of strengthened autonomy that establishes appropriate measures to safeguard the interests of the minority shareholders of those companies.

²⁰ Detailed support and evidence in the main body of the document.

²¹ The directors started to be classified as executive, proprietary external and independent external in 2003.

²² Details in Annex C.

companies, which, as described in the organisational model, are the bodies directly responsible for supervising the effective day-to-day management of the businesses and for the control thereof.

- Geographic areas. Additionally, the chief executive officers of the country subholding companies²³, who are responsible for the performance of the mentioned companies in each country or territory, report to Iberdrola's chief executive officer²⁴, without undermining the effective separation of duties established in the Governance and Sustainability System.

- **Shareholder engagement**. Iberdrola fosters two-way interaction between the Company and its shareholders to provide transparency and guarantee the proper operation of the General Shareholders' Meeting, among other things. In 2015, Iberdrola was the first Spanish company and one of the first worldwide to formalise a *Shareholder Engagement Policy*.

In 2022, Institutional Investor recognised Iberdrola's performance in this area by granting it awards for Best IR Team, Best IR Program, Best IR Professional and Best Analyst/Investor Event.

- **External recognition of good governance**. Iberdrola's governance bodies are subject to an annual external assessment to confirm their proper operation and alignment with the most demanding corporate governance standards. The average compliance in the assessment process for the last four years has been 99%, based on 400 indicators.

This assessment exercise is supported by the various awards Iberdrola has received for corporate governance, including (i) the World Finance Corporate Governance Award for the best corporate governance in Spain, which Iberdrola was granted for the ninth time in 2022, (ii) Ethical Boardroom naming Iberdrola the utility with the best corporate governance in Europe (Award for Best Corporate Governance), recognition which has been awarded to Iberdrola on six occasions since 2014, and (iii) the Best Company Board award for the European utilities sector, received from Institutional Investor in 2022. Iberdrola also has one of the top ISS ratings for its corporate governance practices.

The solid performance of Iberdrola in the period, the majority support for management by shareholders and the market, as well as the strategic context of the Company, and the chairman's track record and key skills to meet the strategic challenges of the future, support the proposed re-election of Mr José Ignacio Sánchez Galán as an executive director.

On the other hand, Iberdrola has a **corporate and governance structure that effectively separates the duties of strategic definition and supervision from those of day-to-day administration and management**, and which uses defined checks and balances, notably including the **independence of the Board of Directors** and the **separation of duties between the chairman and the chief executive officer, to mitigate the risks associated with any potential concentration of powers within a single governance body or person.**

²³ Including those responsible for the geographic areas reporting to "Iberdrola Energía Internacional, S.A.U."

²⁴ Hierarchically reporting to the boards of directors of the respective companies.

Detailed analysis

1. Performance of Iberdrola in relation to other comparable utilities and market recognition of management during the chairman's last term of office as a director.
2. Value of the management team in the Company's current and expected strategic context.
3. Good governance of the Company: application of the Governance and Sustainability System.

1. Performance of Iberdrola in relation to other comparable utilities and market recognition of management during the chairman's last term of office as a director

A. Iberdrola's strategy

For over two decades, Iberdrola has positioned itself as a **driver of the energy transition** through a strategic project with three key pillars: (i) a clear and early drive toward **"clean" and regulated assets**, (ii) a **concentrated and "secure"** approach to **geographic diversification**, and (iii) a commitment to **rigorous management of the business**.

During the last management period (2019 – 2022), which saw significant disruption for the sector, Iberdrola maintained its strategic vision and showed an outstanding capacity to **adapt to the circumstances, achieving stable results and contributing to its long-term goals**. Iberdrola's three strategic pillars have thus been maintained and strengthened over this latest period, enabling the Company to further develop a diversified, stable and profitable business.

(i) Early drive toward "clean" and regulated assets

Iberdrola's early focus on renewable generation more than twenty years ago, its early **entry in emerging technologies** (offshore) and its positioning in the **distribution business** have enabled the Company to cement its position as an **agent driving the energy transition**.

Over the last four years, Iberdrola has continued to develop its focus on renewable generation and has achieved its ambition of growth and investment in "clean" businesses. Iberdrola **increased its installed capacity by +37%** between 2019 and 2022, with installed capacity reaching 40,000 MW at year-end 2022. Iberdrola has also continued to develop its **leading position in terms of the generation technologies of the future**, with almost 7,000 MW of offshore wind capacity in operation, construction or contracts with long-term guarantees, as well as 60 green hydrogen development projects underway.

Iberdrola strengthened its positioning in the distribution market during the last management period. Over 40% of the Company's investments between 2019 and 2021 were focused on the **Networks Business**, where **Iberdrola has invested almost €16,000 million** in a clear drive to maintain leadership in the area of smart grids across all the markets in which it has a presence. **Iberdrola's regulated asset base exceeded €39,000 million** at year-end 2022 (+19 % vs. 2021) and is distributed evenly across the United States (31%), the United Kingdom (24%), Spain (24%) and Brazil (21%).

(ii) Concentrated and "secure" internationalisation

Since the start of its internationalisation process, Iberdrola has driven toward a **model of concentrated expansion** in large-scale markets with good growth prospects and stable regulation, with a clear objective: to become a leading integrated operator across all its geographic areas.

This **internationalisation model has been successfully implemented** and Iberdrola has positioned itself as a leading operator in the markets of the United States (where Iberdrola is the second-largest operator in terms of renewable generation), mainland Europe, the United Kingdom, Latin America and Australia.

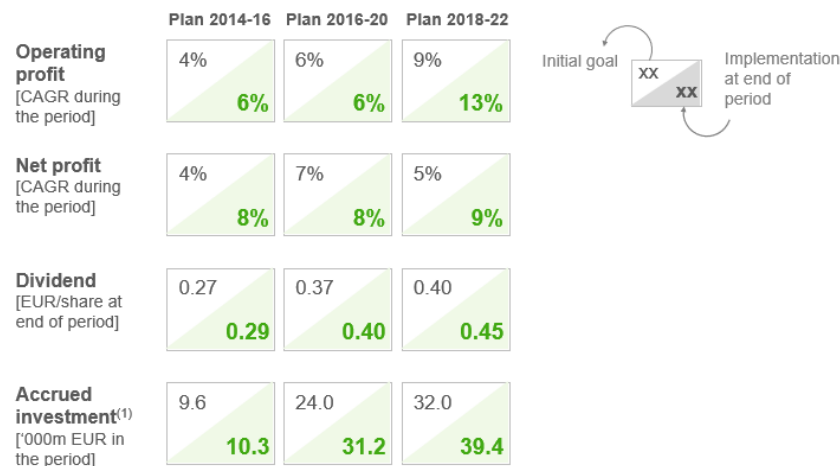
Between 2019 and 2022, Iberdrola has strengthened its presence in the **United States**, where it has increased its installed renewable capacity by approx. 1,960 MW (+29%), in **Brazil**, through the acquisition of Brasilia's electricity distributor, and in the **United Kingdom**, where it has been awarded areas with a potential capacity of 7,000 MW following its success in the offshore wind auctions for the region. The Company has also continued to focus on **selective entry into new markets**, strengthening its presence in Australia, Asia Pacific and other European countries.

(iii) Commitment to rigorous and responsible management

Iberdrola's management during the last twenty years has shown **deep commitment to the achievement of strategic objectives**, and in the last four strategic plans the Company has met all of its undertakings in terms of operating profit, net profit and shareholder remuneration.

1. Iberdrola's performance in the last four years

Figure 1: Financial objectives in Iberdrola's strategic plans and achievement²⁵



In turn, Iberdrola has maintained its firm commitment to developing a **responsible management model from an environmental, social and governance perspective**, incorporating ESG factors as an integral part of its strategy and operations.

B. Iberdrola's economic and financial performance

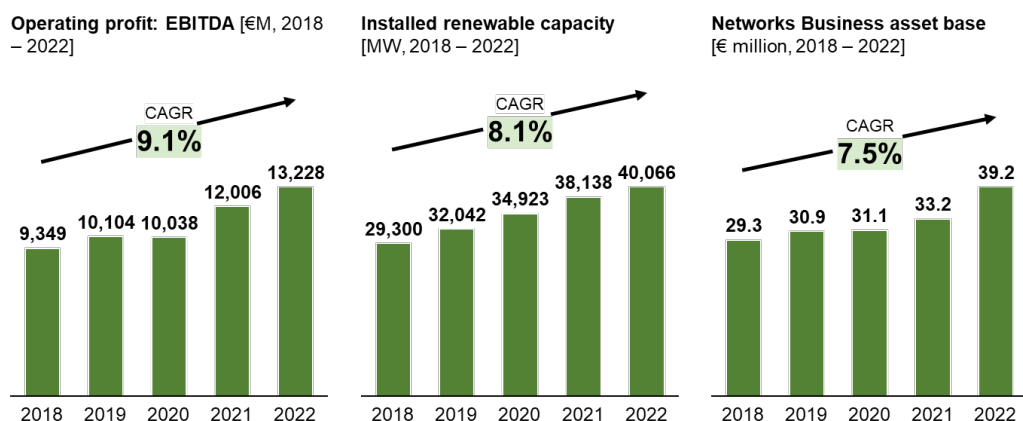
The **implementation of Iberdrola's strategy and management during the chairman's latest term of office²⁶ supports the validity of its model**. In the last four years, Iberdrola has managed to (i) grow the business, (ii) improve its profitability, and (iii) increase its financial soundness, as shown by the evolution of the key economic and financial indicators.

