



Activities Report  
of the **Board of  
Directors and of  
the Committees**  
thereof - 2020



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*Translation from the original in Spanish. In the event of any discrepancy, the Spanish-language version shall prevail.*



# 01. Presentation



Within the framework of our ongoing commitment to transparency, ethics and best corporate governance practices, we are once again publishing the Activities Report of the Board of Directors and of the Committees thereof.

The report provides a detailed description of the main activities carried out by Iberdrola's management decision-making bodies during the last financial year, particularly including the approval and amendment of various policies that have made it possible to offer an effective response to the unprecedented situation we have experienced. Based on these activities, the company has managed to continue to provide service to its customers and to preserve the safety of its workforce and partners.

Iberdrola's activities in 2020 have demonstrated the Company's ability to create sustainable value for all of its Stakeholders at a time of enormous complexity. And we maintain this same commitment in the process of economic recovery that we are now facing.

Throughout the year Iberdrola has fostered the development of new projects involving renewable energy, electric grids and storage, thereby confirming our leadership in the energy transition and ensuring the preservation of hundreds of thousands of jobs, both at our company and at the thousands of suppliers working for us.

Another issue addressed by the Board of Directors during this financial year has been the strengthening of our global strategic position through various corporate transactions in countries in which the group already had a presence (like the United States, Brazil and France) and in new markets like Australia, Japan and Sweden.

This positioning will be reinforced in the coming years by the 2020-2025 investment plan, which amounts to a record 75,000 million euros and defines Iberdrola as a key player in a green recovery, fully in tune with the Next Generation EU programme approved by the European Commission. The monitoring and oversight of this plan, together with the assessment of new opportunities for growth within the context of the energy transition, will certainly be among the priorities of the Board of Directors in the coming year.



In the performance of all these activities, the group will continue to be guided, as it has always been, by strict environmental, social and good governance standards. For this purpose, Iberdrola has reshaped its Corporate Governance System in 2020 in accordance with the ESG standards, which are increasingly used by investors in their decision-making processes.

The System, now called the Governance and Sustainability System, puts Iberdrola firmly at the international forefront in corporate governance, and includes a new Diversity and Inclusion Policy that encompasses all of the Company's initiatives and adopts the latest trends in this area.

I would like to acknowledge and thank all the members of the Board of Directors and its committees, who, together with the wonderful team of people that make up the Iberdrola group, make it possible for us to continue to develop a safer and more competitive energy model and to drive a sustainable economic recovery.

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# 02. Board of Directors



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The primary purpose of Iberdrola's Board of Directors is to establish, supervise and implement the strategy of the Company and its group. It also defines its management guidelines and continuously reviews and updates its Governance and Sustainability System, and particularly its corporate policies.

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## 02.A Composition and attendance

In 2020 Iberdrola approved a *Diversity and Inclusion Policy* aimed at ensuring the creation of a favourable environment for all its professionals. Its principles and guidelines apply to the *Board of Directors Diversity and Member Selection Policy*, which seeks to ensure an optimal composition of the Company's governance bodies.

Said Policy provides that the selection of candidates for independent director shall first consider external directors of companies in which the group has an interest, which ensures that the new members are acquainted with the industry and that they will rapidly adapt to the dynamics of the Board of Directors.

The director selection process has been designed to weigh the contribution of each candidate to diversity in terms of skills, expertise, professional experience, origin, nationality, age and gender. In particular, pursuant to the provisions of Sustainable Development Goal (SDG) Five, any kind of discrimination hindering the appointment of female directors is avoided.

Furthermore, the Appointments Committee annually reviews the planning matrix for the renewal of the Board of Directors, which is another key element on which the director selection process is based. In addition to avoiding any kind of bias entailing discrimination on the grounds of gender, ethnic origin, age or disability, among other reasons, this tool seeks to reinforce competencies identified as essential for the proper operation of the governance bodies.

In this way, over the last fifteen years, more than 40% of appointments of non-executive directors have gone to non-Spanish persons, all of them coming from countries in which the group does business, and almost 50% have gone to women, within the framework of a process of internationalisation and active encouragement of gender diversity.

The result of this process is a balanced composition, with a broad majority of independent directors (71.4%) and with remarkable professional qualifications and experience among its members, which reveals a clear focus on diversity in terms of expertise, origin and gender.

The current composition of the Board of Directors also complies with Recommendation 15 of the *Good Governance Code of Listed Companies* revised in June 2020 to have a number of female directors of no less than 30% by 2022, having already reached 36% of female directors, who also chair two of the consultative committees of the Board of Directors.



The Board of Directors held a total of seven meetings in 2020, with the attendance of 100% of the directors, who also approved resolutions in writing and without a meeting on two other occasions.

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[Links to the \*Board of Directors Diversity and Member Selection Policy\* and to the \*Diversity and Inclusion Policy\*](#)

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For more information on the profiles of the members of the Board of Directors, please click on their names to access their curricula vitae.



**José Ignacio Sánchez Galán**

Chairman & CEO

Type: executive

Year of first appointment: 2001



**Juan Manuel González Serna**

Vice-chair and lead independent director

Type: independent

Year of first appointment: 2017



**Íñigo Víctor de Oriol Ibarra**

Type: other external<sup>1</sup>

Year of first appointment: 2006



**Samantha Barber**

Type: other external<sup>1</sup>

Year of first appointment: 2008



**María Helena Antolín Raybaud**

Type: independent

Year of first appointment: 2010



**José Walfredo Fernández**

Type: independent

Year of first appointment: 2015



**Manuel Moreu Munaiz**

Type: independent

Year of first appointment: 2015

<sup>1</sup> Mr Íñigo Víctor de Oriol Ibarra and Ms Samantha Barber are classified as other external because they have exceeded 12 years in office.



**Xabier Sagredo Ormaza**

Type: independent

Year of first appointment: 2016



**Francisco Martínez Córcoles**

**Business CEO**

Type: executive

Year of first appointment: 2017



**Anthony L. Gardner**

Type: independent

Year of first appointment: 2018



**Sara de la Rica Goiricelaya**

Type: independent

Year of first appointment: 2019



**Nicola Mary Brewer**

Type: independent

Year of first appointment: 2020



**Regina Helena Jorge Nunes**

Type: independent

Year of first appointment: 2020



**Ángel Jesús Acebes Paniagua**

Type: independent

Year of first appointment: 2020<sup>2</sup>

<sup>2</sup> Mr Ángel Jesús Acebes Paniagua was first appointed on 24 April 2012 and remained in office until 28 March 2019. On 20 October 2020 he was re-appointed as a member of the Board of Directors on an interim basis (co-option).



**Julián Martínez-Simancas Sánchez**  
Non-director secretary

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**Santiago Martínez Garrido**  
First non-director deputy secretary

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**Ainara de Elejoste Echebarría**  
Second non-director deputy secretary

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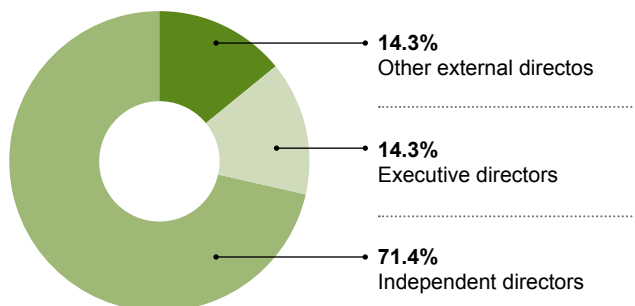
**Rafael Mateu de Ros Cerezo**  
Counsel to the Board

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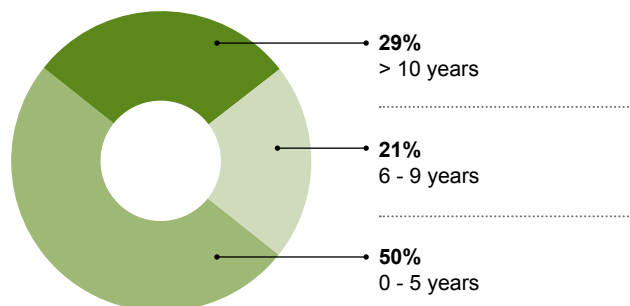


## Seniority and independence of the directors

### Composition of the Board of Directors

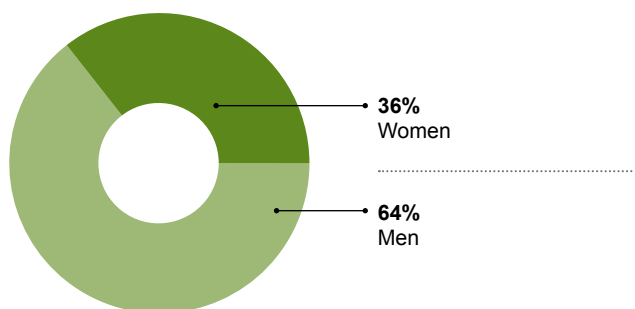


### Seniority of directors

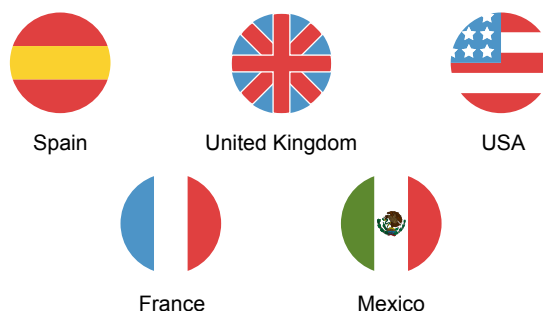


## Gender and nationalities

### Gender diversity



### Nationalities\*



## Skills of the directors

Administration and senior management	(13 of 14)
Accounting, financial and risk management	(11 of 14)
Energy and industrial sector	(14 of 14)
Electricity sector	(6 of 14)
Retail, international in the principal markets	(11 of 14)
Corporate governance and sustainable development	(13 of 14)
Institutional and legal	(7 of 14)
Remuneration systems	(6 of 14)
Human capital and talent management	(8 of 14)
Digitalisation and cybersecurity	(2 of 14)

\* The Mexican nationality was present on the Board of Directors until the cessation in office of Ms Georgina Kessel Martínez on 20 October 2020.



