



Activities
Report of the
Board of
Directors and
of the Committees
thereof
/ 2018

Activities Report of the Board of Directors and of the Committees thereof / 2018

Contents

1. Presentation 4

2. Corporate and Governance Structure 6

3. Board of Directors 8

3.A. Composition 9

Diverse and balanced composition 9

Profiles 12

Annex: management team 25

3.B. Activities of the Board of Directors 26

Key topics in 2018 26

Shareholder Engagement Report 29

Meetings, attendance and appearances 31

Training and orientation programme 32

4. Executive Committee 34

4.A. Composition and Attendance 35

4.B. Activities 36

Key topics in 2018 36

Appearances 37

5. Audit and Risk Supervision Committee 38

5.A. Composition and Attendance 39

5.B. Activities 40

Key topics in 2018 40

Appearances 42

Training 43

Improvements in the regulation of the Committee 43

6. Appointments Committee 44

6.A. Composition and Attendance 45

6.B. Activities 46

Key topics in 2018 48

Appearances 48

Training 48

Improvements in the regulation of the Committee 48

Related-party transactions with directors and significant shareholders 49

7. Remuneration Committee 50

7.A. Composition and Attendance 51

7.B. Activities 52

Key topics in 2018 52

Appearances 53

Training 53

8. Sustainable Development Committee 54

8.A. Composition and Attendance 55

8.B. Activities 56

Key topics in 2018 56

Appearances 57

Training 57

Improvements in the regulation of the Committee 57

9. Evaluation 58

⦿ This icon is included at the bottom of some pages that contain links to other documents for more information.



Presentation



Ignacio Galán
Chairman of the Board of Directors & CEO
of Iberdrola, S.A.

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“We have a diverse Board with a plurality of experiences and opinions”

A firm commitment to ethics, transparency and good governance is one of the hallmarks of Iberdrola’s identity. Being quite aware of this spirit, we once again prepare this annual Report, which systematically sets out the main activities of the Board of Directors and its committees during financial year 2018.

Over the past twelve months, focus on the social dividend has been a priority for the Board of Directors, resulting in reforms to various corporate governance policies and rules, including changes that involve the integration of the Sustainable Development Goals (“SDGs”) of the United Nations into our strategy. The following pages describe the scope of these and other improvements to our Corporate Governance System, which are the result of a continuing effort to strengthen Iberdrola’s leadership in the area of corporate governance.

This report also contains the initiatives developed to facilitate communication with our shareholders and encourage their engagement. Our main pathways and channels for doing so include the On Line Shareholders application, the corporate website, the Office of the Shareholder, Shareholder Day and Investor Day.

Furthermore, this report includes a detailed profile of each of the directors, most of whom are independent in accordance with the commitment set out in our *By-Laws*. Our objective is to have a diversity of professional experiences, with a plurality of opinions and independent judgement. Along these lines, I would like to point out that Iberdrola’s highest governance body has members from five different countries, with a significant female presence, not only because of the number of women but especially due to the significance of the positions they hold.

This is one more example of the Company’s firm commitment to effective equality of opportunity, which has made us one of the four Spanish companies included in the prestigious Bloomberg Gender-Equality index, which selects the most noteworthy companies in this area based on their corporate governance practices, their human resources policies and their social responsibility activities.

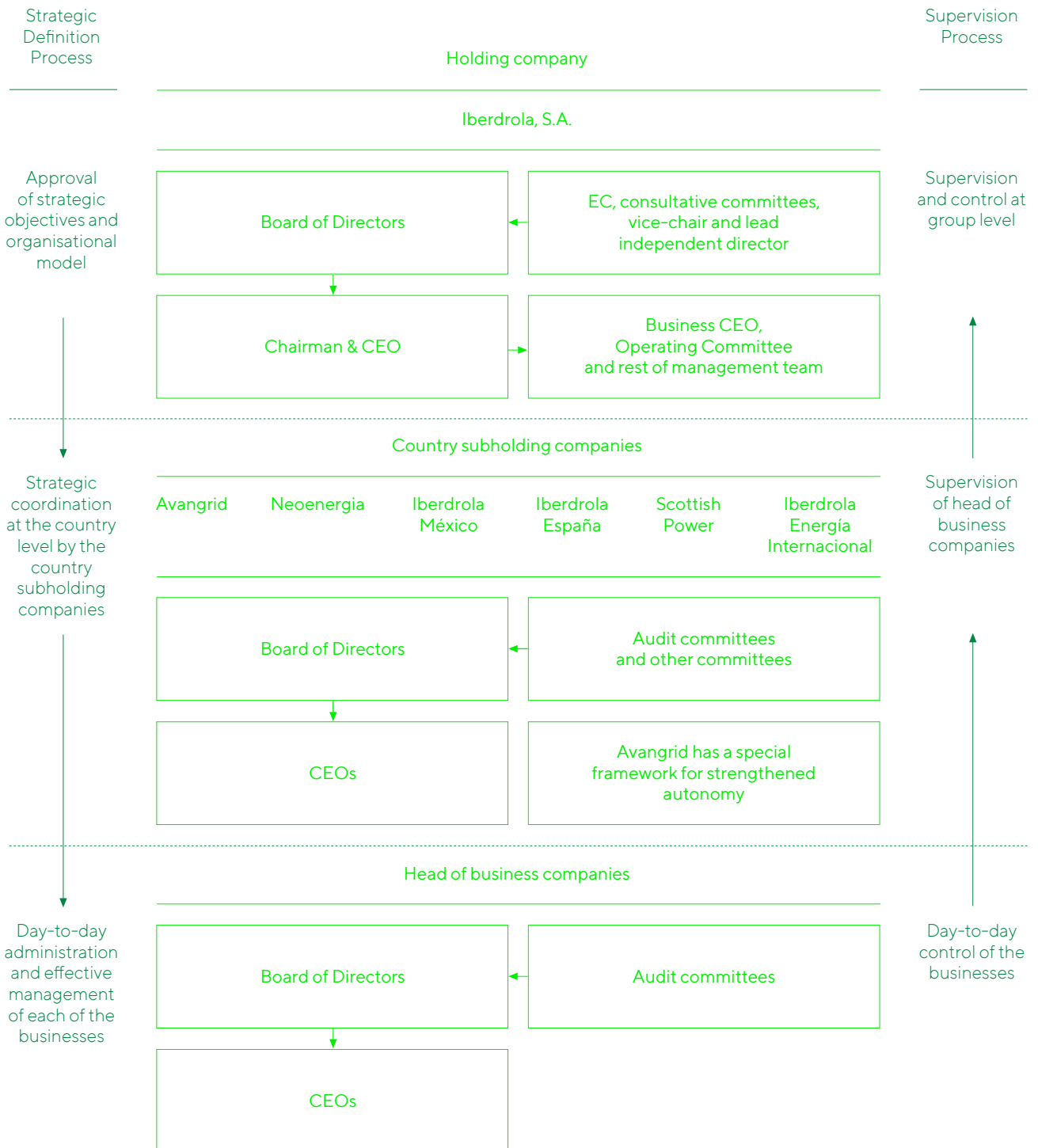
I would like to end by thanking all members of the Board of Directors, as well as the extensive workforce of the Iberdrola group, for their dedication, their commitment and their professionalism, which are essential in advancing our goal of promoting an effective transition towards a more sustainable and efficient energy model for all.



Corporate and Governance Structure

Iberdrola has a decentralised corporate and governance structure that is divided into three levels (holding company, country subholding companies and head of business companies) ensuring that day-to-day management is subject to appropriate supervision and control.

This corporate organisation favours an agile and rapid decision-making process in day-to-day management, while at the same time achieving appropriate supervision and coordination and a balance of powers.





Board of Directors

3.A. Composition

Diverse and balanced composition

Iberdrola has a public, specific and verifiable *Board of Directors Diversity and Director Candidate Selection Policy*.

Pursuant to the provisions of this policy, the selection of directors values candidates whose appointment favours a diversity of skills, knowledge, experience, origin, nationality, age and gender.