The success of Iberdrola's management becomes even clearer when comparing the Company's results with those obtained by other comparable utilities²⁷, as Iberdrola presents a better evolution of the key indicators.

(i) Growth of the business

During the 2018 – 2022 period, Iberdrola was able to **maintain sustained growth** and increased its **operating profit** (EBITDA) at an average rate of 9.1% per annum, reaching €13,228 million at the end of the reference period. In parallel, **installed renewable capacity** increased by an average of 8.1% per annum, exceeding 40,000 MW at year-end 2022, and the **asset base of the networks business** exceeded €39,000 million in 2022, with average annual growth of 7.5% during the period.

Figure 2: Iberdrola's operating profit, installed renewable capacity and asset base of the Networks Business



The growth achieved by Iberdrola in the last four years is higher than the average among comparable companies: Iberdrola has increased its operating profit at a rate that is 20%

²⁵ (1) The investment objectives correspond to net investment. Source: Iberdrola's corporate information.

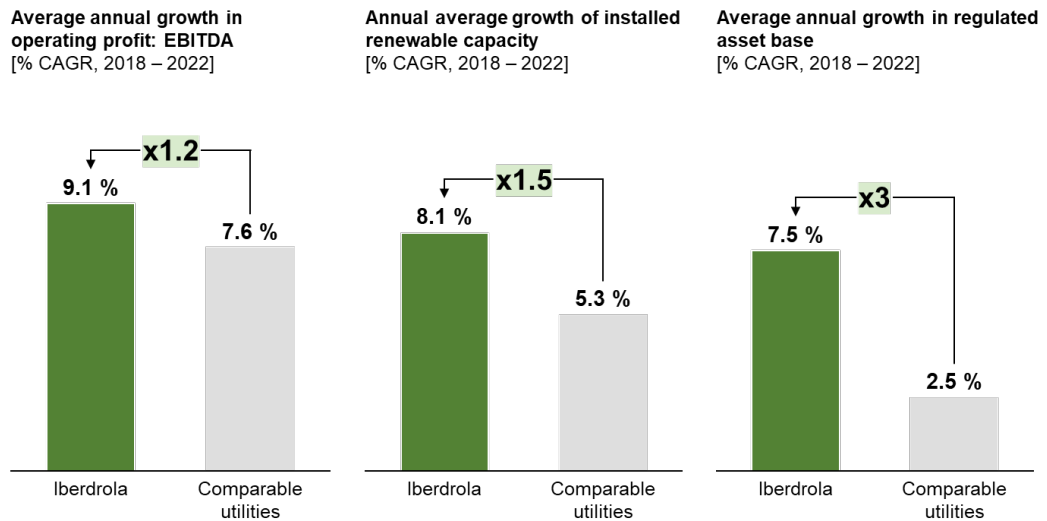
²⁶ The chairman's last management period runs from 2019 to 2022. The economic and financial analysis uses a base year of 2018, the year before the start of the management period under analysis.

²⁷ Sample of comparable companies: Enel, Engie, EDP, EDF, NextEra, Duke, Southern Company, Dominion, Sempra. Details in Annex A.

1. Iberdrola's performance in the last four years

higher than the average among its peers, and its installed renewable capacity has grown at a rate that is 50% higher. For its part, Iberdrola's regulated asset base has increased at a rate that is three times higher than the sample of its peers.

Figure 3: Comparative analysis of average annual growth in operating profit²⁸, installed renewable capacity²⁹ and regulated asset base³⁰

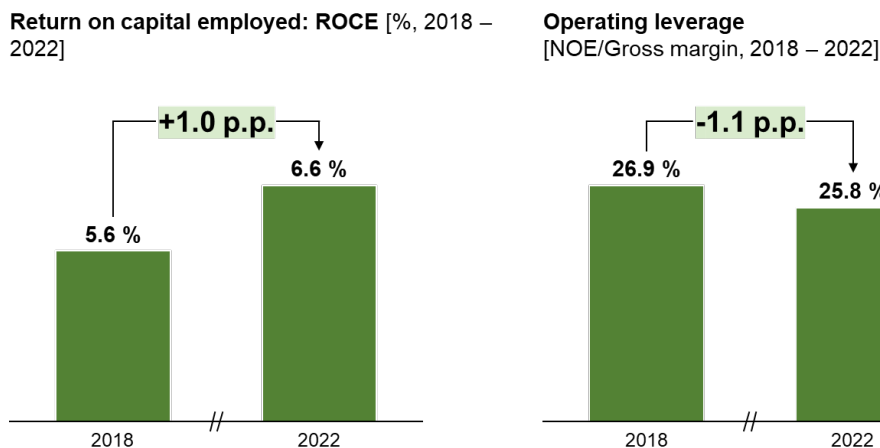


Iberdrola is currently the leading electricity utility in Europe and the second largest worldwide in terms of market capitalisation.

(ii) **Profitability**

Iberdrola has continued to focus on **efficiency as a strategic pillar of management** in the last four years, increasing its **return on capital employed** and improving its **operating leverage**. Iberdrola managed to increase its ROCE by 1.0 p.p. between 2018 and 2022, achieving 6.6% at year-end 2022. At the same time, the Company has improved its operating leverage, reducing it by 1.1 p.p. to achieve a ratio of 25.8% at year-end 2022.

Figure 4: Evolution of Iberdrola's profitability (ROCE and operating leverage)



In the same period, return on capital employed has fallen among the group of comparable companies³¹ by -0.4 p.p., as opposed to the improvement in ROCE identified at Iberdrola. In

²⁸ Operating profit: EDF is excluded from the comparative analysis of EBITDA as it reported negative results in 2022. Iberdrola's corporate information, Capital IQ.

²⁹ Installed renewable capacity: (i) Information on installed renewable capacity not available for Semptra Energy, Dominion Energy and Southern Company; (ii) In the case of NextEra, 2018 – 2021 CAGR has been measured as this is the last financial year for which information is available; (iii) the boundary of Duke Energy's capacity includes the "Commercial Renewables" business, which is expected to be divested in 2023; if this business were excluded, the CAGR for the sample would be 1.8 %. Source: Iberdrola's corporate information, corporate information from comparable companies, Capital IQ.

³⁰ Regulated asset base (RAB): Information not available for United States companies. 2018 – 2021 CAGR is measured in the case of EDF, as this is the last financial year for which information is available. Source: Iberdrola's corporate information, corporate information from comparable companies, Capital IQ.

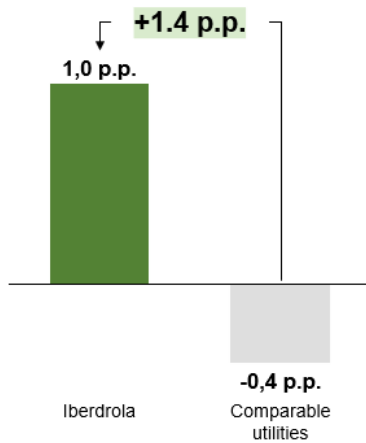
³¹ For the sample of comparable companies, ROCE measured as EBITDA/(Assets - Current Liabilities). Source: Capital IQ.

1. Iberdrola's performance in the last four years

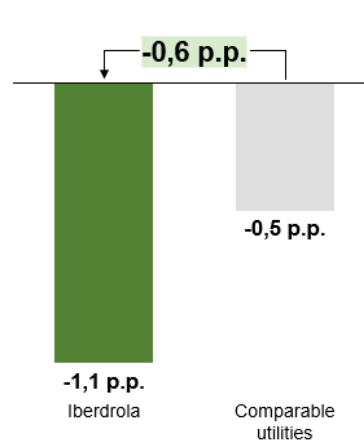
terms of operating leverage, although the sample of comparable companies has improved its efficiency, Iberdrola's performance has been more notable (-1.1 p.p. Iberdrola vs. -0.5 p.p. on average for comparable companies³²).

Figure 5: Comparative analysis of profitability³³

Variation of ROCE
[Var. p.p., 2018 – 2021]



Variation of operating leverage
[Var. p.p., 2018 – 2021]

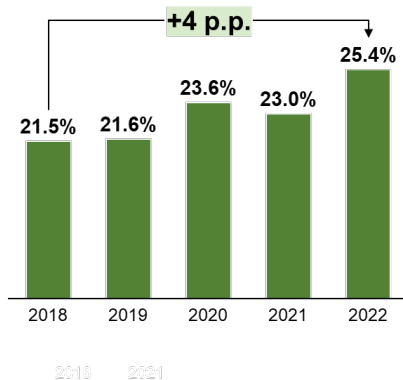


(iii) **Financial soundness**

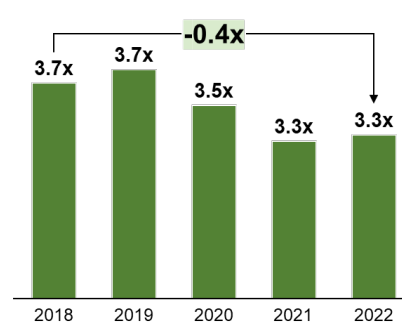
Despite its ambitious growth levels, Iberdrola has maintained its **full commitment to financial soundness** throughout the last management period. Iberdrola has thus managed to **sustain its growth while reinforcing its financial strength**, achieving increases in FFO and EBITDA that are higher than the evolution of Net Financial Debt, which has resulted in an **improvement of the FFO/Net Debt and Net Debt/EBITDA ratios**.