## 02.B Key issues

Despite the restrictions on domestic and international travel imposed during the financial year as a consequence of the COVID-19 pandemic, Iberdrola's governance bodies showed remarkable resilience and managed to operate exactly the same as usual.

Whenever allowed by the situation, the corporate decision-making bodies met at the registered office.

In addition, the Company managed to adapt the 2020 General Shareholders' Meeting to the situation deriving from the pandemic by holding it exclusively by remote means on the date originally announced.

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### Balanced growth

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- Preparation of the group's annual accounts.
- Presentation of quarterly, half-yearly and annual results and management reports: level of achievement of the outlook.
- Performance and expectations of each of the group's businesses and status of the issues with a strategic impact on them: regulatory and technological changes, risks and opportunities arising from the energy transition, from the public decarbonisation policies and from climate change.
- Analysis of the impacts of the measures taken by different governments to fight the pandemic.
- Investment opportunities in strategic markets: PNM Resources (USA), Infigen Energy (Australia), Aalto Power (France), Acacia Renewables (Japan) and Svea Vind Offshore (Sweden).
- Presentation of Business Plan 2020-2025 and Vision 2030 at *Capital Markets Day* on 5 November 2020.
- Budgets for financial year 2021.

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### Sustainable remuneration of shareholders

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- Shareholder remuneration in line with *Outlook 2018-2022*: implementation of the "Iberdrola Flexible Remuneration" optional dividend system.
- Renewal of the "Iberdrola Flexible Remuneration" optional dividend system for the coming financial year.
- Shareholder remuneration set out in Business Plan 2020-2025.

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### Sustainability

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- Risks and opportunities arising from climate change.
- *Statement of Non-Financial Information. Sustainability Report.*
- Monitoring of the group's greenhouse gas emission reduction targets.
- Publication of the *Tax Transparency Report.*
- Publication of the *Gender Equality Report.*
- Monitoring of activities with an impact on Stakeholders; alignment with the SDGs and with



the requirements of the leading bodies in this field.

- Talent management: *Global Labour Climate Survey* and analysis of best practices in talent management and executive development.
- Acknowledgement of the budgets of the various foundations of the group.
- Amendment of the *General Sustainable Development Policy* and of the *Human Resources Framework Policy*.
- Supervision of activities with an impact on the social dividend.
- Approval of the *Diversity and Inclusion Policy*.

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## Financial strength

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- Approval of major financial transactions of the group: closing of the largest issue of bonds.
- Issues of green bonds and other financing instruments by the parent company and by Avangrid, and green financing agreement with the European Investment Bank (EIB) and the Instituto de Crédito Oficial (ICO).
- Monitoring of key financial indicators: interest rate structure, liquidity position and exchange rate transactions.
- Divestments from non-strategic assets: sale of the interest in Siemens Gamesa Renewable Energy, S.A.

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## Control of corporate risks

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- Review and update of the *Risk Policies* and approval of guidelines on risk limits for 2020.
- Elimination of treasury shares criteria following their repeal by the CNMV.
- Monitoring of the risk control and management systems and of the level of compliance with the *Corporate Tax Policy*.
- Proposed re-election of the statutory auditor and appointment of the assurance provider for the *Statement of Non-Financial Information. Sustainability Report*.
- Impacts on the group arising from the pandemic in the countries in which it is present and measures adopted to mitigate them.

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## Corporate governance and compliance

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- Holding of the General Shareholders' Meeting exclusively by remote means.
- Adaptation of the Corporate Governance System (now the Governance and Sustainability System) to the CNMV's revised *Good Governance Code of Listed Companies*.
- Amendment of internal regulations for the proper remote operation of the governance bodies.
- Reorganisation of the Corporate Governance System based on environmental, social and governance standards and, accordingly, change of its name to the Governance and Sustainability System.
- Appointments and re-elections of directors: appointment of Ms Nicola Mary Brewer, of Ms Regina Helena Jorge Nunes and of Mr Ángel Jesús Acebes Paniagua as independent directors, and re-election of Mr Íñigo Víctor de Oriol Ibarra as other external director and of Ms Samantha Barber as independent director, subsequently reclassified as other external director.



- Appointments and re-elections to internal positions and of committee members: appointment of Mr Juan Manuel González Serna as vice-chair of the Board of Directors and as a member of the Executive Committee; appointment of Ms Regina Helena Jorge Nunes as a member of the Audit and Risk Supervision Committee, of Mr Íñigo Víctor de Oriol Ibarra as a member of the Remuneration Committee, of Ms Nicola Mary Brewer as a member of the Sustainable Development Committee, and of Mr Ángel Jesús Acebes Paniagua as a member of the Executive Committee and of the Appointments Committee; appointment of Ms Sara de la Rica Goiricelaya as chair of the Sustainable Development Committee; and re-election of Ms Samantha Barber as a member of the Executive Committee and of Mr Xabier Sagredo Ormazá as a member of the Audit and Risk Supervision Committee.
- Appointment of Ms Ainara de Elejoste Echebarría as second non-director deputy secretary of the Board of Directors.
- Appointment of Mr Juan Carlos Rebollo Liceaga as Director of Risk Management and Internal Assurance.
- Approval of proposed appointments of independent directors at country subholding companies.
- Remuneration of the members of the Board of Directors and of senior management, and definition of objectives linked to annual variable remuneration 2020.
- Verification of level of compliance with the objectives to which the Strategic Bonus 2017-2019 is linked and making of the first annual payment.
- Designation of beneficiaries of the Strategic Bonus 2020-2022, allotment of stock awards and approval of the respective regulations.
- Definition of guidelines for evaluation of the operation of the corporate decision-making bodies.
- Monitoring contacts with shareholders.
- Acknowledgement of the *Annual Compliance System Effectiveness Report* prepared by the Compliance Unit.

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## Priorities for 2021

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- Implementation of medium- and long-term Business Plan.
- Risks and opportunities arising from climate change and reporting thereon.
- Monitoring the Next Generation EU programme.
- Analysis of opportunities for growth.
- Monitoring of risks arising from the COVID-19 pandemic.



## 2.C Appearances

The Director of Administration and Control has regularly appeared before the Board of Directors.

In addition, the Finance, Control and Resources Director (CFO), the Directors of Purchasing and Insurance, Liberalised Business, Networks Business and Renewables Business, and the heads or executives of the following areas and/or companies of the group have been invited on particular occasions:

- Innovation, Sustainability and Quality
- Human Resources, General Services and Corporate Security
- Global Tax
- Data Protection
- Iberdrola España, S.A.U.
- ScottishPower Ltd.
- Neoenergia, S.A.
- Iberdrola México, S.A. de C.V.

Various external advisors have also appeared before the Board.

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[Link to the \*Regulations of the Board of Directors\*](#)

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# 03. Executive Committee



The Executive Committee provides the Board of Directors with flexibility for the rapid adoption of strategic decisions, and meets with greater frequency.

## 03.A Composition and attendance

Name	Position	Type	First appointment to the Committee
José Ignacio Sánchez Galán	Chair	Executive	2001
Juan Manuel González Serna	Member	Independent	2020
Manuel Moreu Munaiz	Member	Independent	2016
Samantha Barber	Member	Other external	2017
Ángel Jesús Acebes Paniagua	Member	Independent	2020 <sup>3</sup>
<b>Julián Martínez-Simancas Sánchez</b>	Non-director secretary		

During financial year 2020 Mr Juan Manuel González Serna was appointed as a member of the Executive Committee to replace Ms Inés Macho Stadler. Subsequently, Mr Ángel Jesús Acebes Paniagua joined the Committee, with the number of members of the Committee increasing by one.

All members of this Committee attended 100% of the sixteen meetings called during financial year 2020.

## 03.B Key issues

### Profitable growth

- Monitoring of the operating indicators by business and by geographic area.
- Monitoring of the financial results of the group companies.
- Monitoring of investment projects in the Liberalised Business, the Networks Business and the Renewables Business.
- Creation of the “Smart Solutions” and “Hydrogen” business areas.
- Analysis of the acquisitions of PNM Resources (USA), Infigen Energy (Australia), Aalto Power (France) and Acacia Renewables (Japan).
- Main regulatory and tariff updates of the Networks Business subsidiaries.
- Strategy and Business Plan 2020-2025 and Vision 2030.

<sup>3</sup> Mr Ángel Jesús Acebes Paniagua was first appointed as a member of the Executive Committee on 23 July 2013 and remained in office until 28 March 2019. On 20 October 2020 he was reappointed as a member of this Committee.



- Basis for the group's budget for financial year 2021 and monitoring of the implementation of the budget for 2020.

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## Sustainability

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- Conclusions from Iberdrola's participation in the Davos World Economic Forum and at the BlackRock Global Summit 2020.
- Analysis of questions raised by shareholders and proxy advisors.
- Iberdrola's presence on sustainability indices.
- Monitoring the effect of COVID-19 on the workforce.
- European energy policy: decarbonisation outlook to 2050 and sustainable investment plan.