The selection process avoids any type of bias that might entail any discrimination based on, among other things, gender, ethnic origin, age or disability. According to the provisions of goal five of the Sustainable Development Goals (“SDGs”), any kind of discrimination that hinders the appointment of female directors is particularly avoided, thus ensuring achievement of the Company’s goal that the number of female directors continue to account for at least thirty per cent of the total number of members of the Board of Directors in the year 2020.

The result is a balanced Board of Directors, made up of a large majority of independent directors, with high professional qualification and experience, aligned with the needs of the business and remarkable diversity in terms of expertise, origin and gender (with 36 % female directors, three committees chaired by women, and a woman as vice-chair).

This diversity of profiles, together with the high-level dedication required of its members, enriches the decision-making process and ensures the contribution of plural viewpoints.

🔗 [Link to the *Board of Directors Diversity and Director Candidate Selection Policy*.](#)

Independence

Independents directors on the Board	71%
Independent directors on the consultative committees	77%

Diversity in length of service of non-executive directors

0-5 years	7
6-9 years	2
+10 years	3

Gender diversity

2012	21%
2018	36%

Diversity of nationalities

Spain
 United Kingdom
 United States of America
 France
 Mexico

Diversity in training

Economics and Business Sciences	50%
Law	42%
Humanities	29%
Engineering	21%

The Board of Directors has identified a number of abilities that its members must represent as a whole.

Qualities and experience matrix

Administration and senior management	86% (12 of 14)
Accounting, financial and risk management	86% (12 of 14)
Energy and industrial sector*	100% (14 of 14)
Retail, international in the principal markets	79% (11 of 14)
Institutional and legal	50% (7 of 14)
Remuneration systems	57% (8 of 14)
Human capital and talent management	57% (8 of 14)
Corporate governance and sustainable development	93% (13 of 14)

* If evaluating only experience in the energy industry, the percentage would be 43%.

Torre Iberdrola, Bilbao
/ Spain
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Profiles



Chairman & CEO

José Ignacio Sánchez Galán (1950)

Type: executive

Appointment: 2001

Committees: Executive Committee

Spain

In addition to his position as Iberdrola's chairman & CEO, he is the chairman of the boards of directors of the country subholding companies of the Iberdrola group in the United Kingdom (Scottish Power), the United States of America (Avangrid, a NYSE-listed company) and Brazil (Neoenergia).

Personal profile and academic training

Graduated as an Industrial Engineer from the Engineering School (ICAI) of Universidad Pontificia Comillas (Madrid). Graduated in Business Administration and Foreign Trade from ICADE at Universidad Pontificia Comillas (Madrid) and in General Business Administration and Foreign Trade from the School of Industrial Organisation (EOI) in Madrid. He speaks English, French, Italian and Portuguese. He has received honorary doctorate degrees from the universities of Salamanca, Edinburgh, and Strathclyde (Glasgow). He has been on the faculty of Escuela Técnica Superior de Ingeniería (ICAI), and is currently a visiting professor at the University of Strathclyde, chairman of the Social Council of the University of Salamanca and a member of the Dean's Advisory Council of the Massachusetts Institute of Technology (MIT).

Noteworthy experience in the energy and industrial engineering sector

He has served as chief operating officer of Industria de Turbo Propulsores (ITP) and as chairman of the European aerospace consortium Eurojet. He has also held various executive and management positions at Sociedad Española del Acumulador Tudor, S.A. (now, Exide Group).

Since his arrival at Iberdrola in 2001, he has led one of the most successful transformation processes undertaken by a large company in recent years, which has allowed the Company to become one of the top European utilities, a leader in renewable energy and one of the most environmentally respectful energy companies.

Noteworthy experience in other industries

He has been chief executive officer of Airtel Móvil (now, Vodafone España), a member of the Supervisory Board of Nutreco Holding, and a founding partner and director of the Matarromera group.

Other information

He is a member of the board of trustees of the Princess of Asturias Foundation, the Carolina Foundation, the Comillas-ICAI University Foundation, the Elcano Royal Institute and the Royal Board of Trustees of the Prado Museum.

He is a member of the utilities group of the World Economic Forum (Davos), which he has chaired, and of the Steering Committee of the European Round Table of Industrialists and of the J.P. Morgan International Council.

Some recognitions

- Universal Spaniard 2018, by Fundación Independiente.
- Honorary Member of the Spanish Institute of Engineering (2018).
- Silver Cross of Merit of the Guardia Civil (2018).
- Best CEO within the utilities category (for the eleventh time) according to Institutional Investor Research Group (2017).
- Vocento Business Leadership Award (2017).
- Medal of Honour of the Royal National Academy of Medicine (2016).
- Knight Commander of the Most Excellent Order of the British Empire (2014).
- Responsible Capitalism Award (2014), by the First Group.
- Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thompson Extel Survey (2011).
- International Economy Award (2008), by the Cristóbal Gabarrón Foundation.
- Business Leader of the Year (2008) Award, by the Spain-United States Chamber of Commerce.
- Police Merit Medal (2007).
- Best CEO of the Year (2006), at the Platts Global Energy Awards.
- Award for Best CEO in Investor Relations by IR Magazine (2003-2005).



Vice-Chair

Inés Macho Stadler (1959)

Type: other external

Appointment: 2006

Committees: Executive Committee

Remuneration Committee

Spain

Training

- Degree in Economics from Universidad del País Vasco, Master in Economics from l'École des Hautes Études en Sciences Sociales, and Doctor in Economics from the same institution and from ENSAE.

Current positions

- Professor of Economics at Universidad Autónoma de Barcelona and a professor of the Barcelona Graduate School of Economics.
- Honorary member of the European Economic Association and of the Spanish Economic Association (*Asociación Española de Economía*) as well as a member-elect of The Academy of Europe (*Academia Europae*).

Previous positions

- Chair of the Scientific Committee of the Conference of the Spanish Association for Energy Economics (*Asociación Española para la Economía Energética*).
- Member of the International Scientific Advisory Committee of the Basque Centre for Climate Change.



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Member

Íñigo Víctor de Oriol Ibarra (1962)

Type: other external

Appointment: 2006

Committees: Appointments Committee

Sustainable Development Committee

Spain

Training

- Bachelor of Arts in International Business from Schiller International University. A graduate of the Executive Corporate Management Program of IESE Business School and qualified as a European Financial Analyst by IEAF.

Previous positions

- Chair of the boards of directors of Electricidad de La Paz (Bolivia) and Iberoamericana de Energía (Chile), as well as a member of the board of Neoenergia (Brazil), of Empresa Eléctrica de Guatemala and of Empresa Alumbrado Eléctrico de Ceuta.
- Iberdrola's Director of Corporate Governance for the Americas.
- Director of Management Control at Amara and financial analyst within the Financial Division and within the International Division.



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Member

Samantha Barber (1969)

Type: independent

Appointment: 2008

Committees: Sustainable Development Committee

Executive Committee

United Kingdom

Training

- Bachelor of Arts in Applied Foreign Languages and European Politics from the University of Northumbria (United Kingdom) and Post-Graduate degree in EU Law from the University of Nancy (France).

Current positions

- Chair of Scottish Ensemble, member of the Board of Scottish Water and chair of its Remuneration Committee, mentor member of Critical Eye and member of the GlobalScot Network and of the Advisory Board for the Imperial College London MBA.

Previous positions

- Consultant within the European Parliament, where she provided support to the Economic and Monetary Affairs Committee, a board member of Business for Scotland, and the chief executive of Scottish Business in the Community.
- Member of the Advisory Board of Breakthrough Breast Cancer and of the Board of Directors of Right Track Scotland.
- Member of the Advisory Council of Scottish Power following the integration of the Scottish company into the Iberdrola group.



Member

María Helena Antolín Raybaud (1966)

Type: independent

Appointment: 2010

Committees: Appointments Committee

Spain

France

Training

- Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida.
- Master of Business Administration from Anglia University, Cambridge and from Escuela Politécnica de Valencia.

Current positions

- Vice-chair of the board of directors and member of the Management Committee of Grupo Antolín.
- President of Sernauto.
- Member of Advisory Committee of Sabadell Urquijo Banca Privada.

Previous positions

- Corporate director - Industrial and Strategy, director of Human Resources and head of Total Quality for Grupo Antolín.
- Director of Iberdrola Renovables, S.A. and a member of its Related-Party Transactions Committee.



