

Annual Corporate Governance Report

Financial Year 2019



ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE: 31/12/2019

Tax Identification No. (C.I.F.) A-48010615

Company Name: IBERDROLA, S.A.

Registered Office: Plaza Euskadi número 5 48009 Bilbao - Biscay - Spain
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<p align="center">ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES</p>



CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
25/07/2019	4,771,554,000.00	6,362,072,000	6,362,072,000

Remarks
On 30 January 2020, the share capital was increased to 4,840,194,000.00 euros, represented by 6,453,592,000 ordinary shares having a nominal value of 0.75 euro each, belonging to a single class and series, which are fully subscribed and paid up.

Please state whether there are different classes of shares with different associated rights:

Yes ☐

No ☒

Class	Number of shares	Par value	Number of votes	Associated rights

Remarks
All shares are of the same class and carry the same rights.

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK, INC,	0.00	5.10	0.00	0.06	5.16
NORGES BANK	3.43	0.00	0.00	0.00	3.43
QATAR INVESTMENT AUTHORITY	0.00	8.69	0.00	0.00	8.69

Remarks
Data at 31/12/2019.

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
BLACKROCK INC	BLACKROCK GROUP	5.10	0.06	5.16
QATAR INVESTMENT AUTHORITY	QATAR HOLDING LUXEMBOURG II, S.A R.L.	8.69	0.00	8.69

Remarks
<p>According to available information, the approximate breakdown of the interests in the share capital by type of shareholder is as follows:</p> <ul style="list-style-type: none"> - Foreign investors 69.70% - Domestic entities 7.74% - Domestic retail investors 22.56%

State the most significant shareholder structure changes during the year:

Name of shareholder	Date of transaction	Description of transaction
NORGES BANK	08/01/2019	Its interest has decreased to below 3%
NORGES BANK	16/01/2019	Its interest has increased to above 3%
NORGES BANK	17/01/2019	Its interest has decreased to below 3%
NORGES BANK	18/01/2019	Its interest has increased to above 3%

Most significant movements
The sources of the information provided are the notices sent by the shareholders to the CNMV and to the Company itself, the information contained in their respective annual reports and press releases, and the information that the Company obtains from Iberclear.

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

On 7 January 2020, the Qatar Investment Authority reported that Qatar Holding Luxembourg II, S.à r.l transferred its direct interest in the company to Qatar Holding LLC, both entities being controlled by Qatar Investment Authority.

On 7 January 2020, Norges Bank reported that its percentage voting rights in the Company decreased to below 3%.

On 14 January 2020, Norges Bank reported that its percentage voting rights in the Company increased to above 3% on 13 January 2020.

A.3 In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of total voting rights <u>that can be transmitted</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	0.11	0.06	0.03	0.00	0.20	0.00	0.00
MS INÉS MACHO STADLER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR IÑIGO VÍCTOR DE ORIOL IBARRA	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MS SAMANTHA BARBER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS MARÍA HELENA ANTOLÍN RAYBAUD	0.00	0.00	0.00	0.00	0.00	0.00	0.00

MS GEORGINA KESSEL MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS DENISE MARY HOLT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JOSÉ WALFREDO FERNÁNDEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR MANUEL MOREU MUNAIZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR XABIER SAGREDO ORMAZA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JUAN MANUEL GONZÁLEZ SERNA	0.00	0.01	0.00	0.00	0.01	0.00	0.00
MR FRANCISCO MARTÍNEZ CÓRCOLES	0.01	0.00	0.01	0.00	0.01	0.00	0.00
MR ANTHONY L. GARDNER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS SARA DE LA RICA GOIRICELAYA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.24
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Remarks
<p>The data reflected in this section is at the date of approval of this report.</p> <p>Pursuant to the provisions of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the performance evaluation for the 2017-2019 period, which, if awarded will be paid in three equal parts in 2020, 2021 and 2022.</p> <p>Furthermore, pursuant to the provisions of the 2017-2019 Strategic Bonus, the Business CEO may receive up to a maximum of 300,000 shares based on the performance evaluation for the 2017-2019 period, which, if awarded will be paid in three equal parts in 2020, 2021 and 2022.</p> <p>Each of the deliveries of shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the</p>

circumstances on which the performance evaluation was based remain in effect.

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Royal Park 2000, S.L.	0.06	0.00	0.06	0.00
MR JUAN MANUEL GONZÁLEZ SERNA	Grupo Siro Corporativo, S.L.	0.01	0.00	0.01	0.00

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
No data		

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

Name of related party	Nature of relationship	Brief description
No data		

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of legal-person directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their

representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

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

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

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes ☐ No ☒

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

Yes ☐ No ☒

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes ☐ No ☒

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

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
24,376,375		0.38

(*) through:

Name of direct shareholder	Number of direct shares
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No data	
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Explain any significant changes during the year:

Explain significant changes
<p>The Company sent to the CNMV three updates to its treasury share position in 2019 as a result of a change in the number of voting rights arising from corporate transactions:</p> <ul style="list-style-type: none"> On 5 February 2019 notices were provided of direct acquisitions of a total of 3,617,643 shares (representing 0.055% of voting rights on that date), coinciding with the increase in capital resulting from the “Iberdrola Flexible Remuneration” programme. On 26 June 2019 notices were provided of direct acquisitions of a total of 235,024 shares (representing 0.004% of voting rights on that date), coinciding with the reduction in capital; and On 2 August 2019 notices were provided of direct acquisitions of a total of 379,515 shares (representing 0.006% of voting rights on that date), coinciding with the increase in capital resulting from the “Iberdrola Flexible Remuneration” programme. <p>During financial year 2019 the Company also provided two more notices arising from consecutive direct acquisitions of own shares due to said acquisitions exceeding 1% of voting rights since the preceding notice:</p> <ul style="list-style-type: none"> On 22 June 2019 notices were provided of direct acquisitions of a total of 66,286,268 shares (representing 1.017% of voting rights on that date). On 17 June 2019 notices were provided of direct acquisitions of a total of 81,529,569 shares (representing 1.250% of voting rights on that date). In addition, on 18 February 2020 the Company notified the CNMV of direct acquisitions of own shares in the total amount of 75,462,635 shares (1.169%).

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

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

- Purchases may be made by Iberdrola directly, or indirectly through its subsidiaries. Subsidiaries carrying out regulated activities are excluded pursuant to the provisions of the Electricity Industry Act (*Ley del Sector Eléctrico*) and the Hydrocarbons Act (*Ley de Hidrocarburos*).
- Purchases will be made using purchase/sale or swap transactions or any other means allowed by law.
- Purchases may be made up to the maximum sum permitted by law (i.e. 10% of the share capital).
- Purchases may not be made at a higher price than that quoted on the Stock Exchange or at a price lower than the share’s nominal value.
- The authorisation was granted for a period not to exceed five years as from the approval of the resolution.

- f) As a result of the acquisition of shares, including those that the Company or the person acting in their own name but on behalf of the Company has previously acquired and held in treasury, the resulting shareholders' equity cannot decrease to below the amount of the share capital plus the restricted reserves required under law or the by-laws.

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

Furthermore, at the General Shareholders' Meeting held on 8 April 2016, the shareholders resolved to authorise the Board of Directors to increase share capital upon the terms and within the limits set forth in section 297.1.b) of the Companies Act, with the power to exclude preemptive rights, limited to a maximum nominal amount of 20% of the share capital.

A.11 Estimated working capital:

	%
Estimated working capital	82.13

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

Yes ☒ X

No ☐

Description of restrictions
<p>Those having an interest equal to or greater than 3% of the capital or voting rights of two or more companies that have the status of principal operator in certain markets or sectors (including the generation and supply of electricity) may not exercise rights in excess of such percentage in more than one entity. Article 29.2 of the By-Laws provides that no shareholder may cast a number of votes greater than those corresponding to shares representing 10% of the share capital.</p> <p>According to article 28, a shareholder may not exercise their right to vote at the General Shareholders' Meeting if the resolution to be approved is intended to: (a) relieve the shareholder of an obligation or grant the shareholder a right; (b) provide the shareholder with any kind of financial assistance, including the provision of guarantees in favour thereof; or (c) release the shareholder, if a director, from obligations arising from the duty of loyalty as provided by law.</p>

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

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

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

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes ☐

No ☒

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

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

Yes ☐

No ☒

If so, please list each type of share and the rights and obligations conferred on each.

B GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes ☒

No ☐

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC for special resolutions

Quorum required at 1st call	0.00	66.67
Quorum required at 2nd call	0.00	60.00

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

B.2 State whether there are any differences in the company’s manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes ☒ X

No ☐

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions	75.00	75.00

Describe the differences
Article 52 of the By-Laws provides that all resolutions intended to eliminate or amend the provisions contained in title IV (breakthrough of restrictions in the event of takeover bids), in article 28 (conflicts of interest), and in sections 2 to 4 of article 29 (limitation upon the maximum number of votes that a shareholder may cast) shall require the affirmative vote of three-fourths (3/4) of the share capital present in person or by proxy at a General Shareholders’ Meeting.

B.3. State the rules for amending the company’s Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders’ rights in the event of amendments to the Articles of Association.

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

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

Date of General Meeting	Attendance data				
	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
31/03/2017	0.40	71.92	0.17	4.71	77.20
Of which, free float:	0.32	60.43	0.17	4.71	65.63
13/04/2018	0.33	71.44	0.27	4.05	76.09
Of which, free float:	0.23	62.90	0.27	4.05	67.45
29/03/2019	9.00	61.40	0.33	3.39	74.12
Of which, free float:	0.55	61.17	0.33	3.39	65.44

Remarks
<p>The "Other" column reflects the percentage of share capital of all absentee votes issued at each Meeting through depositaries and custodians, cards received at shareholder information desks, cards received by post and the telephone channel (started in 2018). Adding all votes and proxies received through the corporate website, electronic participation reached a percentage of share capital equal to 0.82% in 2017, 1.03% in 2018 and 1.11% in 2019.</p> <p>Free float percentages have been calculated by dividing the shares represented in person and by proxy less those belonging to significant shareholders and directors participating at each Meeting, according to the information available in the list of attendees, by the total shares outstanding as at the date of the Meeting. For these purposes, significant interests deposited in omnibus accounts (not opened in the name of the owners of such interests) are not subtracted from the shares present in person or by proxy, except in cases in which the significant shareholder notified the Company of the shareholder's participation in the Meeting.</p>

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes ☐

No ☒

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes ☐

No ☒

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

Yes ☒

No ☐

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

Sections s), t) and u) of article 17 of the By-Laws provide that the shareholders acting at a General Shareholders' Meeting will decide the following issues, among others:

s) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.

t) The acquisition, transfer or contribution of key assets from or to another company.

u) The approval of transactions having an effect equivalent to liquidation of the Company.