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## Financial strength

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- Changes in share price, credit rating and opinion of financial analysts.
- Major financial transactions.
- Change in composition of the shareholders of the Company.
- Implementation of the divestment plan: sale of the interest in Siemens Gamesa Renewable Energy, S.A.
- Issues of green bonds by the parent company and by Avangrid, and green financing agreement with the European Investment Bank (EIB) and the Instituto de Crédito Oficial (ICO).

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## Review of risk

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- Impacts on the group arising from the pandemic.
- Pattern of changes in demand resulting from the COVID-19 crisis.
- Analysis of Brexit-related impacts and measures.
- Changes in the energy regulatory environment with an impact on the group.
- Evaluation of the risks arising from climate change.

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## Priorities for 2021

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- Energy transition roadmap.
- Update of the medium- and long-term Business Plan.
- Monitoring of the investment plan.
- Management of risks deriving from the pandemic.
- Monitoring of sustainability-related activities.



## 03.C Appearances

The Business CEO has regularly appeared before the Committee.

In addition, the Finance, Control and Resources Director (CFO), the Directors of Administration and Control and of Corporate Development, and the heads or executives of the following areas and/or companies of the group have been invited on particular occasions:

- Innovation, Sustainability and Quality
- Human Resources, General Services and Corporate Security
- Energy Policies and Climate Change
- Brussels Office



# 04. Audit and Risk Supervision Committee



*“During financial year 2020 the Audit and Risk Supervision Committee paid special attention to the comprehensive monitoring of risks at the Iberdrola group and particularly to those arising from the COVID-19 pandemic.”*

– Xabier Sagredo Ormaza (chair of the Committee)

## 04.A Composition and attendance

Name	Position	Type	First Appointment
Xabier Sagredo Ormaza	Chair	Independent	2016
José Walfredo Fernández	Member	Independent	2015
Regina Helena Jorge Nunes	Member	Independent	2020
<b>Rafael Sebastián Quetglas</b>	Non-director secretary		

Ms Regina Helena Jorge Nunes was appointed as a member of the Audit and Risk Supervision Committee on 2 April 2020, to replace Ms Denise Mary Holt. In addition, Ms Georgina Kessel Martínez ceased to be a member of the Committee on 20 October 2020 as she ceased to be a director of Iberdrola, with the composition of the Committee then being reduced to three members. The selection of its members (all of whom are independent directors) is based on the qualifications and experience described in their respective profiles.

All members of this Committee attended 100% of the eleven meetings called during financial year 2020.

## 04.B Key issues

### Financial information and internal control

- Report to the Board of Directors on the annual accounts for financial year 2019, and on the quarterly accounts and those for the first half of 2020.
- Reports to the Sustainable Development Committee regarding the sections on risks and Internal Control over Financial Reporting (“**ICFR**”) system of the *Annual Corporate Governance Report*.
- *Memorandum of internal control recommendations* resulting from the financial information audit of financial year 2019 and implementation of said recommendations.
- Verification that the published financial information coincides with the information approved



by the Board of Directors and analysis of alternative performance measures used in the annual accounts and in the management report.

- Evaluation of the ICFR system: activities by the Administration and Control Division and by the Internal Audit Area.
- Review of the map of companies making up the Iberdrola group.

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## Risk management and control

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- Report to the Board of Directors on the risk control and management systems during financial year 2019 and quarterly and half-yearly analysis of risks.
- Monitoring of risks deriving from the pandemic.
- Ongoing review of the ICFR system and of the project for the design of the Internal Control over Non-Financial Reporting System (“**ICNFRS**”).
- Proposal to the Board of Directors regarding the amendment of the Risk Policies.
- Reporting on the risks affecting the group businesses, risks arising from climate change, technological and cybersecurity risks, and risks associated with the activities of the Finance, Control and Resources Division.
- Monitoring of reputational risks and analysis of alert mechanisms.

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## Internal Audit

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- Activity plan, budget and objectives for 2021. Monitoring and, if necessary, update thereof.
- Acknowledgement of the activities report of the Internal Audit Area for financial year 2019 and evaluation of the performance of its head.
- Monitoring of the activities and recommendations of the Internal Audit Area.
- Increase in the budget of the Internal Audit Area.
- Analysis of the Internal Audit Area’s note on the recommendations of ESMA to financial market players in connection with the spread of the pandemic.
- Analysis of the Internal Audit Area’s note on compliance with transparency and reporting obligations in prospectuses.
- Review of the results of the internal audit of: (i) the systems for control and management of reputational risks and of the risk of commission of the crime of corruption in business and (ii) the global corporate SAP access security model.

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## Statutory audit

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- Proposed re-election of the statutory auditor of the Company and its consolidated group to perform the audit for financial years 2020 and 2021.
- Monitoring of new accounting developments (an external professional assisted with this work).
- Approval of the provision of audit-related services by the auditor.
- Terms for hiring the statutory auditor.
- Evaluation of the statutory auditor.



- Analysis of the independence of the statutory auditor in connection with the audit report.
- Meeting with the external auditor to report on the work performed and evaluation of the accounting and risk situation of the Company.

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## Other activities

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- Monitoring of the Company's treasury shares.
- Review of special purpose entities.
- Report on the level of compliance with the *Corporate Tax Policy* and the tax standards applied, and review of the tax transparency report.
- Review of the accounting statement relating to the distribution of an interim dividend for financial year 2020 within the framework of the "Iberdrola Flexible Remuneration" system.
- Strategic cybersecurity plan, cyber-resilience capacity and plans for continuity of the businesses of the Iberdrola group.
- Supervision of ethics mailboxes and of investigations regarding financial and accounting improprieties.
- Monitoring of the changes made to the draft version of the new *Good Governance Code of Listed Companies*.
- Preparation of a proposal to the Board of Directors on the appointment of an independent service provider responsible for verifying the information contained in the statement of non-financial information.
- Review of litigation and claims during the financial year.
- Approval of schedule of meetings, appearances and training agenda, as well as the annual work plan for financial year 2021. Half-yearly review of the annual work plan 2020.
- Acknowledgement of the activities report of the Risk Management and Internal Assurance Division for financial year 2020 and approval of its budget for 2021.
- Performance of duties within the purview of an audit committee of the Company's subsidiaries "Iberdrola Finanzas, S.A." (Sociedad Unipersonal), "Iberdrola Finance Ireland, DAC" and "Iberdrola International B.V.", including, among others, the preparation of reports for submission to their respective management decision-making bodies regarding their economic/financial information and regarding the independence of the auditor during the statutory audit for the financial year.

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## New duties assigned to the Committee during financial year 2020

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- In connection with the statement of non-financial information: (i) supervising the process of preparing and presenting the non-financial information relating to the Company and its group; (ii) proposing to the Board of Directors the appointment of an independent service provider for verification thereof; and (iii) reporting to the Sustainable Development Committee regarding the process of preparing and presenting the statement of non-financial information as well as regarding its clarity and the completeness of the content thereof.
- In connection with the existing internal control policies and systems: ensuring that they are effectively applied in practice and that the annual accounts are prepared in accordance with accounting regulations, as well as explaining the opinion of the Committee regarding the content and scope of any potential qualification by the auditor.





- In connection with the Risk Management and Internal Assurance Division, as a consequence of said Division now reporting to the Audit and Risk Supervision Committee, the latter has assumed responsibility for: (i) the approval and monitoring of its annual work plan, objectives and budget; (ii) the acknowledgement of its activities report; and (iii) the issuance of an opinion on its operation and the performance of the head of the Risk Management and Internal Assurance Division.

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## Priorities for 2021

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- Review of the process of preparing and presenting the statement of non-financial information and of the clarity and completeness thereof.
- Review of the operation of the ICNFRS.
- Monitoring of regulatory risks in the different countries in which the group operates.
- Comprehensive review of risks, particularly those deriving from the COVID-19 pandemic.
- Implementation of any internal control recommendations made by the statutory auditor and the person responsible for verifying the information contained in the statement of non-financial information.
- Management of risks in non-financial information (including environmental, reputational, political and corruption-related risks).

## 04.C Appearances

The Director of the Internal Audit Area, the Director of Administration and Control, the Director of Risk Management and Internal Assurance, and the representatives of the statutory auditor have regularly appeared before the Committee <sup>5</sup>.

In addition, the Finance, Control and Resources Director (CFO), the Directors of Legal Affairs, Compliance, Liberalised Business, Networks Business and Renewables Business, and the heads or executives of the following areas have been invited on particular occasions:

- Human Resources, General Services and Corporate Security
- Energy Policies and Climate Change
- Internal Assurance
- Risk Supervision
- Internal Control
- Accounting Regulations

<sup>5</sup> The Director of the Internal Audit Area appeared at all meetings of the Committee. For their part, the representatives of the statutory auditor appeared at nine meetings.



- Finance and Treasury
- Cybersecurity and Data Protection
- Global Finance and Resources Planning
- Global Tax
- Consolidation
- Systems

Various external advisors have also appeared before the Board.

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[Link to the \*Regulations of the Audit and Risk Supervision Committee\*](#)

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# 05. Appointments Committee



*“The Appointments Committee has endeavoured to ensure diversity as well as a balance among profiles in the proposals for new appointments to the Board of Directors”.*

– María Helena Antolín Raybaud  
(chair of the Committee)

## 05.A Composition and attendance

Name	Position	Type	First Appointment
María Helena Antolín Raybaud	Chair	Independent	2015
Anthony L. Gardner	Member	Independent	2019
Ángel Jesús Acebes Paniagua	Member	Independent	2020 <sup>5</sup>
<b>Íñigo Gómez-Jordana Moya</b>	Non-director secretary		

Mr Ángel Jesús Acebes Paniagua was appointed as a member of the Appointments Committee to replace Mr Íñigo Víctor de Oriol Ibarra on 20 October 2020. The selection of its members is based on the qualifications and experience described in their respective profiles.