Member

Ángel Jesús Acebes Paniagua (1958)

Type: independent

Appointment: 2012

Committees: Executive Committee

Appointments Committee

Spain

Training

- Degree in Law from Universidad de Salamanca.

Current positions

- Chairman and founding partner of Grupo MA Abogados, sole director and professional partner of Doble A Estudios y Análisis and a trustee of Fundación FAES and Fundación Universitaria de Ávila.

Previous positions

- Minister for Public Administrations, Minister of Justice and Minister of the Interior of the Spanish Government.
- A practising lawyer, specialising in commercial law.
- Member of the board of Caja Madrid Cibeles and of Banco Financiero y de Ahorros ("BFA").



Member

Georgina Kessel Martínez (1950)

Type: independent

Appointment: 2013

Committees: Audit and Risk Supervision Committee
Mexico

Training

- Holder of a degree in Economics from Instituto Tecnológico Autónomo de México and of a Master's and Doctor's degree in Economics from Columbia University (New York).

Current positions

- Independent director and chair of the Audit Committee of Grupo Financiero Scotiabank Inverlat, independent director of Fresnillo, partner of Spectron E&I, and member of the Business Board of Universidad de las Américas Puebla.

Previous positions

- Energy Secretary of the Government of Mexico and chair of the Energy Regulatory Commission.
- Chair of the Board of Directors of Pemex and of the Board of Directors of the Federal Electricity Commission (*Comisión Federal de Electricidad*) (CFE).
- Participated in the Energy Council of the World Economic Forum and in the UN Secretary General's advisory group.



Member

Denise Holt (1949)

Type: independent

Appointment: 2014

Committees: Audit and Risk Supervision Committee
United Kingdom

Training

- Degrees in Spanish Philology, French Philology and Political Sciences and Doctor of Laws from the University of Bristol (United Kingdom).

Current positions

- Independent director and member of the Audit Committee of HSBC Bank UK and chair and independent director of M&S Financial Services and of the University of Sussex.

Previous positions

- First secretary of the Embassy of the United Kingdom in Brazil and ambassador of the United Kingdom to Mexico and Spain.
- Director of Human Resources, Migration and for the Overseas Territories of the UK Foreign and Commonwealth Office.
- Independent director and member of the Quality and Safety and Compensation Committees of the Board of Directors of Nuffield Health.



Member

José W. Fernández (1955)

Type: independent

Appointment: 2015

Committees: Audit and Risk Supervision Committee
United States of America

Training

- Degree in History from Dartmouth College (United States), and Juris Doctor from Columbia University (New York).

Current positions

- Partner of Gibson, Dunn & Crutcher.
- Member of the board of directors of the Council of the Americas and the Center for American Progress.

Previous positions

- Assistant Secretary of State for Economic, Energy and Business Affairs for the United States.
- Member of the boards of Dartmouth College, NPR Station WBGO-FM, the Middle East Institute, and Ballet Hispánico of New York.
- State Department representative on the Committee on Foreign Investment in the United States.



Member

Manuel Moreu Munaiz (1953)

Type: independent

Appointment: 2015

Committees: Executive Committee
Remuneration Committee
Spain

Training

- Doctorate in naval engineering from ETSIN of the Universidad Politécnica de Madrid and a Master's degree in Oceanic Engineering from MIT.

Current positions

- President of Seaplace, sole director of H.I. de Iberia Ingeniería y Proyectos and of Howard Ingeniería y Desarrollo.
- Member of the board of Tubacex, member of the Spanish Committee of Lloyd's Register EMEA, and a professor at various academic institutions.

Previous positions

- Member of the Board of Directors of Iberdrola Renovables.
- Board member and member of the Audit and Compliance Committee of Gamesa Corporación Tecnológica.
- Member of the board of Metalships and Docks, Neumáticas de Vigo, and Rodman Polyships.



Member

Xabier Sagredo Ormaztegui (1972)

Type: independent

Appointment: 2016

Committees. Audit and Risk Supervision Committee
Spain

Training

- Degree in Economics and Business from Universidad del País Vasco, with a major in Finance, and holder of postgraduate degrees in various areas.

Current positions

- Chair of the Board of Trustees of BBK Fundación Bancaria and trustee of the Bilbao Museum of Fine Arts and of the Guggenheim Bilbao Museum Foundation, among other institutions.
- Member of the Orkestra Basque Institute of Competitiveness and of the Board of Directors of the Management Council of Universidad de Deusto.

Previous positions

- Chair and vice-chair of the Board of Directors of Caja de Ahorros Bilbao Bizkaia Kutxa and of its Audit Committee.
- Director of the Expansion and Assets area of Ipar Kutxa, managing director of the concessionaire Transita and member of the board of the Bilbao Port Authority.



Lead Independent Director

Juan Manuel González Serna (1955)

Type: independent

Appointment: 2017

Committees. Remuneration Committee
Spain

Training

- Degree in Law, Economics and Business Studies from Universidad Pontificia Comillas (Madrid) and holds a Masters in Business (MBA) from IESE Business School (Barcelona).

Current positions

- Chairman of Cerealto SIRO Foods.
- Founding trustee and chairman of the Grupo SIRO Foundation.
- Member of the advisory board of Rabobank in Spain and Europe and a member of the Governing Board of the Spanish Commercial Coding Association (*Asociación Española de Codificación Comercial*) (AECOC).
- Member of the board of directors of the HM Hospitales Group.

Previous positions

- Independent director of Iberdrola España and of Iberdrola Renovables and chair of its Appointments and Remuneration Committee.
- Member of the board of Banco Urquijo Sabadell Banca Privada.
- Member of the board of SODICAL.



Business CEO

Francisco Martínez Córcoles (1956)

Type: executive

Appointment: 2017

Spain

Training

- Master's degree in Industrial and Electrical Engineering from the Escuela Técnica Superior de Ingeniería (ICAI) of Universidad Pontificia Comillas (Madrid) and Master's degree in Business Administration from Universidad de Navarra (IESE Business School).

Current positions

- Appointed Business CEO of the Iberdrola group, with overall responsibility for all of the group's businesses throughout the world, as well as chairman of Iberdrola España and director of the country subholding company in Mexico, Iberdrola México.
- Member of Merit of the National Association of Engineers of the Escuela Técnica Superior de Ingeniería (ICAI).

Previous positions

- He developed his professional career at Arthur Andersen and at Compañía Sevillana de Electricidad, S.A. until joining Hidroeléctrica Española, S.A., and then, after the merger with Iberduero, at Iberdrola.
- He has held various management positions at the Company: director of the Production Market, director of the Wholesale Energy Markets Business Unit, and general director of the Liberalised Energy Business of the Group.
- Chairman of Iberdrola Generación and of Scottish Power Generation Holdings.
- Member of the board of Compañía Operadora del Mercado Eléctrico Español, Elcogas, S.A. and Iberdrola Ingeniería y Construcción.
- Member of the Board of Directors of the Spanish Electric Industry Association (*Asociación Española de la Industria Eléctrica*) (UNESA).
- Member of the advisory board of the International University of Bremen (Germany).
- Vice president of the Energy and Natural Resources Committee of the Spanish Institute of Engineering.

Other information

- Javier Benjumea Prize from the Association of Engineers of ICAI in its XVII edition and Gold Medal from the Spanish Nuclear Society.



Member

Anthony Gardner (1963)

Type: independent

Appointment: 2018

Committees. Sustainable Development Committee
United States of America

Training

- B.A. in Government from Harvard University and MPhil in International Relations from Oxford University.
- J.D. from Columbia Law School and a Masters in Finance from London Business School.

Current positions

- Senior adviser at the consulting firm Brunswick Group and senior counsel at the law firm Sidley Austin LLP.
- Adviser to the Bill and Melinda Gates Foundation.
- Member of the advisory boards of the Centre for European Reform, among others.

Previous positions

- US ambassador to the European Union.
- Managing director at Palamon Capital Partners.
- Director of one of the finance departments of Bank of America and of GE Capital.