Figure 6: Iberdrola's financial strength ratios

Adjusted FFO/Net Debt ratio [% , 2018 – 2022]



Adjusted Net Debt/EBITDA ratio [% , 2018 – 2022]



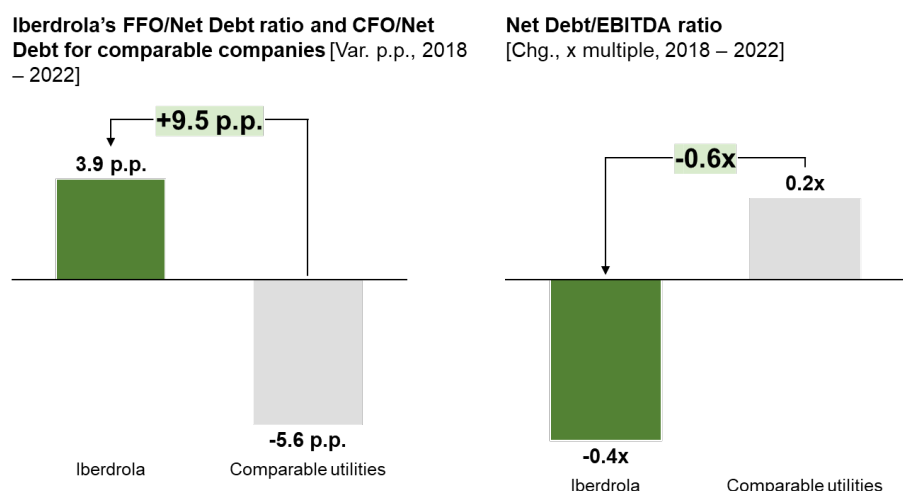
The comparative analysis demonstrates Iberdrola's rigorous financial management during the last four years, reinforced by the fact that **the comparable companies have seen their financial strength ratios deteriorate** in the same period, despite presenting lower business growth levels than Iberdrola.

³² For the sample of comparable companies, Net Operating Expenditure measured as Gross Margin - EBITDA.

³³ EDF is excluded from the comparative analysis as it reported negative results in 2022. Regarding the NOE/MB ratio: (i) greater reduction indicates better performance; (ii) 2018 – 2021 CAGR is measured in the case of Southern Company due to one-off impacts in 2022. Source: Iberdrola's corporate information, corporate information from comparable companies, Capital IQ.

1. Iberdrola's performance in the last four years

Figure 7: Comparative analysis of financial strength³⁴



Iberdrola's robust financial position is preferentially supported by **green financing instruments**, which allow the Company to access competitive financing terms. The Group has a position of **recognised leadership as an issuer of green and sustainable financial instruments**, and its achievements include being the top global private group in terms of green bonds issued, as well as the first energy company to sign a green loan in 2017, followed by other similar loans. The Group's green financing at year-end 2022 amounted to €26,956 million³⁵.

The leading global **financial rating** agencies give Iberdrola a credit rating that is in the **upper range of the assessment frameworks**, and which is equal to or higher than that received by its peers in all cases.

Figure 8: Credit ratings given to Iberdrola and comparable companies³⁶

		Standard & Poor's ⁽¹⁾	Moody's ⁽²⁾	Fitch ⁽³⁾
Long-term	Rating	BBB+ Adequate protection parameters, with some exposure to adverse economic circumstances.	Baa1 Subject to moderate credit risk.	BBB+ Good credit quality. Denotes low expectation of credit risk.
	Outlook	Stable	Stable	Stable
	Date	April 2016	June 2012	August 2012
	Rating vs. comparables	+ 1 2 3 4 5 6 -	+ 1 2 3 4 -	+ 1 2 3 4 5 -
Short-term	Rating	A-2 Strong capacity to meet financial commitments. Second-highest Standard & Poor's category.	P2 Higher capacity to repay short-term debt obligations. Second-highest Moody's category.	F2 High credit quality. Reflects good capacity to repay short-term obligations. Second-highest category.
	Date	November 2007	December 2007	April 2009
	Rating vs. comparables	+ 1 2 3 4 5 6 -	+ 1 2 3 4 -	+ 1 2 3 4 5 -

Highest credit quality + Lowest credit quality

³⁴ EDF is excluded from the comparative analysis as it reported negative results and CFO in 2022. For the sample of comparable companies, FFO/Net Debt measured as Operating Cash Flow/Net Debt. Source: Capital IQ. Greater reduction indicates better performance for the Net Debt/EBITDA ratio.

³⁵ Including 100% of green financing of projects with partners, amounting to €2,416 million. Source: Iberdrola Integrated Report (February 2023).

³⁶ (1) S&P Long-term Issuer Rating, S&P Short-term Issuer Credit Rating; (2) Moody's Long-term Issuer Rating, Moody's Short-term Issuer Rating; (3) Fitch Long-term Issuer Default Rating, Fitch Short-term Issuer Default Rating. Source: S&P Global Ratings, Moody's, Fitch Ratings.

1. Iberdrola's performance in the last four years

C. Creation of economic value for shareholders

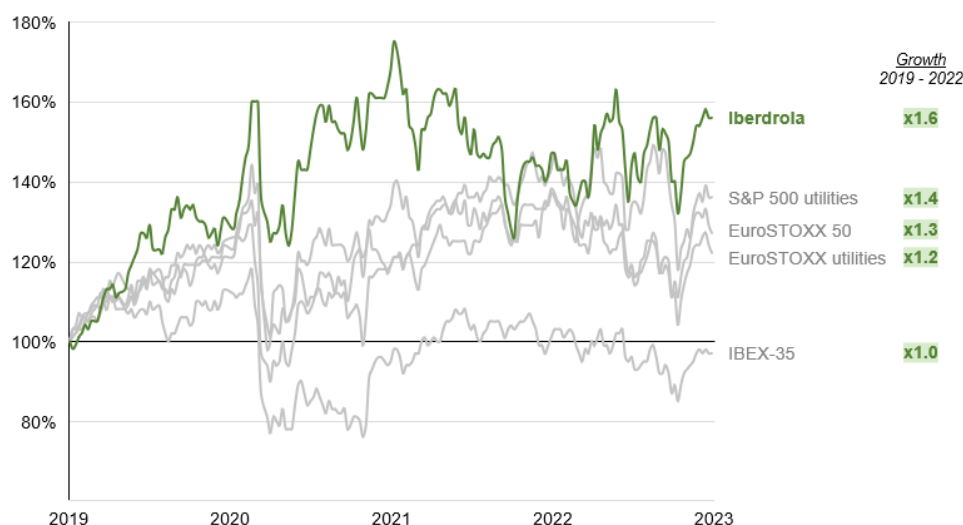
The strategic management and decisions implemented during the 2018 – 2022 period have resulted on excellent economic and financial performance and have allowed Iberdrola to **consolidate a business model capable of generating sustained value for its shareholders**.

(i) Support from the capital markets

Iberdrola has received **the support of the capital markets, improving its share price by +60 % in the period** and achieving better performance than the leading global indices (+15% compared to the S&P 500 Utilities, +23% compared to the EuroSTOXX 50, +28% compared to the EuroSTOXX Utilities and +62% compared to the IBEX-35).

Figure 9: Iberdrola's share price and leading global indices³⁷

Evolution of Iberdrola's share price compared to indices
[Base 100, January 2019 – December 2022]



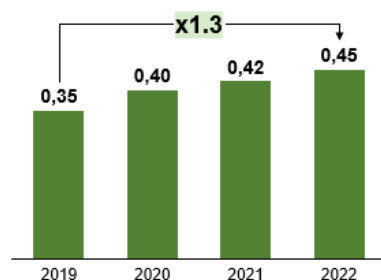
(ii) Total shareholder return

The excellent performance of Iberdrola's share price combined with a policy of increasing dividends (+30% dividend per share 2019 – 2022) has enabled Iberdrola to **provide shareholders with a TSR³⁸ of 79% in the period**.

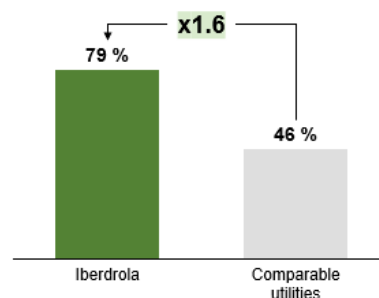
The Company's total shareholder return is **x1.6 times higher than the average total shareholder return for the sample of comparable utilities** (46%), demonstrating the soundness of Iberdrola's shareholder value generation compared to other companies in the sector.

Figure 10: Shareholder remuneration³⁹

Dividend per Iberdrola share
[€/share, 2019 – 2022]



TSR: Total shareholder return
[% , 2019 – 2022]



³⁷ 02/01/2019 - 28/12/2022. Source: Bloomberg.

³⁸ TSR: Total Shareholder Return. Calculated without reinvestment of dividends.