All members of this Committee attended 100% of the eight meetings called during financial year 2020.

## 05.B Key issues

### Selection, composition and evaluation of the governance bodies

- Proposals for and/or reports on appointments and re-elections of directors: appointment of Ms Nicola Mary Brewer, of Ms Regina Helena Jorge Nunes and of Mr Ángel Jesús Acebes Paniagua as independent directors, and re-election of Mr Íñigo Víctor de Oriol Ibarra as other external director and of Ms Samantha Barber as independent director, subsequently reclassified as other external director.
- Proposals for appointments and re-elections to internal positions and as committee members: appointment of Mr Juan Manuel González Serna as vice-chair of the Board of Directors and as a member of the Executive Committee; appointment of Ms Regina Helena Jorge Nunes as a member of the Audit and Risk Supervision Committee, of Mr Íñigo Víctor de Oriol Ibarra as a member of the Appointments Committee, of Ms Nicola Mary Brewer as a member of

<sup>5</sup> Mr Ángel Jesús Acebes Paniagua was first appointed as a member of the Appointments Committee on 25 March 2015 and remained in office until 28 March 2019. On 20 October 2020 he was reappointed as a member of this Committee.



the Sustainable Development Committee, and of Mr Ángel Jesús Acebes Paniagua as a member of the Executive Committee and of the Appointments Committee; appointment of Ms Sara de la Rica Goiricelaya as chair of the Sustainable Development Committee; and re-election of Ms Samantha Barber as a member of the Executive Committee and of Mr Xabier Sagredo Ormaza as a member of the Audit and Risk Supervision Committee.

- Report on the appointment of Ms Ainara de Elejoste Echebarría as second non-director deputy secretary of the Board of Directors.
- Update of the *Board of Directors Diversity and Member Selection Policy* and verification of compliance therewith.
- Reports on appointments of independent directors at the country subholding companies.
- Report on the classification of the directors.
- Leading and coordinating the process of evaluation of the operation of the corporate decision-making bodies.

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## Talent management and promotion

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- Analysis of best practices at the international level in the area of talent management and executive development.
- Report on the appointment of Mr Juan Carlos Rebollo Liceaga as Director of Risk Management and Internal Assurance.

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## Conflicts of interest and related-party transactions

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- Report on related-party transactions with directors, significant shareholders and their respective connected persons.
- Potential conflicts of interest of the directors.
- Analysis of and report on potential appointments of directors to external positions.

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## Priorities for 2021

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- Coordination of the evaluation of the corporate decision-making bodies of the parent company.
- Planning the renewal of the Board of Directors and of the committees thereof.
- Re-election and/or appointment of directors.



## 05.C Appearances

The Director of Corporate Governance and the Director of Digital Channels – Webmaster have been invited on particular occasions.

An external advisor has also appeared before the Committee.

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[Link to the \*Regulations of the Appointments Committee\*](#)

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# 06. Remuneration Committee



*“The Remuneration Committee has evaluated the level of achievement of the targets linked to the annual and multi-year variable remuneration”.* – Juan Manuel González Serna  
(chair of the Committee)

## 06.A Composition and attendance

Name	Position	Type	First Appointment
Juan Manuel González Serna	Chair	Independent	2017
Manuel Moreu Munaiz	Member	Independent	2018
Íñigo Víctor de Oriol Ibarra	Member	Other external	2020
<b>Rafael Mateu de Ros Cerezo</b>	Non-director secretary		

During financial year 2020 Mr Íñigo Víctor de Oriol Ibarra was appointed as a member of the Remuneration Committee to replace Ms Inés Macho Stadler. The selection of its members is based on the qualifications and experience described in their respective profiles.

All members of this Committee attended 100% of the eleven meetings called during financial year 2020.

## 06.B Key issues

### Director remuneration

- *Annual Director Remuneration Report.*
- Report on the remuneration of the directors and senior management set out in the half-yearly and annual financial statements.
- Comparative analysis of the remuneration of executive directors.
- Calculation of the annual variable remuneration of executive directors for their performance in financial year 2019 based on a report on target achievement evaluation prepared by an independent external advisor.
- Assessment of the performance of executive directors in relation to the benchmark parameters of the *Strategic Bonus 2017-2019* and proposed calculation of amount payable.
- Maintenance of the amount of the fixed remuneration of executive and non-executive directors.
- Proposed *Regulations for the Strategic Bonus 2020-2022* for executive directors, designation of beneficiaries and allotment of stock awards.
- Parameters for calculation of the annual variable remuneration of executive directors for their performance in 2020.





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## Senior management remuneration

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- Verification of compliance with the objectives for financial year 2019 and calculation of the variable remuneration of the members of senior management.
- Assessment of the performance of senior management in relation to the benchmark parameters of the *Strategic Bonus 2017-2019* and proposed calculation of amount payable.
- Report on fixed remuneration of senior management.
- Report on benchmark objectives for variable remuneration 2020.

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## Other activities

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- Verification of the information on remuneration published on the corporate website.
- Analysis of the results of the voting on matters relating to the Remuneration Committee at the General Shareholders' Meeting.
- Evolution of general remuneration schemes, as well as incentive plans and pension supplements for the group's workforce.

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## Priorities for 2021

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- Proposal of a new *Director Remuneration Policy* to the Board of Directors.
- Monitoring of the latest remuneration trends and best practices.
- Confirmation of the circumstances for calculation of the amounts corresponding to the second period of the *Strategic Bonus 2017-2019*.

## 06.C Appearances

The chairman & CEO as well as the heads or executives of the following areas have been invited on particular occasions:

- Human Resources, General Services and Corporate Security
- Corporate Governance
- Digital Channels – Webmaster
- Planning and Management of the Office of the Secretary of the Board of Directors

Various external advisors have also appeared before the Committee.

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[Link to the \*Regulations of the Remuneration Committee\*](#)

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# 07. Sustainable Development Committee



*“The Committee has focused on supervising the Climate Change Action Plan, the creation of value for the Stakeholders, the Company’s reputation, monitoring the activities of the Compliance Unit, and the application of the Governance and Sustainability System to the Iberdrola group’s management of the crisis deriving from the spread of COVID-19”.*

– Sara de la Rica Goiricelaya  
(chair of the Committee).

## 07.A Composition and attendance

Name	Position	Type	First Appointment
Sara de la Rica Goiricelaya	Chair	Independent	2019
Samantha Barber	Member	Other external	2010
Nicola Mary Brewer	Member	Independent	2020
<b>Fernando Bautista Sagüés</b>	Non-director secretary		

During financial year 2020 Ms Sara de la Rica Goiricelaya was appointed as chair and Ms Nicola Mary Brewer was appointed as a member of the Sustainable Development Committee to replace Mr Íñigo Víctor de Oriol Ibarra. The selection of its members is based on the qualifications and experience described in their respective profiles.

All members of this Committee attended 100% of the eleven meetings called during financial year 2020.

## 07.B Key issues

### Sustainable development

- *Statement of Non-Financial Information. Sustainability Report.*
- *Integrated Report.*
- Contribution of the Iberdrola group to the achievement of the SDGs and review of the level of implementation of the *Corporate Social Responsibility Plan 2018-2020*.
- Climate Change Action Plan. Climate governance instrument, including the monitoring of the group’s greenhouse gas emission reduction targets and its leading position in the industry.
- Monitoring of the management of the health crisis resulting from COVID-19.
- Activities in the area of responsible innovation and economic recovery.
- Internal studies on sustainable economy and climate governance.



- Model for relations with various Stakeholders and analysis of their expectations, with a special focus on sustainability components in connection with suppliers.
- Monitoring of activities in the areas of employment, satisfaction, diversity, integrity, reconciliation, accessibility and mobility.
- Proposed *Non-Financial Information Preparation Policy* and corresponding changes to the Governance and Sustainability System.

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## Corporate reputation

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- Analysis of activities with an impact on corporate reputation, brand and other intangible assets.
- Procedure for reputational crisis events.
- Monitoring of corporate social responsibility activities by the foundations.
- Monitoring of reputational risks and analysis of monitoring metrics and alert mechanisms.

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## Corporate governance and compliance

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- Activities of the Compliance Unit and annual evaluation of the crime prevention programmes.
- Annual report on the effectiveness of the Compliance System designed by the Compliance Unit.
- Budget for financial year 2021 and annual activity plan of the Compliance Unit.
- *Annual Corporate Governance Report*.
- Monitoring and reshaping of the Governance and Sustainability System in accordance with ESG standards.
- Monitoring and confirmation of the functions of the Compliance Unit.
- Verification of the sufficiency and adequacy of the corporate governance and sustainable development information published on the corporate website.
- Monitoring of significant legal proceedings within the scope of the Committee's duties.

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## New duties assigned to the Committee during financial year 2020

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- Ensuring that the corporate culture is aligned with the *Purpose and Values of the Iberdrola group*.
- Establishing the general guidelines, standards and principles that are to govern the preparation of the statement of non-financial information.
- Verifying that the content of the statement of non-financial information is in line with the sustainable development strategy and reporting to the Board of Directors on its preparation and presentation process.



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## Priorities for 2021

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- Monitoring of reputational risks and analysis of alert mechanisms.
- Monitoring of the latest trends in the area of sustainability and circular economy.
- Monitoring of long-term relationships with Stakeholders: workforce, customers, suppliers, investors, media, regulatory agencies and society in general.

## 07.C Appearances

The Director of the Compliance Unit has appeared on a periodic basis.