Secretary of the Board of Directors and of the Executive Committee

Appointment: 2007

Julián Martínez-Simancas Sánchez (1951)

Training

- Board member of Iberdrola España, S.A. and practising lawyer and member of the Bar Associations of Biscay, Madrid and Oviedo.
- Since joining Iberdrola in 2002, he has obtained broad and in-depth knowledge of the Company, participating in its process of transformation through the following positions: general secretary, assistant to the vice-chair & chief executive officer, deputy secretary of the Board of Directors and chair of Iberdrola's Regulatory Compliance Unit, executive director of Iberdrola México and member of Iberdrola's Advisory Committee in Andalusia.
- Government lawyer in the tax departments and courts of Granada, Oviedo, Ceuta and Málaga (1976-1978), in the Madrid Courts (1981-1985) and in the Supreme Court of Justice (1985-1990).
- Executive vice president and member of the Management Committee of Banco Santander Central Hispano (now, Banco Santander) (1978-2002) and a director at Airtel Móvil (now, Vodafone) (1998-2000), at Sociedad General Azucarera de España (1996-1998) and at Cementos Portland Valderrivas (2003-2005), among others.



**Deputy Secretary of the Board of Directors
Santiago Martínez Garrido (1968)**

Appointment: 2015

- Director of Legal Services of Iberdrola as well as a member of the board of Avangrid and of Neoenergia.
- Government lawyer at the High Courts of Justice (*Tribunales Superiores de Justicia*) of Catalonia and of Castile-La Mancha, and at the Home Office (*Ministerio del Interior*) (1997-2000).
- Chief of Staff of the Secretary of State for Justice (2000-2002) and of the Ministry of Justice (2002-2004), and member of various boards of directors of public and private companies.



**Counsel to the Board of Directors and to the
Remuneration Committee
Rafael Mateu de Ros Cerezo (1953)**

Appointment: 2011

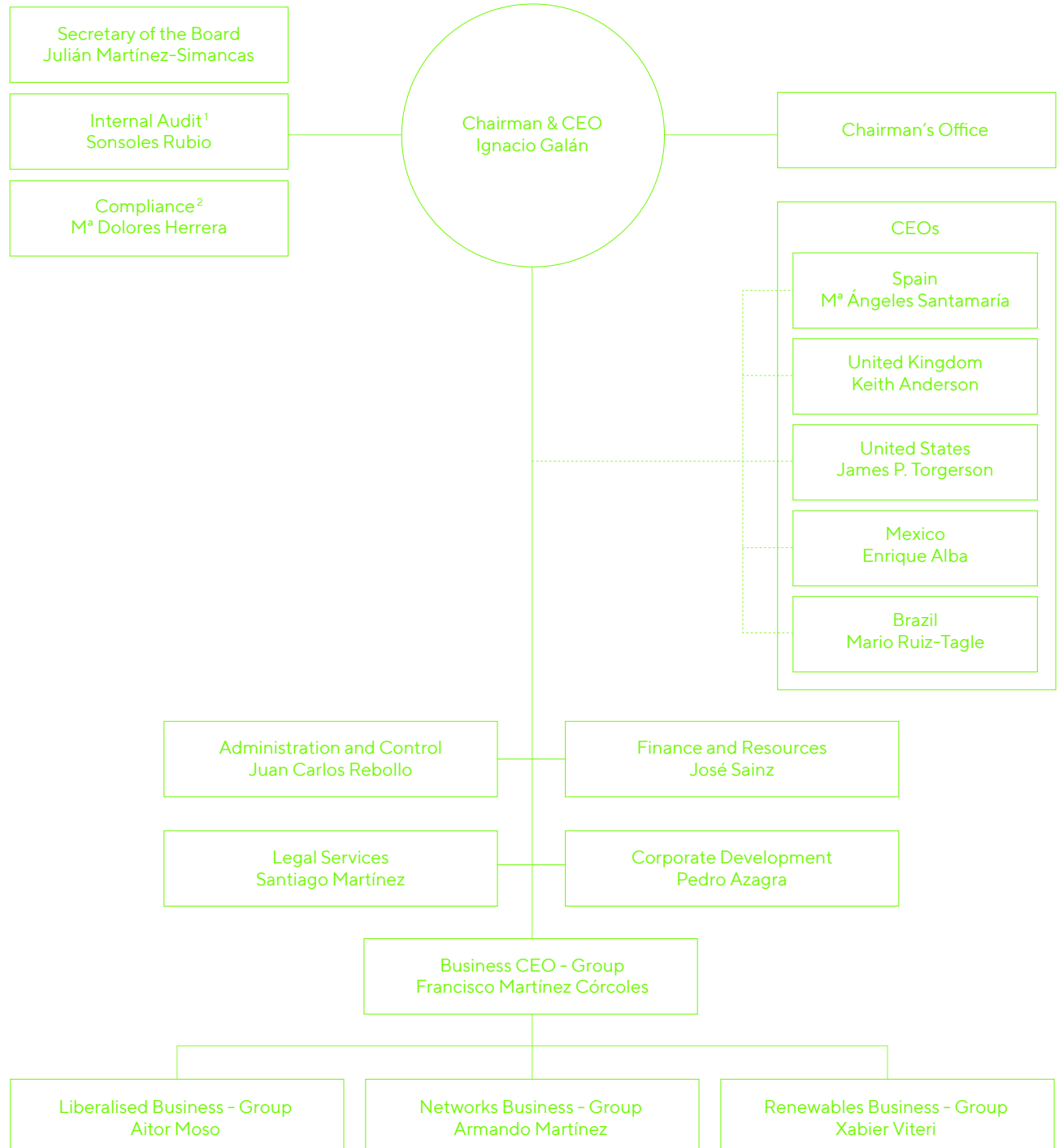
- Founding partner of the law firm Ramón & Cajal Abogados, with headquarters in Madrid, as well as independent director and secretary of the Appointments and Corporate Governance Committee of Bankinter.
- He has practised as a lawyer both within the government's legal service (*Cuerpo de Abogados del Estado*) and in the private sector, acting as secretary of the board of directors and head of legal services at various companies, including Bankinter.

Wiking offshore wind farm
/ Germany
© Francis Tsang





Annex: management team



(1) Functionally reports to the Audit and Risk Supervision Committee. (2) Reports to the Sustainable Development Committee.
 -- Management team at country subholding companies hierarchically reporting to their respective boards of directors.

3.B. Activities of the Board of Directors

The Board of Directors focuses its work on: (i) defining strategy, (ii) supervising the implementation thereof and controlling risks, and (iii) adopting the best corporate governance practices.

Key topics in 2018

Strategy

Profitable growth:

Design the group's strategy and decide on key investments in the businesses prioritised in the Strategic Plan.

- Analysis of challenges and trends in the energy sector.
- Approval of the *Strategic Outlook 2018-2022*.
- Definition of the digitisation strategy for the 2018-2022 period.
- Approval of the budgets for financial year 2019.

Sustainable remuneration of shareholders:

Review the alignment of shareholder remuneration with the performance of the group.

- Outlook for 2018-2022 shareholder remuneration.
- Approval of shareholder remuneration for 2018.
- Introduction of the new "Iberdrola Flexible Remuneration" remuneration system, which simplifies the option of monetising the dividend.

Social dividend:

Determine the guidelines driving the actions of the group in the area of sustainable development.

- Integration of the Sustainable Development Goals ("SDGs") approved by the United Nations as part of the group's business strategy.
- Approval of initiatives to strengthen the commitment to innovation.
- Update of the *General Sustainable Development Policy and the Human Resources Framework Policy*.

Financial strength:

Control of the financial situation to ensure the sustainability of the business over the long term.

- Approval of major financial transactions of the group.
- Approval of plan for rotation of non-strategic assets.

Supervision of management

Profitable growth:

- Approval of the quarterly, half-yearly and annual results of the group, analysing the level of compliance with the *Strategic Outlook 2018-2022*.
- Analysis of performance and forecasts for each of the group's businesses, as well as of the strategic issues that affect them.
- Supervision of implementation of the company's digitisation and innovation strategy.
- Monitoring of potential opportunities for investment in strategic markets.

Social dividend:

- Supervision of activities with an impact on the social dividend and alignment with the SDGs and with the requirements of the leading bodies in this field.
- Monitoring of talent management at Iberdrola: results of the global labour climate survey and analysis of measures adopted at the group level to recruit, retain, manage and promote talent.