³⁹ Dividends booked according to date of payment. Corporate information from the companies, Capital IQ.

D. Social contribution: generation of sustainable value

Iberdrola has integrated environmental, social and governance factors into its strategy for over twenty years, positioning itself as a leading company in terms of ESG management. Thus, **Iberdrola has been a precursor of the “social dividend” concept**, understood as the contribution of value that its activities entail for all its Stakeholders, as well as its contribution to the Sustainable Development Goals (SDGs). This concept is directly transferred into the company's strategy and its Governance and Sustainability System.

This commitment to **responsible management that goes beyond financial aspects** has enabled Iberdrola to **generate sustained value for all its Stakeholders** in terms of ESG factors, with milestones that include the following:

(i) **“E” Environment**

Energy transition. Iberdrola's pioneering drive toward **renewable energy** and the **energy transition** has entailed **investments of almost €140,000 million** by the Company over more than two decades, allowing it to position itself as a global leader in renewable energy, with **more than 40,000 MW of installed renewable capacity** at year-end 2022.

Low intensity of emissions. As a result of this “clean” production mix (80% emission-free production in 2022), Iberdrola's **generation of CO₂ emissions per MWh is significantly lower than the European average**, at 59 kgCO₂/MWh in Europe in 2022 (88 kgCO₂/MWh globally), as opposed to an average of 224 kgCO₂/MWh⁴⁰ among European electricity companies.

Circular economy. Iberdrola has continued to make progress on the **integration of circular economy principles into its business model** during the last management period. More specifically, in 2022 Iberdrola approved its **2030 Circular Economy plan**, which sets various targets aligned with its sustainable energy model. In addition, last year Iberdrola launched the first European project to construct an **industrial wind turbine blade recycling plant**, which is expected to come on stream during 2024, with the aim of addressing one of the key challenges that the sector is facing.

(ii) **“S” Social**

Quality employment⁴¹. Iberdrola's activities have a major impact on the labour market in the countries where it has a presence: the Company has a **workforce approaching 40,000 people**, and its activities generate close to 400,000 jobs in its worldwide value chain. **Stability** is a key feature of the jobs generated by Iberdrola, and 99% of the workforce has a permanent contract. Iberdrola also focuses on the **professional development** of its employees, and employees received over 2.7 million hours of training in 2022 (68 hours/person per year). In Spain, Iberdrola provided close to 4 times more annual training hours per employee than the average among energy sector companies in Spain in 2021.

Diversity and inclusion⁴². In terms of **gender equality**, in 2021 Forbes recognised Iberdrola as one of the ten best companies in the world for its integration of women⁴³. Women represented 24% of the workforce at year-end 2021, but they held 34% of positions of responsibility⁴⁴. Iberdrola also has policies guaranteeing **equal pay** for men and women, depending on the job, their experience and their professional profile. From the perspective of **cultural diversity**, Iberdrola's workforce was drawn from 90 different nationalities in 2022. Iberdrola also maintains a firm commitment to the **social and workplace inclusion of people with disabilities**. It had 704 employees with disabilities in 2022.

Sustainable value chain. Iberdrola maintains a **firm commitment to the sustainable management of its supply chain**, fostering the alignment of its suppliers with ESG standards. At year-end 2022, **77% of Iberdrola's main suppliers were subject to sustainable development policies and standards**. It is also worth noting that Iberdrola has placed a decisive bet on local suppliers in the countries in which it has a presence, with an average expenditure allocated to domestic markets of 88%⁴⁵.

Creation of wealth and tax contribution. Iberdrola contributes to the **creation of wealth across all the territories in which it does business**, with a **global GDP contribution in excess of €37,150 million**⁴⁵ in 2021, of which around one third corresponds to Spain. In this regard, for each euro of profit obtained by Iberdrola, the Company has contributed to generating almost €9.5 of GDP in the countries in which it operates. Iberdrola also contributes to funding public

⁴⁰ Study conducted by PwC: “21e édition de l'étude PwC Facteur Carbone” (2021 data) (7 November 2022).

⁴¹ Data from Iberdrola Impact Study carried out by PwC, prepared using data from financial year 2021.

⁴² Data from Iberdrola's Diversity and Inclusion Report 2021.

⁴³ World's Top Female Friendly Companies 2021.

⁴⁴ Taking into account leadership and skilled technical positions.

⁴⁵ Total GDP impacts generated (direct, indirect and induced). Data from Iberdrola Impact Study carried out by PwC, prepared using data from financial year 2021.

1. Iberdrola's performance in the last four years

services that benefit the societies in which it does business. In the last five years, Iberdrola has made a **global tax contribution in excess of €38,800 million**⁴⁶.

(iii) "G" Governance

Ongoing review and update of the Governance and Sustainability System. Iberdrola's Governance and Sustainability System is structured around the environmental, social and corporate governance pillars, and is subject to a **process of ongoing review and update**, aimed at incorporating the key recommendations and best international practices in the area. The Governance and Sustainability System has received extensive global recognition, notably including the **World Finance Corporate Governance Award for the best corporate governance in Spain**, which Iberdrola has won on **nine occasions** (most recently in 2022), and the award received from Ethical Boardroom as the **utility with the best corporate governance practices in Europe** in 2019.

Business ethics. Iberdrola's commitment to corporate compliance and ethics has been recognised by the Ethisphere Institute in its annual ranking of the **"World's Most Ethical Companies"** since 2014, with Iberdrola being the only Spanish company included.

Iberdrola's commitment to ESG matters and its leadership in this area has led to global recognition in sustainability indices and reports:

Figure 11: Selection of ESG indices that include Iberdrola

Index	Ranking details	Index	Ranking details
 Dow Jones Sustainability Index	Only European utility selected for its 23 years, demonstrating Iberdrola's commitment to the highest ESG standards.	 Forbes Global 2000	Iberdrola ranked 136th in the "Forbes 2022 Global 2000: World's largest public companies".
 S&P Global Sustainability Award	Iberdrola maintains its position in the Sustainability Yearbook, ranked as "Silver Class" in the utilities sector in 2022.	 ECPI Sense in Sustainability Index	Iberdrola has been selected in the leading indices, based on sustainability criteria.
 Global 100: Corporate Knights	Iberdrola again ranked among the leading 25 companies worldwide in terms of sustainability in 2022.	 Fortune Global 500	Iberdrola has been ranked 230th in the 2022 index, based on annual revenues.
 CDP Climate Change Index: A List	Iberdrola included in top category of CDP Climate Change Index (A List), for its environmental leadership.	 EI New Energy Green Utilities Report	Iberdrola ranked in top 5 of Energy Intelligence's Green Utilities Report.
 MSCI Global Sustainability Index	Iberdrola ranked AAA in all editions of the MSCI ESG Ratings Assessment since its inclusion in 2015.	 InfluenceMap	Iberdrola ranked as top company in Commitment to Climate Policy ranking.
 FTSE4Good Index	Iberdrola has been included in all editions of the FTSE4Good index since 2009, owing to its ESG commitment.	 Brand Finance	Iberdrola among the 500 most valuable global brands.
 Stoxx Global ESG Leaders Index	Iberdrola is included in the STOXX Global ESG Leaders index, demonstrating its commitment to the highest ESG standards.	 Carbon Clean 200 Index	Iberdrola included owing to its commitment to clean energy, as the top-ranked Spanish company.
 ISS ESG Rating	Iberdrola ranked "Prime", indicating compliance with extensive ESG requirements.	 Workforce Disclosure Initiative	Iberdrola scored far above the average in 2022 for its workforce management system.
 Euronext Vigeo	Iberdrola is included in the following Euronext Vigeo ESG indices: World 120, Eurozona 120 and Europe 120.	 WBA Electric Utilities Benchmark	Iberdrola has been included among the top 5 of the 50 most influential electricity companies worldwide since the creation of the index in 2020.
 World's Most Ethical Companies 2014-2022	Iberdrola is the only Spanish company included in the ranking, having been selected for all editions since 2014.	 Sustainalytics ESG Rating	Iberdrola included in all editions, among the top-scoring utilities.
 Ecovadis Sustainability Index	Iberdrola ranked "gold" (top 5% performance) for its sustainability management system.	 SE European Utilities Index	Iberdrola selected among the most influential utilities worldwide since the creation of the index in 2020.
 Bloomberg Gender Equality Index	Only Spanish utility included in all editions. Selected in recognition of its equal opportunities and gender equality policies.	 OpenODS Index	Iberdrola, top-ranked since first edition in terms of sustainability.
 Institutional Investor: Best ESG	Iberdrola has been recognised as the European utility with best ESG practices by Institutional Investor.	 Open Corporation	Iberdrola has been the top-ranked company since the creation of the index in 2021.
 CDP Supplier Engagement Leader	Iberdrola included in recognition of its commitment to sustainable management of its supply chain.		

⁴⁶ 2018 – 2022. Source: Iberdrola Sustainability Reports 2018 and 2022.