In addition, the secretary of the Board of Directors and the heads or executives of the following areas have been invited on particular occasions:

- Legal Affairs
- Innovation, Sustainability and Quality
- Energy Policies and Climate Change
- Human Resources, General Services and Corporate Security
- Investor Relations and External Communication
- Corporate Social Responsibility and Reputation
- Stakeholders
- Corporate Governance
- Executive and Talent Management
- Digital Channels – Webmaster

The Director of Fundación Iberdrola España has also appeared before the Committee.

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[Link to the \*Regulations of the Sustainable Development Committee\*](#)

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# 08. Training and Information Sessions



## 08.A Sesiones de formación e información

### Training and information sessions for financial year 2020

Board of Directors	Technological prospects in the electricity industry.
	Annual Purchasing Report for financial year 2019.
	Regulatory situation in Mexico.
	Regulatory situation in the United Kingdom.
	Current status and outlook for the country subholding company Iberdrola España, S.A. (Sociedad Unipersonal).
	Current status and outlook for Neoenergia S.A.
Audit and Risk Supervision Committee	Reputational risks and alert mechanisms for these types of risks.
	Current risks of the Renewables Business.
	ESMA recommendations for market players in view of the impact of COVID-19.
	Report of the CNMV regarding the financial information of Ibex-35 companies.
	Risks arising from the performance of activities with an impact on climate change and alert mechanisms for these types of risks.
	Risks of the Finance, Control and Resources Division and those inherent to pension commitments.
	Cybersecurity risks and analysis of cyber-resilience capacity.
	Information technologies.
	How the risk management and control systems capture all the risks facing the Iberdrola group (including those known as ESG (Environmental, Social and Governance) risks).
	Current risks of the Liberalised Business.
	New accounting developments <sup>6</sup> .
	Current risks of the Networks Business.
	Work plan and strategy of the statutory auditor.
Technological risks of the businesses of the Iberdrola group.	
Appointments Committee	Best practices in Talent Management and Executive Development.
	Criteria for the selection of directors and senior management members.
Sustainable Development Committee	Practical aspects of good corporate governance <sup>7</sup> .

<sup>6</sup> Jointly provided by representatives of the statutory auditor and the Director of the Internal Audit Area.

<sup>7</sup> Training session by outside provider.



Training documents on the Directors' website	Recent developments in the regulations on inside information and their implications for Iberdrola, S.A.
	Outcome of the Madrid climate summit (COP 25) and outlook for 2020: negotiations, announcements and participation of Iberdrola.
	Trend analysis of carbon pricing mechanisms.
	Gender diversity at the boards of directors of listed companies.
	Legal effects of COVID-19 on the market and its implications for Iberdrola.
	Scientific analyses on climate science and the impact of COVID-19 on the Climate Change Action Plan.
	The importance of cybersecurity and its implications for Iberdrola, S.A.
	The European Commission's Action Plan on sustainable growth financing.
	Floating marine energy.
	Implications of the social dividend in the post-COVID-19 era.
	The Compliance function and its control and reaction mechanisms.

In addition to these training and information sessions, Iberdrola makes available to the directors (on the directors' website) a digital orientation programme intended to provide the new members of the Board of Directors or of its committees with the support required for them to rapidly and adequately acquaint themselves with the Company and its group, such that they can effectively perform their duties as from their appointment.

Specifically, this section of the aforementioned website provides an overview of the group's business and organisational model, its corporate and governance structure and its ownership structure, and the Governance and Sustainability System.





# 09. Evaluation



Iberdrola annually evaluates the operation of the Board of Directors, of the Executive Committee and of the four consultative committees. In 2020 it relied on the support of PricewaterhouseCoopers Asesores de Negocio, S.L.

This process verifies compliance with the legal system and the Governance and Sustainability System and includes a comparative analysis involving 23 domestic and international companies with best practices, using more than 380 indicators for this purpose. The areas of work identified in the Continuous Improvement Plan are also monitored. It is a thorough, detailed evaluation that goes beyond mere compliance and seeks to ensure that Iberdrola continues to be a leader in corporate governance.

The results of the evaluation show that the following critical issues were dealt with during 2020:

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## Composition of the governance bodies

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- Staggered renewal of the Board of Directors with the appointments of Ms Nicola Mary Brewer, Ms Regina Helena Jorge Nunes and Mr Ángel Jesús Acebes Paniagua.
- Appointment of Mr Juan Manuel González Serna as vice-chair of the Board of Directors.

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## Operation

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- New internal regulations to adapt the operation of the governance bodies to the COVID-19 situation.
- Ongoing review and update of the orientation programme for new directors.
- Adaptation to the new developments arising from the revision of the *Good Governance Code of Listed Companies* of the National Securities Market Commission and update of the Governance and Sustainability System.

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## Development of competencies

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- Monitoring of the impact of COVID-19 on the Iberdrola group and on the markets in which it operates.
- Reshaping and reorganisation of the Corporate Governance System into a Governance and Sustainability System based on environmental, social and governance (ESG) standards.
- Approval of the new *Diversity and Inclusion Policy*.
- Re-election of the statutory auditor of the Iberdrola group for financial years 2021 and 2022.
- Analysis of issues relating to the members of the Board of Directors that might have a potential impact on the reputation of the Iberdrola group.
- Calculation of the *Strategic Bonus 2017-2019* and definition of objectives, beneficiaries and allotment of maximum number of shares under the *Strategic Bonus 2020-2022*.
- Supervision of the implementation by the subsidiaries of the *Purpose and Values of the Iberdrola group*.

Section C.1.17 of the *Annual Corporate Governance Report 2020* describes the areas of work covered by the evaluation as well as the guidelines of the Continuous Improvement Plan.