Financial strength:

- Supervision of key financial indicators: interest rate structure, liquidity position and currency portfolio.
- Supervision of asset rotation plan with divestments from non-strategic assets.

Supervision and control of corporate risks:

- Continuous update of the *Risk Policies*, and particularly the *Cybersecurity Risk Policy*.
- Supervision and control of corporate risks.
- *Report on risk control and management systems* and on the level of compliance with the *Corporate Tax Policy*.

Corporate governance

Composition of the Board of Directors:

- Appointment of Ms Inés Macho Stadler as non-executive vice-chair.
- Appointment of Mr Juan Manuel González Serna as new lead independent director (*consejero coordinador*).
- Proposed appointment of a new independent director: Mr Anthony L. Gardner.

Remuneration:

- Proposed new *Director Remuneration Policy*, which was approved by the shareholders at the General Shareholders' Meeting.
- Approval of the remuneration of the directors and senior officers and of the objectives with which annual variable remuneration is linked.

Improvements to the Corporate Governance System:

- Reform of the Corporate Governance System to formalise the group's commitment to the SDGs.
- Insertion of new introductory texts in each of the books into which the Corporate Governance System is divided and reorganisation of its internal structure to improve the consistency thereof.
- Approval of a new *Iberdrola Group Financial Information Preparation Policy*.
- Approval of a new common Code of Ethics for the directors of all companies of the Group, and the professionals and suppliers thereof.

Shareholder and stakeholder engagement:

- Monitoring of the Company's contacts with key market players.
- Supervision of contacts between the lead independent director and the shareholders.

Priorities for 2019

- Monitoring of compliance with the *Strategic Outlook 2018-2022*.
- Analysis and monitoring of challenges and risks in the electric sector and analysis of potential change factors that could affect the Company's strategy or performance.
- Re-election of the chairman & CEO and renewal of the Board of Directors with the appointment and/or re-election of directors.

Shareholder Engagement Report

Awareness by the Board of Directors of the expectations, opinions and concerns of the shareholders in certain areas of corporate life and their effective engagement within the Company is an important source for creating value.

Achieving such engagement requires the development of a policy driven by the Company and led by its Board of Directors that allows for the establishment of a constructive, ongoing and efficient dialogue that helps to align the interests of the shareholders and of the Company.

The practical application of this policy is not limited to the holding of the General Shareholders' Meeting, but also contemplates various ongoing channels of communication with institutional investors and minority shareholders:

Shareholder Day (General Shareholders' Meeting)

Quorum and results	The General Shareholders' Meeting, held on 13 April 2018, had the participation of a total of 4,898,755,240 shares present in person and by proxy, reaching a quorum of 76.09 % of the share capital (4.65 % present in person and 71.44 % represented by proxy), with all proposals being approved by a wide majority.
Mechanisms for participation	Shareholders can grant their proxy or cast an absentee vote using multiple channels: <ul style="list-style-type: none"> • Shareholder information desks open for the Meeting at various locations. • Internet (new multi-device app). • Phone (new development in 2018). • Post. • Through the depositaries of the shares.
Incentives	Pursuant to Iberdrola's policy to encourage participation at the Meeting, a bonus of 0.005 euro (gross) per share was paid to all shareholders attending in person or by proxy or casting an absentee vote, and a symbolic gift was delivered to those coming to pick it up at the shareholder information desks or at the Meeting itself.

Engagement of Institutional Investors

Presentation of results	An average of 780 persons were connected online to the publication of its results through live and recorded presentations on the website.
Investor Day	Held in London with more than 150 attendees and approximately 2,500 streaming connections. "Best Analyst Day overall" first prize in the utilities category from Institutional Investors.
Meetings at facilities	Numerous meetings were held with analysts, investors and rating agencies at Iberdrola's facilities during 2018. There were 300 in-person and telephonic meetings with all kinds of market players.
Roadshows and equity, fixed-income and sustainable investment presentations	The main financial centres in Europe, North America, Asia and Australia were visited and more than 240 meetings were held.
Corporate governance roadshows	Roadshows in Belgium, France, the United Kingdom, Germany and the United States, among others, to explain new developments in corporate governance.

Engagement of Minority Shareholders

Corporate Governance Day	The fourth corporate governance day, focused on the effects of shareholder engagement at listed companies, was held in Madrid on 6 November 2018.
Dialogue with Shareholder Associations	Iberdrola maintains relations on a permanent basis with the principal minority shareholder associations.
Shareholders' Club	More than 1,200 shareholders participated in on-site activities organised by the Shareholders' Club and hundreds of telephone calls were received.
Office of the Shareholder: shareholder telephone line	The shareholder telephone line received more than 18,000 calls during 2018.
Corporate website	The shareholders and investors section of the corporate website had 444,000 visits (14.1% of the total received by the website) by more than 100,000 users. Since it began operating in 2013, the APP has had more than 23,000 users, with more than 34,800 visits during 2018.
On Line Shareholders	At year-end 2018, OLS had a total of 13,476 registered shareholders (an 11% increase over 2017). In 2018, there were almost 37,603 visits to the pages of this section and 106 questions from shareholders.

The main topics addressed at the corporate governance events are: (i) the role of Iberdrola's Board in defining strategy and supervising the implementation thereof, (ii) management of the Company's risks, (iii) commitments and scenarios in connection with climate change, (iv) composition, diversity, renewal and remuneration of the Board of Directors, (v) cybersecurity, (vi) relationship with the main stakeholders, and (vii) equity transactions and shareholder remuneration.

Meetings, attendance and appearances

The Board of Directors held eight meetings during financial year 2018:

Date	Place
20/02/2018	Madrid
12/04/2018	Bilbao
13/04/2018	Bilbao
24/04/2018	Madrid
21/06/2018	Madrid
24/07/2018	Madrid
23/10/2018	Madrid
18/12/2018	Bilbao

All of the directors have attended all of the meetings.

During financial year 2018, the statutory auditor, various external experts and the following members of the Company's management team appeared before the Board of Directors:

- Innovation, Sustainability and Quality Director
- Administration and Control Director
- Finance and Resources Director
- Executive and Talent Management Director
- Director of Cybersecurity
- Legal Services Director
- Liberalised Business Director
- Networks Business Director
- Renewables Business Director

During the year, in performing the function of coordination of the group, representatives of the country subholding companies Iberdrola España, Scottish Power and Neoenergia.

Training and orientation programme

The Board of Directors conducts an ongoing training and information programme, which consists of both sessions and specific materials that are included in the directors' website.

Date	Informational sessions
12/04/2018	Innovation, digitisation and cybersecurity
24/04/2018	Offshore wind power
21/06/2018	Status and outlook of Neoenergia and status of the financial markets
24/07/2018	Networks Business
23/10/2018	Status and outlook of Iberdrola España

Training documents on the Directors' Website

Strategy and Supervision	<ul style="list-style-type: none"> • Big Data and Artificial Intelligence in the energy sector: applications and impact
Risk Supervision and Control	<ul style="list-style-type: none"> • European Data Protection Regulation and its application to the Iberdrola group • New EU regulation on prospectuses for public offerings or admission to trading of securities • Trends and best practices in risk supervision
Corporate Governance	<ul style="list-style-type: none"> • The application of Blockchain technology at the general shareholders' meeting • Mechanisms for remote participation in general meetings of shareholders of listed companies. Comparative study at the international level • Compliance system: essential elements for effectiveness • Shareholder activism
Sustainable Development	<ul style="list-style-type: none"> • Trends in the social investment market • New obligations for the publication of non-financial information of capital enterprises

Iberdrola also has an orientation programme for new directors consisting of a document that covers critical aspects of the Company, including its strategy, its performance and the market environment, as well as practical information for directors:

Contents of the Orientation Programme

Summary of Information on Iberdrola and its Group	<ul style="list-style-type: none"> • Business areas and strategy • Performance and market environment • Compliance and internal control • Sustainability, people and values • Ownership structure and corporate governance system
Practical Information of Interest	<ul style="list-style-type: none"> • Directors' website • Who is who on the Board of Directors • Who is who on the Management Team • Who is who in the Office of the Chairman and the Office of the Secretary of the Board of Directors
Training	<ul style="list-style-type: none"> • Directors' website, blog and training sessions

🔗 [Link to more information regarding regulation of the operation and powers of the Board of Directors.](#)



Executive Committee

The Executive Committee flexibly supports the Board of Directors in ongoing supervision of compliance with the strategic goals of the group and the development of its organisational model, with frequent meetings.