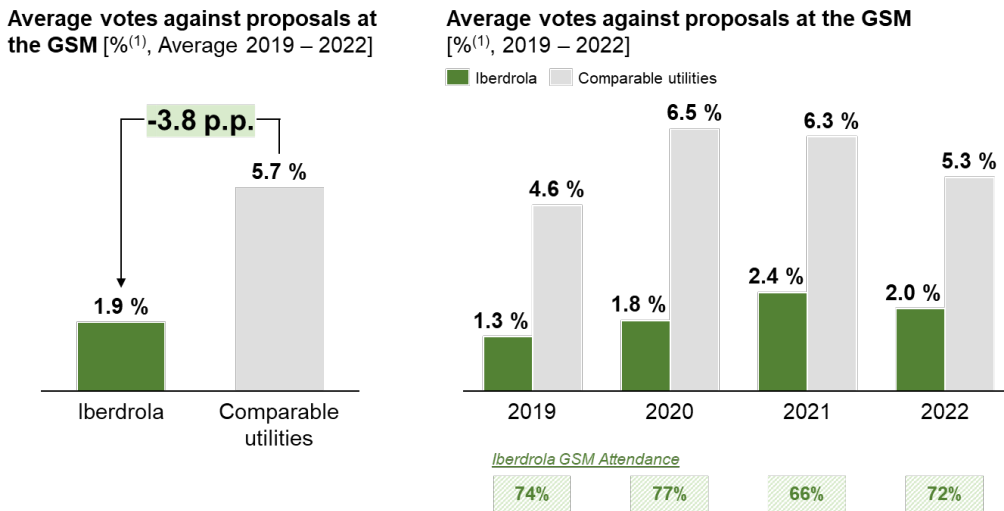
1. Iberdrola's performance in the last four years

E. Support for management

Iberdrola's management during the period has been largely supported by the shareholders, with an average favourable vote greater than 98% at general meetings. In fact, Iberdrola has obtained greater support than the sample of comparable companies, with an average dissent rate at general meetings that has been less than half that of its peers (3.8 p.p. lower).

These results are reinforced by the high level of attendance at Iberdrola's General Shareholders' Meeting, with an average of 72% during the reference period. The attendance is even more significant within the context of a high level of minority shareholdings. It should also be noted that there is no government stake in Iberdrola's shares, unlike other comparable European utilities.

Figure 12: Support at the General Shareholders' Meeting for Iberdrola and comparable companies⁴⁷



⁴⁷ (1) % dissenting votes out of total favourable and dissenting votes. Source: Corporate information from the companies.

2. Value of the management team in the Company's current and expected strategic context

The market perceives **Iberdrola's management team as a key element in order to face future strategic challenges**. In view of the complex context in the sector, the Company's strategic position and the value that the market allocates to the current management team's proven track record and skills, **ensuring the continuity of the management team responsible for defining the strategic plan would offer certainty to Iberdrola's shareholders, avoiding the potential risks associated with a change of leadership**.

A. Complex sector-specific context

The energy transition has been defined by three key trends over the last two decades: (i) the **decarbonisation and electrification of the economy**, which has driven growth in demand for electricity, renewable generation and networks; (ii) **technological process and the emergence of new technologies**, which has driven a reduction in costs and created new and diverse business opportunities; and (iii) **empowerment of customers**, who are increasingly informed and proactive.

These trends have intensified in recent years and will remain solid pillars of the transition in future. However, the **energy sector is currently experiencing significant uncertainty** as a result of various short- and medium-term macroeconomic risks:

- **Problems with global supply chains**, with unavailability or shortage of certain raw materials and/or components causing tension in the industry since the COVID-19 crisis, with a particular impact on new developments of renewable generation projects.
- **Price increases and volatility** of raw materials and key energy products, which have been passed on to energy prices in most markets.
- Inflation crisis, driven in part by the price increases described above, which has led to a strict response from the central banks, triggering a raise of **interest rates**.
- **Regulatory instability** in the electricity markets, driven by pressure on regulators and governments to act and soften the impact of rising energy bills for consumers, affecting remuneration parameters in regulated markets.

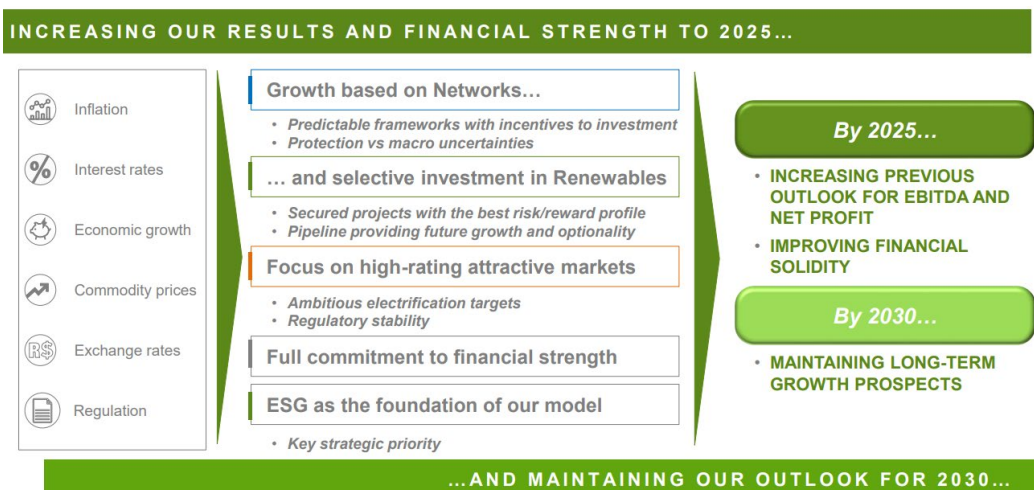
B. Market support for Iberdrola's new Strategic Plan

In November, Iberdrola's management team announced its **Strategic Plan for the 2023-2025 period**, which equips the business with the tools and guidelines required for it to meet the challenges that the sector is facing:

- In a context of growing regulatory uncertainty and rising interest rates, Iberdrola has reinforced its **commitment to continued growth in the Networks Business**, with a higher level of protection in terms of investor return.
- Iberdrola will maintain its **focus on renewable generation**, the capacity of which will continue to increase, although it will take a **more selective approach** by prioritising projects with a better risk/return profile and focusing on key technologies such as offshore projects.
- Iberdrola plans to maintain a **selective approach in terms of geographic diversification**, with a presence in markets with high credit ratings, regulatory stability and ambitious electrification goals.
- The investment plan that the Company has presented will go hand-in-hand with a **commitment to continuous strengthening of financial sustainability**, through the access to new financing routes involving a financial partnership and asset rotation strategy, as well as an ongoing drive for operational efficiency as a way of protecting return on investments.

2. Value of the management team

Figure 13: Iberdrola's strategic pillars 2023 – 2025⁴⁸



Since its publication in November 2022, **the market has recognised and approved of Iberdrola's strategy**, with direct statements of support from the leading analysts who follow the Company, including, for example:

- JP Morgan considers that *"Iberdrola presented a coherent and sensible Strategic Plan, capitalising on its core strengths (geographical and technology diversification)"* and emphasises that *"this is a clear temporary move by Iberdrola, as together with the lower leverage target, it should help strengthen the perception of Iberdrola's lower risk profile"*⁴⁹.
- According to UBS, *"the new plan addresses key market concerns (the value creation of new renewable projects amidst rising yields and inflation) and delivers above-average earnings growth"*⁵⁰.
- Likewise, CaixaBank considers that *"this seems a reassuring plan"*, emphasising that *"we continue to believe the stock offers a good balance of growth and shareholder remuneration, now with a more resilient plan to weather the current macro / geopolitical risks"*⁵¹.
- Kepler Cheuvreux states that *"Iberdrola's updated plan delivers higher earnings in 2025 than the previous plan with slightly less CAPEX"*, noting that *"[w]e believe this is a smart plan"*⁵².
- In Barclays' opinion, *"We think it [Iberdrola's CMD presentation] was successful"* and therefore *"this should be a sign of confidence for investors worried about value creation from future projects in an environment of higher cost of capital"*⁵³.
- In turn, Credit Suisse notes that *"Overall, the 2025 targets presented were ahead of both us and consensus at most levels"*⁵⁴.

C. Track record and skills of the management team

The successful implementation of the strategy in the next strategic period requires a **sound management team with a proven track record and suitable skills for the future context**.

Track record of the chairman. The successful strategic vision of Iberdrola's executive chairman, as well as his proven ability to lead a successful management model, has enabled the Company to triple the value of the share price since his appointment in 2001, among other milestones.

This notable track record has continued during the last management period, in which he has continued to show rigorous commitment to the achievement of strategic objectives and has received various awards:

- **The CEO 100 – Harvard Business Review (2019)**
The chairman was selected as one of the top five CEOs in the world in the latest ranking of "The CEO 100" by Harvard Business Review, ranking him as the top CEO of all energy companies worldwide.

⁴⁸ Capital Markets Day, 09/11/2022.

⁴⁹ JP Morgan, 02/12/2022.

⁵⁰ UBS, 15/11/2022.

⁵¹ CaixaBank, 10/11/2022.

⁵² Kepler Cheuvreux, 10/11/2022.

⁵³ Barclays, 09/11/2022.

⁵⁴ Credit Suisse, 10/11/2022.