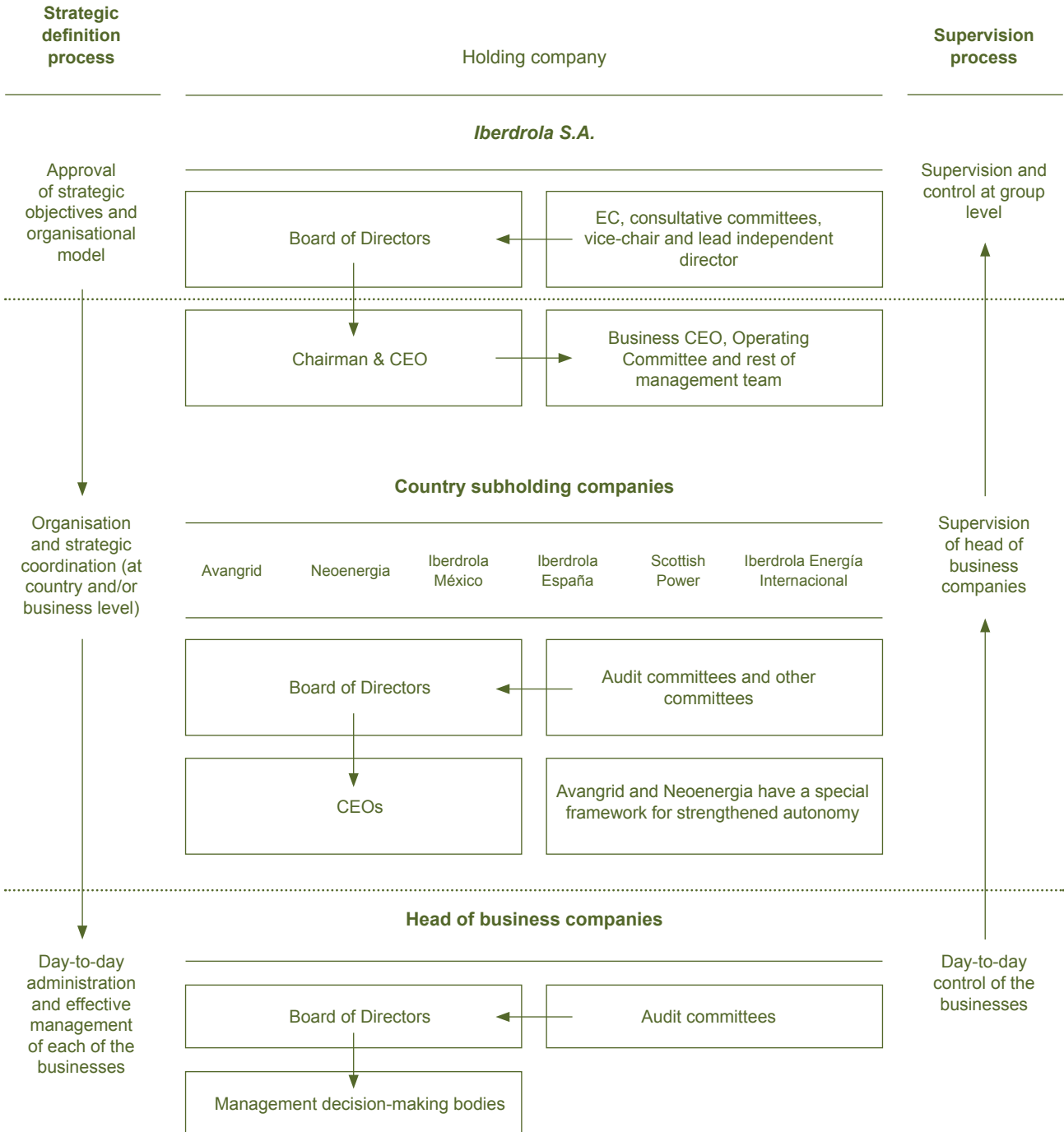


# 10. Annexes



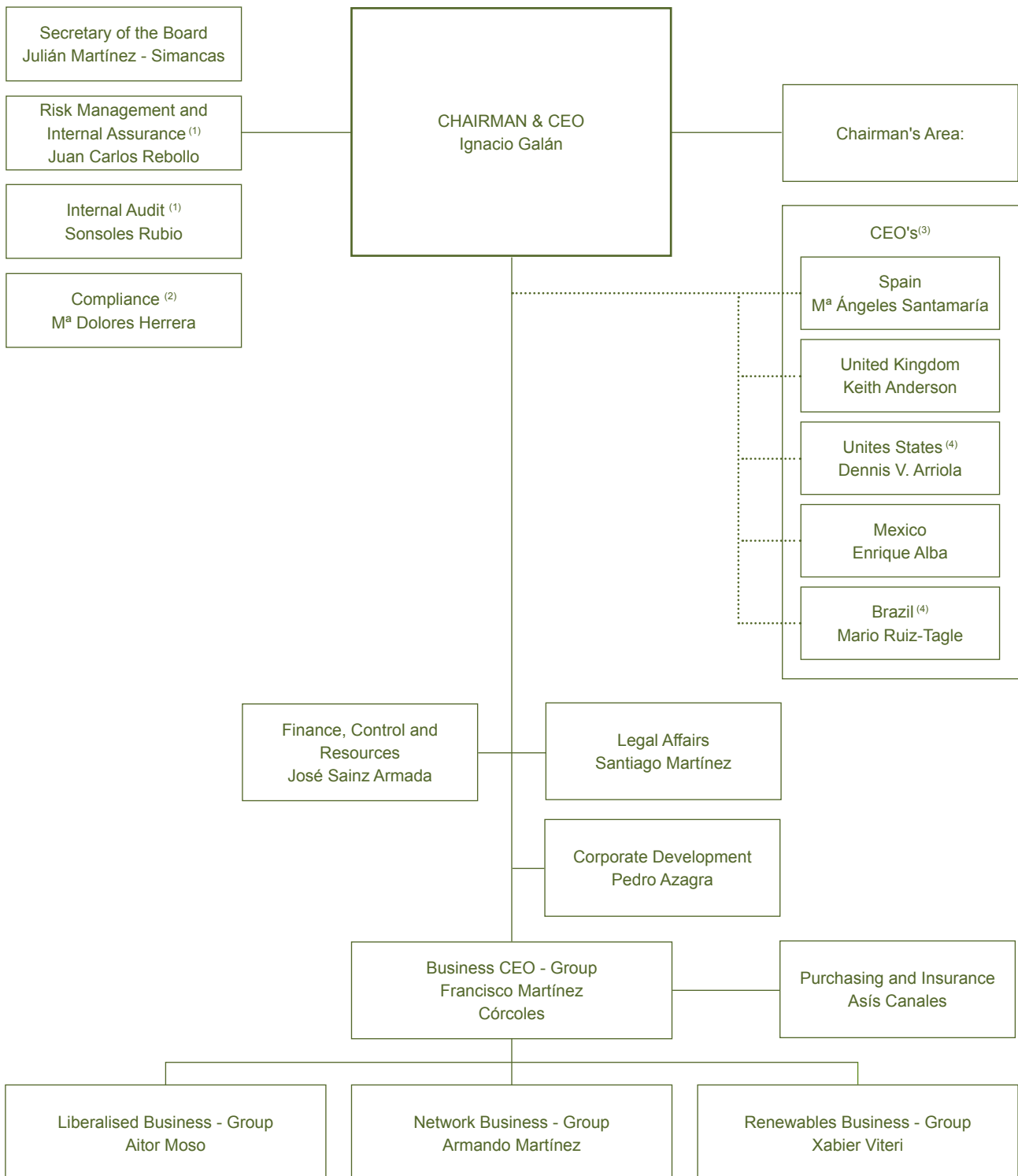
# 10.A Corporate and governance structure. Management team

## Corporate and governance structure of the Iberdrola group





## Management team



(1) Functionally reports to the Audit and Risk Supervision Committee.

(2) Reports to the Sustainable Development Committee

(3) Hierarchically reports to the boards of directors of the country subholding companies.

(4) With strengthened autonomy as provided by the *Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation*.



## 10.B Shareholder engagement report

Iberdrola considers it essential to be aware of the expectations, opinions and concerns of the shareholders, and also attaches particular significance to their effective engagement in the Company as an important source of value creation.

Said engagement is channelled through a corporate policy by means of which the Board of Directors encourages constructive, ongoing and effective dialogue in order to favour an alignment between the interests of the shareholders and those of the Company.

The health emergency in 2020 did not prevent continuance of this engagement policy, although the traditional dynamics of corporate events and meetings with shareholders and investors had to be adapted, and the Company is particularly grateful to them for their participation in these circumstances.

### General Shareholders' Meeting

<p>Quorum and results</p>	<p>Iberdrola decided to hold the General Meeting scheduled for 2 April 2020, at the height of the spread of the COVID-19 pandemic in Spain, by digitally transforming this corporate event in order to continue to meet the group's operational and financial schedule.</p> <p>The General Meeting was held 100% remotely, with a total of 4,971,540,894 shares present in person and by proxy, i.e. reaching a quorum of 77.04% of the share capital (7.35% present in person and 69.69% represented by proxy), with all proposals being approved by a large majority.</p> <p>It should be noted that despite the circumstances, the quorum rose by almost three percentage points compared to the General Meeting of the previous year.</p>
<p>Mechanisms for participation</p>	<p>In addition to remote attendance, implemented in 2020 in order to be able to hold the General Meeting on the date originally set, Iberdrola shareholders could use the electronic, telephone and postal channels that the Company already made available to them in previous years and whereby they could grant a proxy or vote from a distance before the Meeting, with due observance of the restrictions in effect during the state of alarm. In addition, shareholder representatives were allowed to vote from a distance before the Meeting.</p>
<p>Sustainable meeting</p>	<p>Since 2016, the Basque Government (through its state-owned company Ihobe) and AENOR have certified that the management of Iberdrola's General Shareholders' Meeting complies with the standards on the environmental sustainability of events in the Basque Country (Erronka Garbia) and with the ISO 20121 standard for sustainable event management, respectively.</p>
<p>Incentives</p>	<p>In accordance with Iberdrola's policy to encourage participation in the Meeting, an attendance bonus of 0.005 euro (gross) per share was paid to all shareholders who attended remotely, granted a proxy or voted from a distance.</p>



## Engagement of institutional investors

Presentation of results	The publication of results through live and broadcast presentations on the website was viewed by an average of 1,300 people connected remotely.
Capital Markets Day	Due to the pandemic, this event was held remotely; there were more than 1,000 live streaming connections and 325 on-demand connections.
Meetings with investors	In 2020, 465 meetings were held (remotely since March) with 1,077 equity, fixed-income and ESG investors. In addition, the Company maintains periodic contact with analysts and rating agencies.
Roadshows and equity, fixed-income and sustainable investment presentations	45 roadshows were organised with investors from different geographic areas (Europe, North America, Asia and Australia) and the Company participated in 35 conferences during 2020.
Webinar	In order to keep analysts and investors updated on the new technologies applied to the business, a webinar on green hydrogen was presented, to which more than 250 analysts, investors, rating agencies and financial institutions connected as attendees.
Corporate governance roadshows	<p>Roadshows were held with proxy advisors and institutional investors located in Belgium, France, the United Kingdom, Germany and the United States, among other countries, in order to present the latest developments in the area of corporate governance and the agenda for the General Shareholders' Meeting 2020. Contacts were made with institutional investors representing more than 36% of the share capital.</p> <p>The main issues addressed at these meetings were: (i) role of the Board of Directors in the definition of the strategy and the supervision of its implementation; (ii) management of the Company's risks, with a special focus on the potential impacts of the then-emerging crisis deriving from the pandemic; (iii) risks and opportunities relating to climate change and the climate governance mechanisms adopted; (iv) composition, independence, diversity, renewal and remuneration of the Board of Directors; (v) cybersecurity; (vi) relations with Stakeholders in local transactions; (vii) capital transactions, and (viii) shareholder remuneration.</p>



## Engagement of minority shareholders

Shareholders' Club	More than 1,581 shareholders participated in in-person and (after the outbreak of the pandemic) remote activities, which demonstrates the effort made to keep the shareholders engaged. Hundreds of telephone calls were also received.
Shareholder's Office	The shareholder telephone line received more than 44,000 calls during 2020. An extra effort was made to facilitate shareholder voting at the General Shareholders' Meeting held remotely, with almost 4% of the quorum being obtained through the telephone channel.
Corporate website	The shareholders and investors section of the corporate website had approximately 700,000 visits (7% of the total received by the website) by more than 180,000 users.
Investor Relations App	Since its establishment in 2013 the app has more than 30,500 users, and it received 43,062 visits during 2020.
On-Line Shareholders	At year-end 2020, OLS had a total of 18,611 registered shareholders (a 27.5% increase over 2019). In 2020 there were 974 visits to the pages of this section and 95 questions from shareholders.
Information campaigns	Three vigorous information campaigns were carried out on national and local media to provide information on the General Shareholders' Meeting and on the two editions of the "Iberdrola Shareholder Remuneration" programme. Direct information campaigns were also targeted at those shareholders who have authorised us to contact them.





## 10.C Report of the Audit and Risk Supervision Committee on the independence of the statutory auditor

### To the Board of Directors of “Iberdrola, S.A.”:

#### A. Introduction

Pursuant to Section 529 *quaterdecies*, subsection 4.f) of the restated text of the Companies Act (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010 of 2 July (the “**Companies Act**”), listed companies shall annually issue (prior to the audit report) a report containing an opinion on whether the independence of the auditors is compromised. This report shall contain a reasoned assessment of the provision of non-audit services by the statutory auditor, in relation to the rules on independence or the legal provisions governing the performance of statutory audits.