4.A. Composition and Attendance

Composition of the Committee at 31 December 2018:

Position	Director	Classification	Attendance
Chairman	José Ignacio Sánchez Galán	Executive	15/15
Member	Inés Macho Stadler	Other external	14/15
Member	Ángel Jesús Acebes Paniagua	Independent	15/15
Member	Manuel Moreu Munaiz	Independent	15/15
Member	Samantha Barber	Independent	15/15

Mr Julián Martínez-Simancas Sánchez is the secretary.

There were no changes in the composition of the Executive Committee during 2018.

The Committee met on five occasions during 2018:

Date	Place	Date	Place	Date	Place
16/01/2018	Bilbao	22/05/2018	Madrid	27/09/2018	Madrid
06/02/2018	Madrid	04/06/2018	Madrid	09/10/2018	Madrid
01/03/2018	Madrid	03/07/2018	Madrid	05/11/2018	Madrid
19/03/2018	Madrid	21/08/2018	Bilbao	20/11/2018	Madrid
08/05/2018	Madrid	12/09/2018	Madrid	04/12/2018	Madrid

4.B. Activities

Key topics in 2018

Strategic supervision

Support to the Board of Directors by continuously supervising achievement of the group's strategy and the development of its organisational model.

Profitable growth:

- Supervision of the *Outlook 2018-2022*, monitoring the investment plan.
- Status of the operating indicators by business and by geographic area.
- Monitoring of the process of reorganisation of the liberalised activities of generation and sale of renewable energy outside of Spain.
- Verification of compliance with the budget strategy and review and approval of the basis for the group's budget for financial year 2019.

Social dividend:

- Monitoring of actions in the area of innovation: holding of first innovation fair "*Innoday 2018*".
- Study of main issues raised by significant shareholders and proxy advisors.

Financial strength:

- Analysis of Iberdrola's performance in the financial markets and of its credit rating, as well as comments by financial analysts regarding the group's results.
- Approval of the major financial transactions of the group.
- Monitoring of the financial results of the entities of the group.

Risk supervision

Monitoring of key risks.

Risk review and management:

- Monitoring of the risks of the group.
- Supervision of the formulation of the strategic Cybersecurity plan 2019-2020.
- Study of the impact on the Iberdrola group of political changes.

Priorities for 2019

- Monitoring of risks related to the sector, to the country and to regulatory changes.
- Supervision of the actions of the Company with an impact on the social dividend.

Appearances

During financial year 2018, various external experts, the Business CEO and the following members of the Company's management team appeared before the Committee:

- Administration and Control Director
- Director of Cybersecurity
- Director of Legal Services
- Director of Global Tax
- Corporate Development Director
- Director of the Liberalised Business
- Director of E-Solutions and Global Marketing
- Director of Customer Solutions

🔗 [Link to more information regarding regulation of the operation and powers of the Executive Committee.](#)



Audit and Risk Supervision Committee

“The Committee supervises risks from an increasingly broad perspective, and this year has further delved into the risks arising from climate change.”

Georgina Kessel Martínez.
Chair of the Audit and Risk Supervision Committee.

5.A. Composition and Attendance

Composition of the Committee at 31 December 2018:

Position	Director	Classification	Experience in accounting/ finance/risk management	Attendance
Chair	Georgina Kessel Martínez	Independent	✓	12/12
Member	Denise Holt	Independent	✓	12/12
Member	José W. Fernández	Independent	✓	12/12
Member	Xabier Sagredo Ormaza	Independent*	✓	12/12

Mr Rafael Sebastián Quetglas is the secretary of this Committee.

There were no changes during 2018 in the composition of the Audit and Risk Supervision Committee, the members of which have been selected considering the qualifications and experience described in their respective profiles included in this report.

The Committee met on twelve occasions during 2018:

Date	Place	Date	Place
15/01/2018	México City**	18/07/2018	México City**
14/02/2018	México City**	23/07/2018	Madrid
19/02/2018	Madrid	24/09/2018	México City**
13/04/2018	Bilbao	22/10/2018	Madrid
23/04/2018	Madrid	19/11/2018	Bilbao
20/06/2018	Madrid	17/12/2018	Bilbao

* At 31 December 2018, Xabier Sagredo was considered "other external". Acquired the status of independent director upon interim appointment at the proposal of the Appointments Committee on 19 February 2019.

** Held by remote means of communication. Considered to be held where the chair was located.

5.B. Activities

Key topics in 2018

Financial and related non-financial information, internal control mechanisms and risk management and control

Supervision of the process of preparing and presenting financial information and review of the management of the Company's main risks through an annual report after the close of the financial year and quarterly reports.

Financial and non-financial information and internal control:

- Report to the Board of Directors on the individual and consolidated annual accounts for financial year 2017.
- Report to the Board of Directors on the first and third quarter accounts, as well as for the first half of 2018.
- *Memorandum of recommendations on internal control* resulting from the audit of the financial information for financial year 2017 and monitoring of the implementation of said recommendations.
- Response to the requests of the National Securities Market Commission for information regarding the individual and consolidated accounts for 2017 and the activities of the Committee.
- Verification that the published financial information coincides with the approved information and analysis of alternative performance measures used in the annual accounts and in the management report.

Risk management and control:

- Quarterly analysis of the *Risk Report*.
- Continuous review of the Internal Control System.
- Report on the proposed amendment and update of the *Risk Policies* and acknowledgement of the proposed risk limits and indicators for 2018.
- Supervision of the *Strategic and Cybersecurity Risks Plan*.
- Implementation of new practices for the prevention and reduction of tax risks by means of prior review of the tax aspects of new transactions, analysis and implementation of new regulatory developments, and the establishment of new controls.
- Analysis of the risks arising from the performance of activities with an impact on climate change, cybersecurity risks and risks associated with each of the business units of the group.

Internal audit and audit of accounts

Permanent supervision of the activities of the Internal Audit Area and of the statutory auditor.

Internal Audit:

- Monitoring report on the activities of the area, evaluation and recommendations.
- Approval of the *Activities Plan* and of the *Proposed Budget* for 2019.
- Evaluation of the performance of the director of the Internal Audit area.

Statutory audit:

- Monitoring of new developments from the audit report.
- Approval of the provision of services by the statutory auditor and firms belonging to its network.
- Proposed terms for hiring the statutory auditor.
- Use of surveys to evaluate the statutory auditor.
- Implementation of a control and procurement procedure for better communication with the external auditor.
- Update of the *Statutory Auditor Contracting and Relations Policy*.
- Analysis of the independence of the statutory auditor in relation to the report for financial year 2017, concluding that it performed its audit work independently of Iberdrola and of its consolidated group.

Other activities

- Monitoring of the Company's treasury share transactions and of the status of special purpose entities.
- Report on the level of compliance with the *Corporate Tax Policy* and the tax standards applied during financial year 2018.
- Favourable report on the accounting statement relating to the distribution of an interim dividend for financial year 2018 within the framework of the "Iberdrola Flexible Remuneration" system.

Priorities for 2019

- Continue with broad monitoring of risks, including business, reputational and cybersecurity risks and those deriving from climate change, among others; and do so from an increasingly global and integrated view of the Company's risk map
- Expand the evaluation of the activities of the Internal Audit Area and of the statutory auditor.