- **The Green 30 for 2020 – Bloomberg** (2020)
The chairman was named one of the 30 most influential CEOs in the world in the fight against climate change, in the ranking of “The Green 30 for 2020”.
- **Brand Guardianship Index – Brand Finance** (2021)
The chairman was one of the 100 CEOs included in the Brand Finance “Brand Guardianship Index” ranking in 2021.
- **Best CEO – Institutional Investor** (2022)
The chairman was named one of the top three CEOs in Europe in the utilities sector.
- **Iberdrola: Leading the Energy Revolution – Harvard Business School** (2022). In December 2022, Harvard Business School published the case study “Iberdrola: Leading the Energy Revolution”, which examines the decisions made in the last twenty years that have defined the Company’s strategy and its leadership in terms of clean energy.

Key skills of the management team. Under the leadership of its chairman, Iberdrola’s management team has shown that it has the essential skills to meet future challenges, including the following:

- **Implementation of strategy.** Iberdrola’s management team has extensively proven its effectiveness in terms of implementing the Company’s strategic wager on the energy transition and the Networks Business:
 - o Early entrance into renewable generation: Iberdrola started to develop the renewable generation business before the rest of the market, and it had 4.5 times more installed renewable capacity than its competitors⁵⁵ fifteen years ago.
 - o Early entry into emerging technologies: Iberdrola made an early entry into offshore generation, achieving a leading competitive position in the sector (it is currently the second-largest operator in terms of pipeline). More recently, Iberdrola has made a commitment to the development of green hydrogen to meet electrification and decarbonisation needs in sectors such as industry and heavy transport, and it now has more than 60 ongoing projects in eight countries (including Spain, the United Kingdom, Australia, Brazil and the United States).
 - o Carbon phase-out: in the last two decades, Iberdrola has implemented more aggressive carbon phase-out plans than its comparable companies in the last two decades, managing to reduce its pollutant generation capacity more than twice as quickly as the rest of its competitors⁵⁶.
 - o Leadership in networks: Iberdrola has secured a leading position in its Networks Business, achieving a higher-than-average rate of return on its regulated assets, and today it is among the top five operators in its key markets: the United States, the United Kingdom, Spain and Brazil.
- **Culture of operational efficiency in growth environments,** with operational efficiency programmes implemented across all divisions and regions. In this regard, Iberdrola has managed to increase its return on capital employed by +1 p.p. in the last 10 years, achieving a ROCE of 6.6% at year-end 2022, and it has improved its operating leverage, reducing its NOE/GM ratio by 3.4 p.p. to 25.8% in 2022.
- **Rigorous balance sheet management,** having undertaken intense investment plans while managing to maximise the payment of shareholder dividends (+34% annual dividend/share in the last 10 years) and reinforce its financial strength (+5.0 p.p. FFO/Net Debt and +5.7 p.p. RCF⁵⁷/Net Debt in the last 10 years).
- **Management of the regulated business,** with a notable track record in the networks business that has produced around 50% of the company’s operating profit in the last four years, and where Iberdrola has demonstrated excellent performance. Among other issues, the Group was involved in 10 contentious matters relating to the regulated business during the 2019 – 2022 period, 80% of which had a favourable outcome, with a positive impact for the Group in excess of €900M during the period⁵⁸.

⁵⁵ The installed renewable capacity of NextEra, Enel, Endesa, EDF, Engie, E.On, SSE, EDP, RWE and Orsted has been analysed.

⁵⁶ The carbon phase-out plans of Enel, EDF, Engie, E.On, RWE, EDP and Naturgy have been analysed.

⁵⁷ RCF, or Retained Cash Flow.

⁵⁸ Information provided by the Company.

2. Value of the management team

Due to all the foregoing, some analysts consider management skills to be **one of the key pillars for their confidence in the Company's future performance**⁵⁹. For example, Barclays states that *"thanks to its valuable business mix and proven management skills, we consider Iberdrola one of the best models in the utilities sector"* and concludes that *"Iberdrola remains our Top Pick among European Utilities"*⁶⁰. In turn, HSBC notes that *"Iberdrola management has a track record of making strategic decisions that add value"*⁶¹.

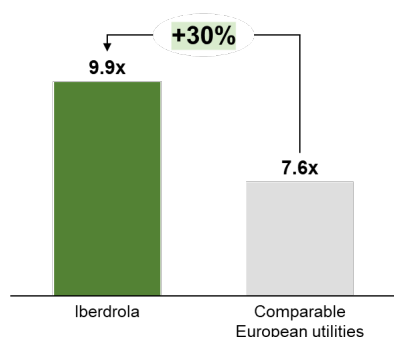
D. Recognition of future potential

All in all, Iberdrola continues to be considered as a company with the potential to continue creating value for its shareholders in the following strategic period.

Iberdrola's market valuation in terms of EV⁶²/EBITDA is 30% higher than its European peers', reflecting the attractiveness of Iberdrola's shares for shareholders and its potential as a driver for the creation of value in the current economic context. In addition, Iberdrola's PER ratio⁶³ also reflects the higher market valuation of the Company compared to its peers (Iberdrola PER of 22 vs. average of 13 among its European peers).

Figure 14: Iberdrola EV/EBITDA multiple compared to European peers⁶⁴

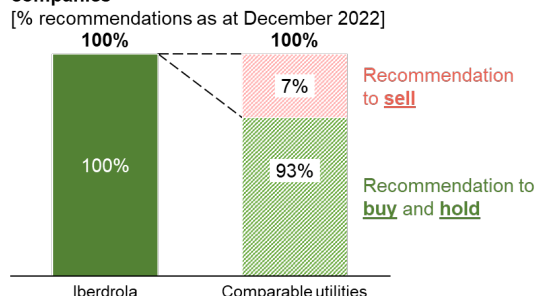
Iberdrola EV/EBITDA multiple compared to peers
[x times, 2022E to January 2023]



In addition, the percentage of **analysts who highlight the company's value creation potential** for its shareholders is higher for Iberdrola than for the average of its peers: Iberdrola did not have any sell recommendations at year-end 2022⁶⁵, compared to an average of 7% among the sample of peers. In fact, since the publication of the 2023 – 2025 strategy, nine of the analysts who cover Iberdrola (UBS, BNP, Credit Suisse, Bankinter, Santander, Renta4, Mediobanca, Goldman Sachs and Barclays) have **increased its target share price**.

Figure 15: Analyst consensus recommendations for Iberdrola and comparable European companies⁶⁶

Analyst consensus recommendations for Iberdrola versus comparable companies
[% recommendations as at December 2022]



⁵⁹ No negative assessments have been found from analysts regarding the performance of the chairman or the management team. The main reports issued by Barclays, Morgan Stanley, JP Morgan, HSBC, Credit Suisse, UBS and Deutsche Bank during the 2019 – 2022 period have been reviewed.

⁶⁰ Barclays, 01/12/2022.

⁶¹ HSBC, 07/08/2019.

⁶² EV, or Enterprise Value.

⁶³ PER, or Price to Earnings Ratio, calculated as Share Price (at financial year-end)/EPS (Earnings Per Share). 2022 data (excluding Enel, which had not published results as at the date of this report). Source: Capital IQ, using normalised EPS.

⁶⁴ Taking into account Enel, Engie and EDP (EDF excluded due to having a negative estimated EBITDA for FY22). Data at 31/12/2022. Source: Capital IQ.

⁶⁵ Taking into account "Strong Sell" and "Sell" recommendations.

⁶⁶ Data at 01/12/2022. Source: Information from Refinitiv Eikon analyst consensus.

3. Good governance of the Company: application of the Governance and Sustainability System

Iberdrola's Governance and Sustainability System provides tools that guarantee the **separation between the duties of strategy and supervision, organisation and coordination and those of day-to-day management, mitigating the risks associated with any potential concentration of power** within a single governance body or person.⁶⁷

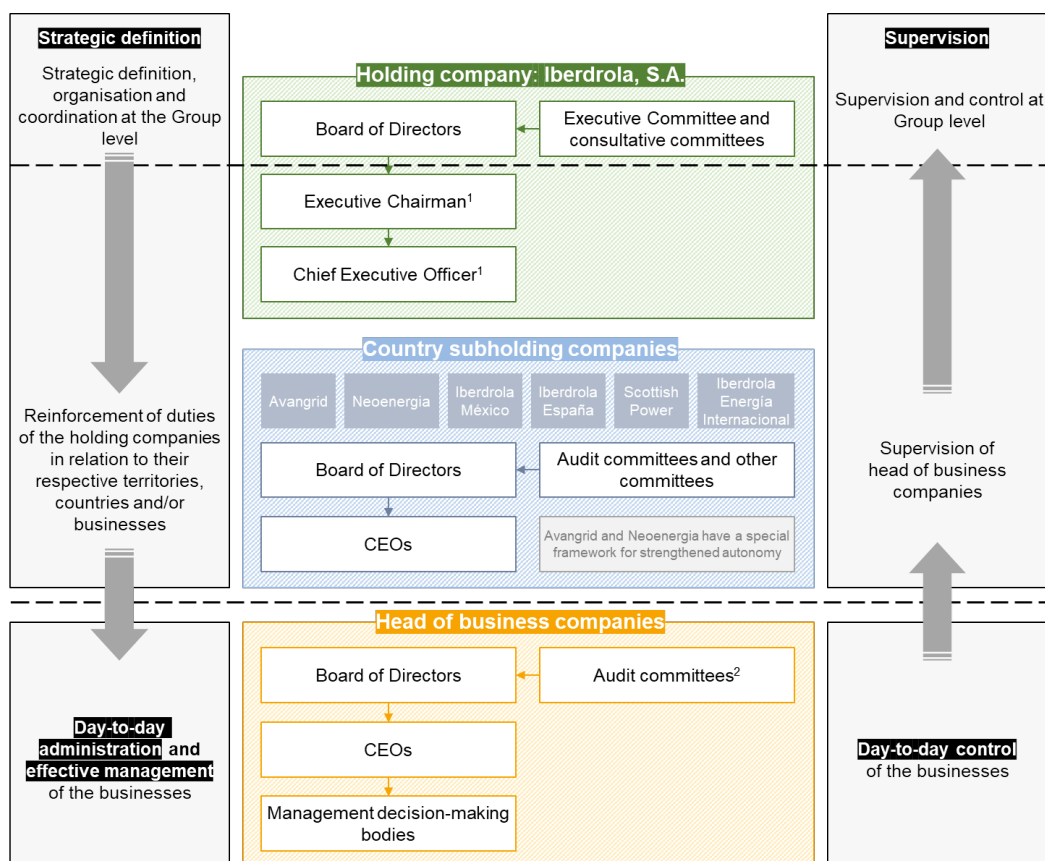
A. Separation of duties: corporate and governance structure