This duty is also provided for in the Governance and Sustainability System of “Iberdrola, S.A.” (“**Iberdrola**” or the “**Company**”) and, in particular, in the *Statutory Auditor Contracting and Relations Policy*, which includes the recommendations of *Technical Guide 3/2017 on audit committees at public-interest entities* of the National Securities Market Commission.

In addition, recommendation 6.a) of the *Good Governance Code of Listed Companies* establishes the advisability of said companies publishing the aforementioned independence report on their website sufficiently in advance of the annual general shareholders’ meeting.

At its meeting held on 2 April 2020, the shareholders acting at the General Shareholders’ Meeting of the Company resolved, at the request of the Board of Directors and upon a prior proposal of the Audit and Risk Supervision Committee (the “**Committee**”), to re-elect “KPMG Auditores, S.L.” (“**KPMG**” or the “**Statutory Auditor**”) as auditor of the annual accounts of the Company and its consolidated group for financial years 2020 and 2021.

In consideration of all of the foregoing, the Committee hereby issues this report expressing its opinion on the independence of the Statutory Auditor of the Company and its consolidated group during financial year 2020. Ignorar

#### B. Scope and activities carried out

In preparing this report, the Committee has analysed the following information:

##### I. Written statement of the Statutory Auditor confirming its independence

Pursuant to Section 529 *quaterdecies*, subsection 4.e) of the *Companies Act*, Iberdrola must annually receive from the Statutory Auditor a statement of its independence with respect to the entities connected to the Company. KPMG must also provide detailed and itemised information regarding any kind of additional services provided to the Iberdrola group, including the fees received (both by KPMG and by the persons or entities connected thereto), pursuant to the legal provisions governing the performance of statutory audits.



In compliance with the foregoing, on 17 February 2021 the Statutory Auditor of the Company and its consolidated group sent a letter to the Committee (the "**Statement of Independence of KPMG**") stating as follows:

*"The team in charge of the audit, KPMG Auditores, S.L. and, if applicable, other persons belonging to the audit firm and, where appropriate, other firms belonging to the network, with the coverage applicable thereto, have complied with applicable independence requirements provided in the Statutory Audit Act (Ley de Auditoría de Cuentas) (LAC) and in Regulation (EU) no 537/2014 of 16 April."*

## II. Relations with the Statutory Auditor

During financial year 2020, KPMG appeared on 14 occasions before the Committee in order to report on the items set forth below:

1. At the Committee meeting held on 19 February 2020, it submitted the preliminary results of the review of the financial statements for financial year 2019.
2. At the meeting held on 24 February 2020: (i) it delivered and explained to the committee the draft audit reports on the individual annual accounts of Iberdrola and the consolidated annual accounts of Iberdrola and its subsidiaries; (ii) it reported on the additional report that the auditor must send to the Committee pursuant to Article 11 of *Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC* (the "**Additional Report of the Auditor**" and "**Regulation 537/2014**", respectively) and to Section 36 of *Law 22/2015 of 20 July on Audit of Accounts (the "Statutory Audit Act")*; and (iii) it reported on the presentation that KPMG would make before the Board of Directors the following day regarding the audit opinion and significant issues occurring during financial year 2019.
3. As a consequence of the assumption by the Committee of the duties falling within the purview of the audit committee of "Iberdrola Finanzas, S.A." (Sociedad Unipersonal) ("**Iberdrola Finanzas**"), of "Iberdrola International, B.V." ("**Iberdrola International**") and of "Iberdrola Finance Ireland DAC" ("**Iberdrola Finance Ireland**", and the latter, together with Iberdrola Finanzas and Iberdrola International, the "**Financial Companies**"), at the meeting held on 31 March 2020 KPMG: (i) reported on the results of the audit of the financial information of said companies; and (ii) submitted the additional reports that KPMG must provide to the Audit and Risk Supervision Committee pursuant to Article 11 of *Regulation 537/2014* and the domestic legal provisions applicable to Iberdrola International and Iberdrola Finance Ireland.
4. At the meeting held on 15 June 2020, it submitted the internal control recommendations resulting from the audit of the Company's accounts for financial year 2019.
5. At the Committee meeting held on 14 July 2020: (i) it submitted the preliminary results of the limited review of the financial statements for the first half of the financial year; and (ii) it reported on the most significant recent accounting developments.
6. At the meeting of 20 July 2020, it submitted its analysis of the limited review of Iberdrola's individual and consolidated financial statements for the first half of 2020.



7. At the meeting held on 16 November 2020, it submitted its work plan and strategy for the audit of the accounts of Iberdrola and its group for financial year 2020, as well as those of the Financial Companies.
8. Finally, at the meeting of 14 December 2020: (i) it submitted the preliminary results of the review of the financial statements for financial year 2020, and (ii) it provided updated information on the level of progress in improvements to the significant internal control deficiencies reported to the Committee at its meeting of 15 June 2020.

It is stated for the record that during these meetings the Statutory Auditor did not report any issues that might have put its independence at risk.

Furthermore, in accordance with recommendation 42.2 d) of the *Good Governance Code of Listed Companies*, KPMG is expected to appear at the meeting to be held by the Company's Board of Directors on 23 February 2021 in order to report on: (i) the audit opinion; (ii) the report on independence of the auditor; (iii) the audit work performed; and (iv) the draft audit report, all of the foregoing in relation to the annual accounts of the Company for financial year 2020.

### III. Protection measures to detect threats to independence

In the Statement of Independence of KPMG, the Statutory Auditor states as follows:

*"Our Firm has implemented policies and internal procedures designed, as described in section 3 of the Transparency Report for financial year 2020 of KPMG Auditores, S.L., available at <https://home.kpmg/es/es/home/tendencias/2021/01/informe-transparencia-2020.html>, to provide you with reasonable assurance that KPMG Auditores, S.L. and its personnel and, if applicable, other persons subject to independence requirements (including personnel at the firms of the network) maintain their independence when so required by applicable legal provisions. These procedures include those aimed at identifying and assessing threats that may arise from circumstances related to audited entities, including those that may entail grounds for disqualification and/or those that may require the application of protection measures needed to reduce threats to an acceptably low level.*

*Along these lines, in our professional opinion and in relation to the aforementioned audit, no circumstances have been identified which, either individually or as a whole, might entail a significant threat to our independence and would therefore require the application of protection measures or that might be grounds for disqualification."*



#### IV. Other non-audit services provided and fees

In accordance with the provisions of Section 529 *quaterdecies*, subsection 4.f) of the *Companies Act*, in the Statement of Independence of KPMG, the Statutory Auditor reports the following fees billed to the Company and its group in 2020<sup>8</sup>:

In thousands of euros	Audit services	Audit-related services	Other services	TOTAL
Iberdrola, S.A.	2,895	1,535	0	4,430
Subsidiaries	21,372	1,977	0	23,349
<b>Iberdrola, S.A. and its consolidated group</b>	<b>24,267</b>	<b>3,512</b>	<b>0</b>	<b>27,779</b>

#### V. Audit services

Fees for audit services come to the sum of 24,267 thousand euros and cover the statutory audit of the financial statements of Iberdrola and its group for financial year 2020.

In compliance with the provisions of Section 24.1 of the *Statutory Audit Act*, it is stated for the record that these fees are not influenced or determined by the provision of additional services to the Iberdrola group, are not contingent in nature, and are not based on conditions other than changes in the circumstances used as a basis for setting them.

The re-election of KPMG as statutory auditor of the Company and its consolidated group for financial years 2020 and 2021 was approved prior to the commencement of performance of its duties as such, upon a prior proposal of the Committee made at its meeting of 19 February 2020 and approved by Iberdrola's Board of Directors on 24 February 2020.

#### VI. Audit-related services

The fees for the provision of services related to the audit of the Iberdrola group come to the sum of 3,512 thousand euros. The composition of these fees, included as an annex to the Statement of Independence of KPMG, is explained below:

- 1,277 thousand euros correspond to the limited review of the financial statements of the Iberdrola group for the first half of financial year 2020.
- 9 thousand euros correspond to the preparation of a report on approved procedures regarding the solvency of the Iberdrola group required by the German regulator as a consequence of the decommissioning of the *Wiking* offshore wind project.
- 86 thousand, 78 thousand and 85 thousand euros are for the preparation of three comfort

<sup>8</sup> In addition to the services listed in the table below, during financial year 2020 the Statutory Auditor provided audit and other audit-related services to entities connected to the Company with which the latter does not maintain a relationship of control. These services amount to 250 and 35 thousand euros, respectively, and as stated by the Statutory Auditor in the Statement of Independence of KPMG, "they have been the subject of the analysis required to detect and identify threats to our independence, and where the latter were assessed as significant, adequate and sufficient protection measures were applied to eliminate them or reduce them to an acceptably low level that does not compromise our independence."



letters within the framework of debt issues of the group in which the Company acted as guarantor.