Appearances

During financial year 2018, the statutory auditor (at twelve meetings) as well as various external experts and the following members of the Company's management team appeared before the Committee:

- Director of Energy Policies and Climate Change
- Director of Internal Audit (twelve meetings)
- Director of Internal Audit of Iberdrola Corporation
- Administration and Control Director
- Director of Consolidation
- Director of Internal Control
- Director of Accounting Standards
- Finance and Resources Director
- Director of Finance and Treasury
- Director of Risk Management
- Director of Information Technology Organisation and Systems
- Director of Cybersecurity
- Director of Legal Services
- Director of Global Tax
- Director of International Tax
- Corporate Development Director
- Director of the Liberalised Business
- Director of the Grid Business
- Director of the Renewable Energy Business

Training

Date	Informational sessions
14/02/2018	Trends and risks associated with the Renewables Business
23/04/2018	Digitisation and new technologies applicable to the Iberdrola group's businesses
23/04/2018	Latest accounting developments
20/06/2018	Climate change risks and alert mechanism for these types of risks
18/07/2018	Trends and risks associated with the Liberalised Business
18/07/2018	Report of the CNMV regarding the financial information of Ibex 35 companies
22/10/2018	Trends and risks associated with the Networks Business
19/11/2018	Finance and Resources Division
17/12/2018	Aspects regarding the audit committees from the CNMV report on corporate governance

Improvements in the regulation of the Committee

During 2018, the *Regulations of the Audit and Risk Supervision Committee* have been successively amended to clarify the regulation of the powers of the Committee with respect to the monitoring of investigations regarding financial and accounting improprieties, as well as the approval of the Basic Internal Audit Regulations and the *General Framework for Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its group*.

🔗 [Link to more information regarding regulation of the operation and powers of the Audit and Risk Supervision Committee.](#)



Appointments Committee

“The Committee monitors the measures implemented by the group to recruit, retain, manage and promote talent, which is a key element for the success of the Company.”

María Helena Antolín Raybaud.
Chair of the Appointments Committee.

6.A. Composition and Attendance

Composition of the Committee at 31 December 2018:

Position	Director	Classification	Experience in accounting/ finance/risk management	Attendance
Chair	María Helena Antolín Raybaud	Independent	✓	6/6
Member	Iñigo Víctor de Oriol Ibarra	Other external	✓	6/6
Member	Ángel Jesús Acebes Paniagua	Independent	✓	6/6

Mr Iñigo Gómez-Jordana Moya is the secretary of this Committee.

There were no changes during 2018 in the composition of the Appointments Committee, the members of which have been selected considering the qualifications and experience described in their respective profiles included in this report.

The Committee held six meetings and on three occasions adopted resolutions in writing without a meeting in 2018:

Date	Place
18/01/2018	Madrid
19/02/2018	Madrid
23/03/2018	In writing
21/05/2018	Madrid
11/07/2018	Madrid
19/07/2018	In writing
16/10/2018	Madrid
21/11/2018	Madrid
16/12/2018	In writing

6.B. Activities

Key topics in 2018

Selection and composition of the governance bodies

Proposed appointment and comparison to the renewal planning matrix for the Board of Directors.

- Proposed appointment of Mr Anthony L. Gardner and re-election of Ms Georgina Kessel Martínez as independent directors.
- Favourable report on the appointment of Ms Inés Macho Stadler as vice-chair of the Board of Directors.
- Proposed appointment of Mr Juan Manuel González Serna as lead independent director (*consejero coordinador*).
- Analysis of changes in the composition of the committees of the Board of Directors.
- Reports on appointments of independent directors at country subholding companies.
- Review of the renewal planning matrix for the Board of Directors in the *Annual Report on the Suitability of the Composition of the Board of Directors*.
- Review of the *Board of Directors Diversity and Director Candidate Selection Policy*.

Evaluation and re-election of directors

Continued monitoring of the requirements of law and the Corporate Governance System for holding the position of director.

- Annual review of the classification and, if appropriate, independence of the directors, as well as continued compliance with the requirements of respectability, capability, expertise, competence, availability and commitment.
- Favourable report on the continuation of Ms Inés Macho Stadler and of Mr Íñigo Víctor de Oriol Ibarra as directors under the category of “other external” after completing twelve years in the position.

Supervision of talent management and promotion

Supervision of the implementation of measures adopted at the group level to recruit, retain, manage and promote talent.

- Monitor the best international talent management practices.
- Supervise the Iberdrola group's strategy for the recruitment, management, promotion and retention of talent.

Conflicts of interest and related-party transactions

Ongoing review of potential conflicts of interest and related-party transactions.

- *Report on related-party transactions of the Iberdrola group* with directors, senior officers, significant shareholders and their respective related persons.
- Analysis of potential conflicts of interest of the directors.
- Analysis of the appointments of directors to positions outside of the Iberdrola group.

Other activities

- Review of the latest trends regarding corporate governance and renewal of the composition of boards of directors.

Priorities for 2019

- Process of re-election of the chairman & CEO and renewal of the Board of Directors with the appointment and/or re-election of directors.
- Analysis of trends and best practices at the international level in the area of recruiting, retention, management and promotion of talent.
- Monitoring of possible changes that may be made by the new Technical Guide of the National Securities Market Commission on appointment and remuneration committees.

Appearances

During financial year 2018, the chairman & CEO, various external experts and the following members of the Company's management team appeared before the Committee:

- Director of Corporate Governance
 - Director of Human Resources and General Services
-

Training

Date	Informational sessions
21/05/2018	Best practices in the renewal of boards of directors
11/07/2018	Corporate governance trends
16/10/2018	Transformations of the labour environment and trends in human resources

Improvements in the regulation of the Committee

On October 2018 there was an expansion in the powers of the Committee regarding talent management and promotion, mainly in relation to the executive directors and senior management. This committee was also assigned the duty of informing itself regarding the implementation of measures adopted at the group level to recruit, retain, manage and promote talent, and particularly regarding the programmes for training and monitoring officers.

🔗 [Link to more information regarding regulation of the operation and powers of the Appointments Committee.](#)

Related-party transactions with directors and significant shareholders

During financial year 2018, the Appointments Committee reported favourably on the two generic approvals, both at the meeting held on 19 July 2018:

1. Power supply transactions.

Generic approval of electricity and gas supply by companies of the Iberdrola group to directors, significant shareholders or persons connected thereto.

2. Banking transactions with the Qatar Investment Authority group.

Generic approval of banking transactions between companies of the Iberdrola group and Qatar National Bank, other companies of the Qatar group or financial institutions of the Government of Qatar, provided that they are transactions in the banking area, such as, by way of example, treasury transactions for the management of surpluses and shortages of funds, currency exchange transactions deriving from financial and commercial transactions of the group, interest rate and exchange rate hedging transactions, and the provision of collateral security and guarantees.

Both approvals require that they be transactions within the ordinary course of businesses, be carried out on arms'-length terms and be effected with respect for the principle of equal treatment of shareholders in the same situation.

These generic approvals were unanimously approved at the meeting of the Board of Directors held on 24 July 2018.



Remuneration Committee

“The Committee has checked that the Director Remuneration Policy approved by the shareholders at the Meeting this year is aligned with best remuneration practices and with the strategic objectives of the Company.”

Juan Manuel González Serna.
Chair of the Remuneration Committee.

7.A. Composition and Attendance

Composition of the Committee at 31 December 2018:

Position	Director	Classification	Experience in remuneration	Attendance
Chairman	Juan Manuel González Serna	Independent	✓	6/6
Member	Inés Macho Stadler	Other external	✓	6/6
Member	Manuel Moreu Munaiz	Independent	✓	2/2

Mr Rafael Mateu de Ros Cerezo is the secretary of this Committee.

During 2018 Mr Juan Manuel González Serna was appointed as chair of the Remuneration Committee and Mr Manuel Moreu Munaiz as a member thereof to replace Mr Iñigo Víctor de Oriol Ibarra¹. The selection of its members is based on the qualifications and experience described in their respective profiles included in this report.

The Committee held six meetings and on two occasions adopted resolutions in writing without a meeting in 2018:

Date	Place
15/01/2018	In writing
19/02/2018	Madrid
23/04/2018	Madrid
21/05/2018	Madrid
15/06/2018	In writing
23/07/2018	Madrid
19/11/2018	Madrid
17/12/2018	Bilbao

¹ Mr Iñigo Víctor de Oriol Ibarra attended the four meetings to which he was called while he belonged to this Committee in 2018.

7.B. Activities

Key topics in 2018

Director remuneration

Verify that variable remuneration promotes the sustainability and profitability of the Company over the long term.