Iberdrola has a **corporate structure** that is organised into three levels: holding, country subholding and head of business companies. The holding company acts as the holder of the shares of the country subholding companies (established in the territories in which the various subsidiaries operate), which in turn hold the shares of the head of business companies.

In terms of the **governance model**, the effective separation of duties is based on the head of business companies being responsible for the executive management of the businesses, while the duties of strategy and supervision, organisation and coordination are assigned to the holding company. At an intermediate layer, the country subholding companies strengthen the functions of the holding company in relation to their respective territories, countries or businesses, based on their characteristics and features. This model ensures that there is an effective separation of defined roles and makes it possible to distance the responsibilities of supervision and day-to-day management of the businesses by two levels.

Additionally, the country subholding companies and head of business companies have their own boards of directors and management decision-making bodies, including chief executive officers, external directors and audit and compliance committees, as well as internal audit and compliance units or functions. This reinforces the autonomy of the head of business companies to implement the effective day-to-day administration and management of the businesses, in addition to reinforcing the system of checks and balances and controls⁶⁸.

Figure 16: Governance structure of the Iberdrola Group



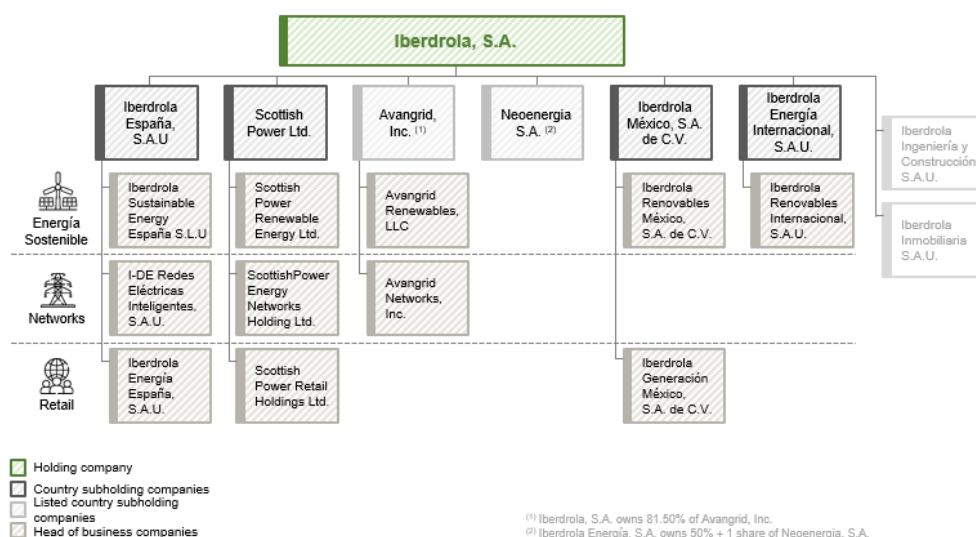
(1) The chairman of the Board of Directors and the chief executive officer are technically supported by the Operating Committee and the management team in the performance of their respective strategic supervisory, organisational and coordination duties at the Group level; (2) In the case of regulated head of business companies.

⁶⁷ Based on Iberdrola's Governance and Sustainability System. Annex B includes details of the policies consulted.

⁶⁸ The listed country subholding companies ("Avangrid, Inc." and "Neoenergia, S.A.") have a special framework of strengthened autonomy that establishes appropriate measures to safeguard the interests of the minority shareholders of those companies.

3. Governance and Sustainability System

Figure 17: Simplified outline of the corporate structure of the Iberdrola Group



B. Independence and operation of the Board of Directors

Iberdrola's Governance and Sustainability System has mechanisms and conditions that make it possible to ensure the **proper operation of the Board of Directors**, and particularly **strengthen its independence so that it can carry out its supervisory duty**.

Composition and operation of the Board of Directors. As a result of a pioneering process to transform its composition that was started almost two decades ago, the composition of Iberdrola's Board of Directors is now a benchmark in terms of independence, refreshment and diversity. In addition, the directors have shown full commitment to carrying out their duties.

- Iberdrola has strengthened the independence of its Board of Directors in the last two decades. In 2003⁶⁹, the Company had 48% independent directors. By 2012, this figure had increased to 65%. Today, **71% of the members of Iberdrola's Board of Directors are independent directors** (10 out of 14, comprising 71% versus the IBEX-35 average of 55%⁷⁰). It should be noted that the Company's By-Laws do not allow the Board of Directors to propose or make appointments that would overturn this majority.
- As a result of a continuous refreshment process, **57% of Iberdrola's current directors have been in office for fewer than five years** (vs. an IBEX-35 average of 53%), compared to the 43% recorded in 2012.
- Iberdrola's Board of Directors has a balanced gender composition. **Women currently represent 43% of the total members of the board** (vs. an IBEX-35 average of 37%), due to a refreshment process that has been committed to gender equality for almost two decades.
- The first foreign member of Iberdrola's Board was a British director appointed in 2009. This started a process of internationalisation that has culminated in the current **presence of six nationalities on the Board** (29% of directors are foreign as opposed to an IBEX-35 average of 23%). In addition, Iberdrola's Board of Directors is diverse in terms of the **knowledge, skills and experience of its members** (71% of directors have training in business or economics and finance, 43% in law, 29% in engineering and 14% in humanities).
- Iberdrola makes training and information programmes available to its directors, which, via sessions at the different governance bodies and documentation included on the directors' website, ensures that the Board members acquire new knowledge in matters that are significant for the exercise of their duties. There were **49 training sessions and documents** in 2022, addressing significant topics including cybersecurity, risk management and climate change governance, among others.
- The directors **have consistently attended all meetings of the Board of Directors and the consultative committees** during the last four years (average 100% attendance⁷¹). In addition, to

⁶⁹ The directors started to be classified as executive, proprietary external and independent external in 2003.

⁷⁰ The comparative analysis with the IBEX-35 refers to the composition of the boards of directors as at the end of January 2023. Source: Corporate information from the companies.

⁷¹ Source: *Activities Report of the Board of Directors and of the Committees thereof* (2019 – 2022).

3. Governance and Sustainability System

guarantee the dedication of the directors, Iberdrola's By-Laws provide that its directors are limited to being members of no more than three boards of listed companies.

Consultative Committees. The consultative committees are **made up of a majority of independent directors and chaired by directors from the same category**. Specifically, the Audit and Risk Supervision Committee and the Sustainable Development Committee are made up entirely of independent directors, and 67% of the members of the Appointments Committee and the Remuneration Committee are independent directors.

Lead Independent Director. Iberdrola has a lead independent director, appointed upon a proposal of the Appointments Committee, with the executive directors abstaining from the appointment.

- The lead independent director **has broad powers** that extend beyond those established by law, are aligned with the recommendations of the National Securities Market Commission (CNMV) *Good Governance Code of Listed Companies* and consolidate the checks-and-balances role thereof. The lead independent director is allocated the following powers, among others: together with the executive chairman, planning the annual schedule of meetings of the Board of Directors; together with the executive chairman, preparing the agenda for each Board meeting and, if applicable, requesting the inclusion of matters on the agenda for meetings that have already been called; coordinating, gathering and reflecting the concerns of the non-executive directors; directing the periodic evaluation of the chairman; leading any succession process regarding the chairman; and maintaining contacts with shareholders and proxy advisors.
- In addition, the role of the lead independent director and the effectiveness thereof in providing checks and balances are currently **reinforced insofar as the lead independent director is also the first vice-chair of the Board and chair of the Company's Remuneration Committee**, as well as a **member of the Executive Committee**.
- **Iberdrola reports on the work performed by the lead independent director** in the *Annual Corporate Governance Report*, particularly with regard to the annual evaluation of the chairman, which is led by the lead independent director, as well as the annual meetings that the lead independent director holds with the external directors in the framework of that evaluation.

Vice-Chairs. Iberdrola has two non-executive vice-chairs, both classified as independent, who reinforce the Company's checks-and-balances mechanisms and prevent any potential risk of temporary power vacuums on the Board. The vice-chair has the power to temporarily replace the chairman of the Board in the event of vacancy, absence, illness, or incapacity.