4. 6 thousand euros correspond to the preparation of a report on procedures approved for Iberdrola in connection with compliance with the requirements established in the *Order of 28 July 1995 implementing Section 4 of additional provision eight of Law 40/1994 of 30 December on the Organisation of the National Electric System, establishing the standards and procedures for approving programmes for maintenance, decommissioning and closure of facilities and for approval of divestments.*
5. 172 thousand, 120 thousand and 114 thousand euros are for the performance of regulatory audits at “i-DE Redes Eléctricas Inteligentes, S.A.” (Sociedad Unipersonal) regarding, respectively: (i) the inventory of facilities placed into operation prior to 1 January 2020; (ii) the facilities placed into service in 2019; and (iii) the forms required by *Informational Circular 4/2015, of 22 July, of the National Markets and Competition Commission, on requests for information from electric power distribution companies for the supervision and calculation of remuneration for the activity.*
6. 27 thousand euros are for the performance of the regulatory audits mentioned in paragraph 5. above at “Eléctrica Conquense Distribución, S.A.” (Sociedad Unipersonal) (9 thousand euros for each audit).
7. 27 thousand euros are for the performance of the regulatory audits mentioned in paragraph 5. above at “Anselmo León Distribución, S.L.” (Sociedad Unipersonal) (9 thousand euros for each audit).
8. 14 thousand euros are related to the issuance of a report on approved procedures regarding corporate services re-invoiced to subsidiaries of “Iberdrola Renovables Energía, S.A.” (Sociedad Unipersonal).
9. 8 thousand euros are for the preparation of comfort letters within the framework of each of the issues of debt by Iberdrola Finanzas (4 thousand euros for each of them).
10. 35 thousand euros are for the preparation of another comfort letter in relation to another issue of debt by Iberdrola International.
11. 94 thousand euros accrued as a result of the issue for “C. Rokas Industrial Commercial Company, S.A.” and its subsidiaries of the tax compliance reports required by the Greek tax authorities.
12. 11 thousand and 141 thousand euros are for the verification of certain tax information of Iberdrola Clienti Italia, S.r.l.” and of “Iberdrola México, S.A. de C.V.” and its subsidiaries, respectively.
13. 141 thousand euros derive from the regulatory audit of the electricity distribution assets of “SP Distribution plc.”, “SP Transmission plc.” and “SP Manweb plc.”, required by the British regulator, the Office of the Gas and Electricity Markets (“Ofgem”) (47 thousand euros for the regulatory audit of the assets of each of said companies).
14. 13 thousand euros correspond to the regulatory audit of “ScottishPower Energy Management, Ltd.” required by Ofgem.
15. 27 thousand euros are for the performance of an audit of the segmented consolidated statements of “Scottish Power UK, plc.” required by Ofgem.



16. 165 thousand euros derive from the preparation of a comfort letter for “Avangrid, Inc.” (“**Avangrid**”) for the public issue of green bonds of up to 750 million U.S. dollars to be carried out during the first half of 2020.
17. 149 thousand euros are for the issuance of a comfort letter in connection with the debt issue of “New York State Electric & Gas Corporation”, scheduled for August 2020, and the review of its interim financial statements (if applicable).
18. 153 thousand euros are for the preparation of a comfort letter in connection with a debt issue of “Rochester Gas and Electric Corporation”, scheduled for the fourth quarter of 2020, and the review of its interim financial statements (if applicable).
19. 22 thousand euros are related to the issuance of a report on approved procedures regarding the calculation of certain financial ratios for Avangrid.
20. 273 thousand euros correspond to the performance of a regulatory audit at Avangrid, required under the regulations of the Federal Energy Regulatory Commission.
21. 111 thousand euros derive from the limited review of the quarterly financial statements of “Neoenergia, S.A” (“**Neoenergia**”) and its subsidiaries, required by the *Agência Nacional de Energia Elétrica* (“**Aneel**”).
22. 17 thousand euros derive from the preparation of reports on approved procedures for Neoenergia and its subsidiaries regarding the calculation of certain financial ratios.
23. 5 thousand euros correspond to the preparation of reports on approved procedures for the subsidiaries of Neoenergia, in relation to the inclusion of certain items in the statement of cash flows for the distribution of dividends.
24. 83 thousand euros are related to the audit of the regulatory financial statements of the subsidiaries of Neoenergia for financial year 2019, required by Aneel.
25. 39 thousand euros correspond to the performance of an asset control audit of the subsidiaries of Neoenergia, required by Aneel’s *Relatório de Controle Patrimonial de la Superintendência de Fiscalização Econômica e Financeira*.
26. 10 thousand euros are for the verification of the sustainability report of Neoenergia and its subsidiaries.

The audit-related services provided to entities connected to the Company with which the latter does not maintain a relationship of control correspond to the limited review of the quarterly financial statements of the entities “Teles Pires Participações S/A” and “Energética Aguas da Pedra, S.A.” in the amount of 18 thousand and 17 thousand euros, respectively.

The Committee has been informed of the prior engagements by the Statutory Auditor, and when deemed justified, it has approved the provision by KPMG of those services for which the prior approval of the Committee was required pursuant to the standards adopted by this body and the legal provisions governing auditing activities.

Furthermore, in those cases in which the provision of services other than the statutory audit, but related to this activity, to a group company other than Iberdrola was requested, the audit committee and the internal audit division of the company receiving the services also stated, when applicable, that the provision of said services did not give rise to threats to the independence of the auditor.



In the Statement of Independence of KPMG, the Statutory Auditor states as follows in relation to the provision of said audit-related services:

1. *"We do not participate in the decision-making process of the entity purchasing the service".*
2. *"These are not services prohibited by Article 5.1 of the REU, which applies to entities connected by a control relationship in the EU. With regard to the services provided to connected entities without a control relationship, as the prohibitions of Article 5.1 or Article 5.5 of the REU do not apply (depending on whether they are provided to entities inside or outside the European Union, respectively), the analysis of threats and safeguards has been carried out on the basis of the coverage established in Sections 14 and 15 of the LAC."*
3. *"Based on the content and regulation of the services, no threat to the independence of the auditors is identified."*

## VII. Other services

During financial year 2020 the Statutory Auditor has not provided services other than the above to the Iberdrola group or non-audit services that were unrelated thereto.

In this regard, it is reported that, pursuant to Articles 56.5 of the *Regulations of the Board of Directors* and 29.3 of the *Regulations of the Audit and Risk Supervision Committee*, these bodies may not propose an entity to be the Company's statutory auditor if they have evidence that the fees that Company intends to pay it for any and all services are greater than five per cent of its total domestic income during the last financial year.

In the Statement of Independence of KPMG, the Statutory Auditor stated as follows in this regard:

*"we confirm that the fees paid by the Company to KPMG Auditores, S.L. during the annual financial period ended 31 December 2020 for all items do not exceed five per cent of its total income during the annual financial period ended 30 September 2020."*

## VIII. Term and rotation

By application of the provisions of the *Statutory Audit Act* as regards the appointment, rotation and engagement of statutory auditors, the Board of Directors of the Company, at its meeting of 15 December 2015, after a tender led by the Audit and Risk Supervision Committee, resolved to propose to the shareholders at the Company's General Shareholders' Meeting held on 31 March 2017 the appointment of KPMG as the statutory auditor of the annual accounts of the Company and its consolidated group for financial years 2017 to 2019. The shareholders acting at this General Shareholders' Meeting of Iberdrola approved such appointment for said period. Furthermore, on 24 February 2020 the Board of Directors resolved to submit to the shareholders at the General Shareholders' Meeting held on 2 April 2020 the proposal of the Audit and Risk Supervision Committee to re-elect KPMG as statutory auditor of the annual accounts of the Company and its consolidated group for financial years 2020 and 2021. This proposal was approved by the shareholders at said General Shareholders' Meeting.

As regards the audit of the annual accounts of the Company and its consolidated group for financial year 2020, the audit report will be signed by Mr Enrique Asla García, a partner of KPMG, who has also signed the statement by the Statutory Auditor confirming its independence and will sign the



Additional Report of the Auditor that KPMG will deliver to the Committee pursuant to Section 36 of the *Statutory Audit Act* and Article 11 of *Regulation 537/2014*.

## IX. Audit teams

In compliance with Article 29.7 of the *Regulations of the Audit and Risk Supervision Committee*, in the Statement of Independence of KPMG, the Statutory Auditor stated that *“since the date of our last statement of independence, a professional of KPMG has been hired by Iberdrola, S.A.”*.

However, in the Statement of Independence of KPMG, the Statutory Auditor states the following in relation to this hiring:

*“In this regard, we inform you that the professional hired was not the lead auditor responsible for the work of auditing the Group’s accounts, did not have the status of statutory auditor, and did not participate in or have the ability to influence the final results of KPMG’s audit work at Iberdrola, S.A. We therefore believe that said hiring does not violate any of the absolute prohibitions of the Statutory Audit Act or has given rise to a threat that has compromised our independence as auditors. We also inform you that we are not aware of the hiring of other professionals by significant components, which are understood as those stated in our audit plan submitted to the Audit and Risk Supervision Committee on 16 November 2020.”*

Taking the statements of the Statutory Auditor into consideration, the Committee believes that the aforementioned individual joining the Iberdrola group is irrelevant for purposes of the independence of the Statutory Auditor.

## C. Conclusion

In light of the foregoing, the Committee finds that during financial year 2020 KPMG has performed its audit work with independence from Iberdrola and its consolidated group.

The Committee issues this report on independence prior to the delivery of the audit report and pursuant to the provisions of the *Companies Act*, the Governance and Sustainability System of Iberdrola and the *Good Governance Code of Listed Companies*.





## 10.D Report on related-party transactions with directors and significant shareholders

On 24 July 2018 the Board of Directors gave general approval for banking transactions with Qatar National Bank and other financial institutions of the Government of Qatar, including treasury transactions for the management of surpluses and shortages of funds, currency exchange, hedging of interest rate and exchange rate risk, and the provision of collateral security and guarantees.

The transactions must be made within the ordinary course of businesses, on arm's-length terms and with respect for the principle of equal treatment of shareholders.

In this regard, the income from treasury placements with Qatar National Bank made by Scottish Power, Ltd. came to 14 thousand euros during financial year 2020.

There is no evidence of other related-party transactions with directors, significant shareholders or their respective connected persons.