- Proposed new *Director Remuneration Policy* subsequently approved by the shareholders at the General Shareholders' Meeting.
- Proposed fixed remuneration of the executive and non-executive directors for financial year 2018.
- Proposed calculation of the executive directors' annual variable remuneration based on a report on evaluation of attainment of objectives prepared by an independent external adviser.
- Proposed setting and weighting of targets for determination of the variable remuneration of the executive directors for financial year 2018.
- Verification that the contracts of the executive directors conform to the current Companies Act, by means of a report from an external expert.
- Comparative analysis of the remuneration of the executive directors with the support of an external adviser.

Remuneration of senior officers

Continuous review of the remuneration system to ensure that it attracts, retains and motivates the most highly qualified professionals, and that this system is aligned with the strategic goals of the group.

- Report on the fixed remuneration of the senior officers for financial year 2018.
- Verification of compliance with the objectives for financial year 2017 and calculation of the variable remuneration of the senior officers.
- Review of performance in relation to the Strategic Bonus 2014-2016, and proposed calculation of the second payment.

Other activities

Decisive commitment to transparency.

- *Annual Director Remuneration Report* for financial year 2017.
- Report on the remuneration of the directors and senior officers set out in the half-yearly and annual financial information.
- Analysis of the results of the voting on matters relating to the Remuneration Committee at the General Shareholders' Meeting.

Priorities for 2019

- Monitoring of the salary gap and the evolution of average remuneration by gender.
- Analysis of the general remuneration programmes for the group's payroll.
- Monitoring of the latest international trends in the area of remuneration transparency.
- Monitoring of possible changes that may be made by the new Technical Guide of the National Securities Market Commission on appointment and remuneration committees.

Appearances

During financial year 2018, the chairman & CEO, various external experts and the following members of the management team and professionals of the Company appeared before the Committee:

- Director of Corporate Governance
- Head of Administrative Management of the Office of the Secretary of the Board of Directors
- Director of Human Resources and General Services
- Director of Remuneration Policies and Pensions

Training

Date

Informational sessions

19/11/2018 Taxation of the remuneration of the Board of Directors

© Link to more information regarding regulation of the operation and powers of the Remuneration Committee.



Sustainable Development Committee

“The Committee analyses the Iberdrola group’s contribution to the world, measured by a report prepared by an external expert.”

Samantha Barber.
Chair of the Sustainable Development Committee.

8.A. Composition and Attendance

Composition of the Committee at 31 December 2018:

Position	Director	Classification	Experience in sustainable development/corporate governance	Attendance
Chair	Samantha Barber	Independent	✓	7/7
Member	Anthony L. Gardner	Independent	✓	3/3
Member	Íñigo Víctor de Oriol Ibarra	Other external	✓	2/2

Mr Fernando Bautista Sagüés is the secretary of this Committee.

During 2018 Mr Anthony L. Gardner and Mr Iñigo Víctor de Oriol Ibarra were appointed as members of the Sustainable Development Committee, to replace Mr Braulio Medel Cámara and Mr Manuel Moreu Munaiz². The selection of its components is based on the qualifications and experience described in their respective profiles included in this report.

The Committee met on seven occasions during 2018.

Date	Place
15/01/2018	Madrid
05/02/2018	Madrid
19/02/2018	Madrid
11/04/2018	Bilbao
20/06/2018	Madrid
01/10/2018	Madrid
17/12/2018	Bilbao

² Both Mr Braulio Medel Cámara and Mr Manuel Moreu Munaiz attended all meetings to which they were called (four and five meetings, respectively) while they belonged to this Committee in 2018.

8.B. Activities

Key topics in 2018

Sustainable development

Supervision of the activities of the Company regarding sustainable development, corporate social responsibility, innovation, employment, satisfaction and diversity.

- Approval and monitoring of the Corporate Social Responsibility Plan 2018-2019.
- Analysis of the processes for the Company's relations with the various stakeholders and of the expectations thereof, within the framework of the *Stakeholder Relations Policy*.
- Monitoring of activities in the areas of employment, satisfaction, diversity, integrity, reconciliation, accessibility and mobility.
- Monitoring of non-financial indicators, linked to the *Mission, Vision and Values of the Iberdrola group*.
- Review of the *Sustainability Report* and of the *Integrated Report*.
- Monitoring of activities in the area of responsible innovation.
- Analysis of the group's social contribution, measured by the *Report on the Iberdrola group's economic, social and environmental impact*, prepared by an external expert.

Corporate reputation

Review of the activities of the Company in the area of cybersecurity and of the protocols for action in cases having reputational impact.

- Monitoring of the Action Plan for financial year 2018 in the area of corporate reputation.
- Review of the Company's activities in connection with Reputation and Brand.
- Monitoring of responsible communication and marketing activities and trends.

Corporate governance and compliance

Promotion and review of the Company's corporate governance strategy.

- Monitoring of the latest corporate governance trends.
- Monitoring of the activities of the Compliance Unit in the application of the *Code of Ethics* and of the crime prevention programmes.
- Review of the *Annual Corporate Governance Report* and of the *Annual Report on Compliance with Legal Provisions on the Separation of Regulated Activities of the Iberdrola group*.

Priorities for 2019

- Monitoring of the group's contribution to the achievement of the SDGs.
- Analysis of investors' requests regarding sustainability.
- Stakeholder relations models.

Appearances

During financial year 2018, representatives of the Foundations Committee of the Iberdrola group, various external experts and the following members of the management team and professionals of the Company appeared before the Committee:

- Director of Innovation, Sustainability and Quality
- Director of Corporate Governance
- Director of Compliance
- Director of Investor Relations and Communication
- Director of Human Resources and General Services
- Director of Corporate Social Responsibility and Reputation
- Head of Stakeholders
- Director of Subsidiary Corporate Governance

Training

Date	Informational sessions
20/06/2018	Responsible innovation
01/10/2018	Corporate reputation, brand and other intangible assets, and trends in responsible communication and marketing

Improvements in the regulation of the Committee

In October 2018 the name of the Corporate Social Responsibility Committee was changed to Sustainable Development Committee, in line with the Iberdrola group's sustainable development strategy and its commitment to the SDGs. There was also a strengthening of the powers of the Committee with respect to monitoring the Iberdrola group's contribution to the achievement of these goals.

- ◉ [Link to more information regarding regulation of the operation and powers of the Sustainable Development Committee.](#)



Evaluation

Iberdrola annually evaluates the operation of the Board of Directors, of the Executive Committee and of the four consultative committees with the support of PricewaterhouseCoopers Asesores de Negocio, S.L.

This process verifies compliance with the legal system and the Corporate Governance System and includes a comparative analysis involving more than 23 domestic and international companies with best practices. There is also monitoring of the areas of work identified in the Continuous Improvement Plan. It is a complete and detailed evaluation that goes beyond compliance and is intended 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 2018:

Composition of the governance bodies

- Appointment of Mr Juan Manuel González Serna as lead independent director (*consejero coordinador*).
- Appointment of Ms Inés Macho Stadler as vice-chair of the Board of Directors.
- Staggered renewal of the Board of Directors, with the appointment of Mr Anthony L. Gardner, a profile aligned with the needs specified in the renewal planning matrix for the Board of Directors.
- Strengthening of the checks-and-balances system with the appointment of CEOs at country subholding companies.

Operation

- Preparation of a new orientation programme for new directors.
- Implementation within the Audit and Risk Supervision Committee of the recommendations contained in Technical Guide 3/2017 on audit committees at public-interest entities.
- Allocation of new talent management and promotion powers to the Appointments Committee.
- Approval of a new *Director Remuneration Policy* at the 2018 General Shareholders' Meeting.
- Preparation of a comparative analysis of the remuneration of the executive directors with the support of an external adviser.
- Inclusion of the SDGs approved by the UN in more than 30 corporate policies and governance rules of the Corporate Governance System.

Stakeholder engagement

- Contacts of the lead independent director with shareholders of the Company.
- Continuous analysis of the main issues raised by the shareholders and other stakeholders.
- Expand information published regarding shareholder engagement, describing the main issues discussed with the shareholders at the corporate governance roadshows.
- Iberdrola's joining the *Task force on Climate Related Financial Disclosure* initiative.