In addition, Iberdrola applies the most advanced corporate governance practices, particularly in matters of transparency, appointment of directors, remuneration, risk supervision and control of conflicts of interest⁷², which reinforce the good governance of the Company.

C. Appointment of a chief executive officer

On 25 October 2022, **Iberdrola separated the roles of executive chairman and chief executive officer**, appointing Mr Armando Martínez Martínez as chief executive officer while continuing the assignment to him of the duties he had previously been performing in his position as Business CEO.

The Board entrusts the highest executive duties regarding the Group's businesses to its chief executive officer, allocating the remaining powers to the chairman. This separation of roles is one more step in reinforcing the organisational model of the Group, which already counts on other executive checks and balances through the chief executive officers of its country subholding companies and head of business companies.

The duties of the chief executive officer include the following key responsibilities:

- **The Group's businesses.** The chief executive officer has overall responsibility for the day-to-day management of the business of the Group companies, with the highest executive duties in that area. As a result, the Group's global business CEOs (renewables, networks and retail) report to him. In turn, these business CEOs chair the boards of directors of the head of business companies, which, as described in the organisational model, are the bodies directly responsible for supervising the effective day-to-day management of the businesses and for the control thereof.
- **Geographic areas.** Additionally, the chief executive officers of the country subholding companies⁷³, who are responsible for the performance of the mentioned companies in each country

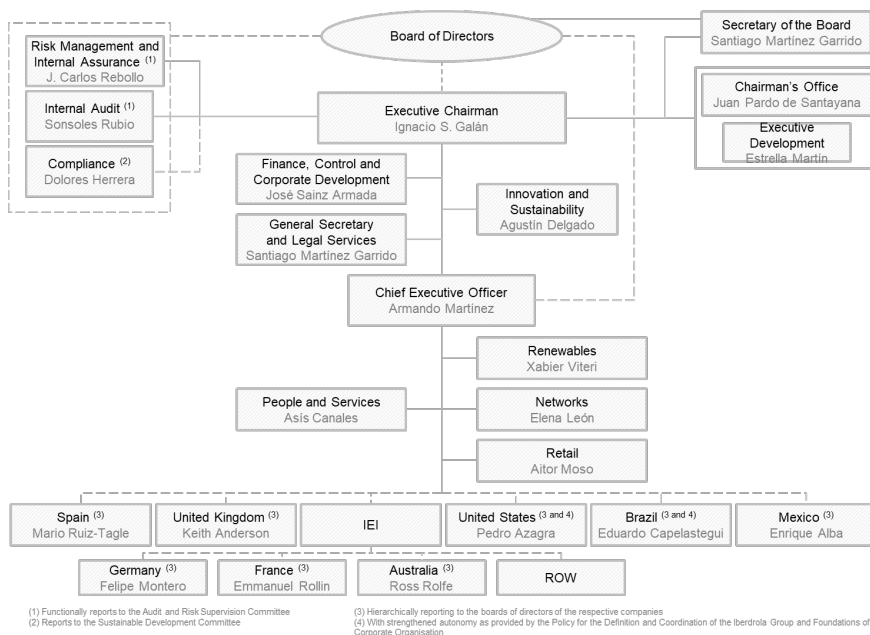
⁷² Details in Annex C.

⁷³ Including those responsible for the geographic areas reporting to Iberdrola Energía Internacional, S.A.U.

3. Governance and Sustainability System

or territory, report to Iberdrola's chief executive officer⁷⁴, without undermining the effective separation of duties established in the Governance and Sustainability System.

Figure 18: Organisational chart of the Iberdrola Group⁷⁵



D. Shareholder engagement.

Iberdrola fosters two-way interaction between the Company and its shareholders to provide transparency and guarantee the proper operation of the General Shareholders' Meeting, among other things.

In 2015, Iberdrola was the first Spanish company and one of the first worldwide to formalise a **Shareholder Engagement Policy**, with the aim of reinforcing the position of shareholders as a key element in the Company's corporate governance, fostering their effective involvement to ensure the alignment of their interests and those of the Company. For this purpose, the Policy establishes dialogue and participation channels in addition to the General Shareholders' Meeting, which, without undermining its powers, foster two-way interaction between the Company and its shareholders.

In 2022, **Institutional Investor recognised Iberdrola's performance in this area** by granting it awards for Best IR Team, Best IR Program, Best IR Professional and Best Analyst/Investor Event.

E. External recognition of good governance

Iberdrola's governance bodies are subject to an annual **external assessment to confirm their proper operation and alignment with the most demanding corporate governance standards**. The average compliance with the indicators assessed in the last four years has been 99%, based on 400 indicators.

This assessment exercise is supported by the various **awards Iberdrola has received for corporate governance**, including (i) the World Finance Corporate Governance Award for the best corporate governance in Spain, which Iberdrola was granted for the ninth time in 2022, (ii) Ethical Boardroom naming Iberdrola the utility with the best corporate governance in Europe (the Award for Best Corporate Governance), which it has won on six occasions since 2014, and (iii) the Best Company Board award for the European utilities sector, received from Institutional Investor in 2022. Iberdrola also has one of the top ISS ratings for its corporate governance practices.

⁷⁴ Hierarchically reporting to the boards of directors of the respective companies.

⁷⁵ Organisational chart of the Company available on the corporate website as at 21/02/2023.

Annexes

Annex A. Sample of comparable companies selected for analysis

A sample of nine comparable utilities has been selected for the comparative analysis of Iberdrola's performance. The sample considers the four main comparable companies from the EuroSTOXX Utilities index (Enel, Engie, EDP, EDF), as well as the five main comparable companies from the S&P 500 Utilities index (NextEra, Duke, Southern Company, Dominion, Sempra).

Figure 19: Sample of comparable companies selected for analysis⁷⁶

Rationale	#	Company	Geography	Notes
Top components EuroSTOXX utilities	1	Iberdrola, S.A.	Spain	EuroSTOXX utilities - REE and Terna are excluded as their activities are focused operating the electricity transmission system. - Veolia is excluded as it is a non-comparable business . - RWE and E.On are excluded as both companies have been immersed during the period in a business restructuring and asset exchange process that compromises the comparability of their results for the period.
	2	Enel S.p.A.	Italy	
	3	Engie SA	France	
	4	EDP Energías de Portugal	Portugal	
	5	EDF Electricité de France	France	
Top components S&P 500 utilities	6	NextEra Energy, Inc.	USA	
	7	Duke Energy Corporation	USA	
	8	Southern Company	USA	
	9	Dominion Energy, Inc.	USA	
	10	Sempra Energy	USA	

Annex B. Details of corporate governance policies and regulations consulted

The policies and regulations established in Iberdrola's Governance and Sustainability System have been taken as a reference point, with a particular focus on the following:

- *General Corporate Governance Policy*, version approved by the Board of Directors on 20 December 2022.
- *Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation*, version approved by the Board of Directors on 20 December 2022.
- *Board of Directors Diversity and Member Selection Policy*, version approved by the Board of Directors on 20 December 2022.
- *Director Remuneration Policy*, version approved by the shareholders at the General Shareholders' Meeting on 18 June 2021.
- *Regulations of the Board of Directors*, version approved by the Board of Directors on 20 December 2022.

Annex C. Additional good governance reinforcement measures:

Iberdrola applies the most **advanced corporate governance practices**, particularly in matters of transparency, appointment of directors, remuneration, risk supervision and control of conflicts of interest.

- **Transparency.** Iberdrola is aligned with the best global practices in terms of dissemination of corporate governance information and it publishes the *Activities Report of the Board of Directors and of the Committees thereof* on an annual basis to provide a detailed report to the market on the activities of its governance bodies.
- **Appointment of directors.** The director appointment process is led by the Appointments Committee, which is made up of a majority of independent directors and chaired by an independent director. The process is based on the provisions of the *Board of Directors Diversity and Member Selection Policy*. The purpose of this Policy is to ensure that proposed appointments of directors are based on a prior analysis of the Board's needs, as well as guaranteeing a diversity of skills, knowledge, experience, origins, nationalities, age and gender in terms of the composition of the Board.

⁷⁶ Iberdrola is part of the EuroSTOXX Utilities index, comprising the main component of the index as at year-end 2022.

- **Remuneration.** The *Director Remuneration Policy* approved in 2021 by the shareholders at the Company's General Shareholders' Meeting links the short and long-term variable remuneration of the executive directors to the achievement of the Company's financial and non-financial objectives. The Remuneration Committee, made up of a majority of independent directors and chaired by an independent director, evaluates the performance of the Company regarding the targets set for each year at the end of each financial year and to determine the level of achievement thereof.
- **Risk Supervision.** The Audit and Risk Supervision Committee, made up entirely of independent directors, continuously monitors the Company's risks, including: the risks of the Group's Businesses, those arising from climate change, technological, environmental, social, regulatory, reputational and cybersecurity risks, as well as those associated with the activities of the Finance, Control and Resources Division. It also annually reviews the Group's risk policies, proposing any applicable updates to the Board of Directors.
- **Control of conflicts of interest.** The internal corporate governance regulations provide defined rules and procedures to address any conflicts of interest that might arise within the Board. Whenever required by law, the Company reports any cases of conflict of interest in which the directors have been involved during the financial year in question in the Financial Statements.