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

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

C

COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

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

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

Remarks

C.1.2 Please complete the following table on directors:

Name of director	Representative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Mr José Ignacio Sánchez Galán		Executive	Chairman & CEO	21/05/2001	29/03/2019	Resolution of General Shareholders' Meeting
Ms Inés Macho Stadler		Other external	Vice Chair	07/06/2006	08/04/2016	Resolution of General Shareholders' Meeting
Mr Íñigo Víctor de Oriol Ibarra		Other external	Director	26/04/2006	08/04/2016	Resolution of General Shareholders' Meeting
Ms Samantha Barber		Independent	Director	31/07/2008	08/04/2016	Resolution of General Shareholders' Meeting
Ms María Helena Antolín Raybaud		Independent	Director	26/03/2010	29/03/2019	Resolution of General Shareholders' Meeting
Ms Georgina Kessel Martínez		Independent	Director	23/04/2013	13/04/2018	Resolution of General Shareholders' Meeting
Ms Denise Mary Holt		Independent	Director	24/06/2014	29/03/2019	Resolution of General Shareholders' Meeting
Mr José Walfredo Fernández		Independent	Director	17/02/2015	29/03/2019	Resolution of General Shareholders' Meeting
Mr Manuel Moreu Munaiz		Independent	Director	17/02/2015	29/03/2019	Resolution of General Shareholders' Meeting
Mr Xabier Sagredo Ormaza		Independent	Director	08/04/2016	29/03/2019	Resolution of General Shareholders' Meeting
Mr Juan Manuel		Independent	Lead Independent	31/03/2017	31/03/2017	Resolution of General

González Serna			Director (independent)			Shareholders' Meeting
Mr Francisco Martínez Córcoles		Executive	Director	31/03/2017	31/03/2017	Resolution of General Shareholders' Meeting
Mr Anthony L. Gardner		Independent	Director	13/04/2018	13/04/2018	Resolution of General Shareholders' Meeting
Ms Sara de la Rica Goiricelaya		Independent	Director	29/03/2019	29/03/2019	Resolution of General Shareholders' Meeting

Total number of directors	14
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Mr Ángel Jesús Acebes Paniagua	Independent	27/03/2015	28/03/2019	Executive Committee and Appointments Committee	No

Reason for leaving and other remarks
End of term.

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

EXECUTIVE DIRECTORS

Name of director	Post in organisational chart of the company	Profile
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Mr José Ignacio Sánchez Galán	Chairman & CEO	<p>Salamanca, Spain, 1950.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the chairman of the boards of directors of the country subholding companies of the Iberdrola group in the United Kingdom (Scottish Power Ltd.), the United States (Avangrid, Inc., a NYSE-listed company) and Brazil (Neoenergia, S.A., a company listed on the BOVESPA in Brazil).</p> <p>He is a member of the group of top utility executives 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.</p> <p><u>Academic training</u></p> <p>He graduated as an Industrial Engineer from the Technical Engineering School of Universidad Pontificia Comillas (Madrid).</p> <p>He has received honorary doctorate degrees from the universities of Salamanca, Edinburgh, and Strathclyde (Glasgow). He has been on the faculty of Escuela Técnica Superior de Ingeniería (ICAI), and is currently a visiting professor at the University of Strathclyde, chairman of the Social Council of the University of Salamanca, a member of the Dean's Advisory Council of the Massachusetts Institute of Technology (MIT) and a trustee of the Comillas-ICAI University Foundation.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has served as chief operating officer of Industria de Turbo Propulsores, S.A. (ITP) and as chairman of the European aerospace consortium Eurojet, headquartered in Germany. He has also held various positions at Sociedad Española del Acumulador Tudor, S.A. (now, Exide Group), engaged in the manufacture and sale of batteries.</p>
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		<p><u>Noteworthy experience in other industries</u></p> <p>He has been chief executive officer of Airtel Móvil, S.A. (now, Vodafone España, S.A.U.) and a member of the Supervisory Board of Nutreco Holding N.V., a listed company in The Netherlands, active in the food industry.</p> <p><u>Other information</u></p> <p>Amongst other recognitions, in 2019 he was selected as one of the five best-performing CEOs in the world and the top in the utilities sector by Harvard Business Review, and he was recognised by Bloomberg as one of the 30 most influential leaders in the fight against climate change.</p> <p>That year he also received the National Innovation and Design Award in the Innovative Career category from the Spanish Ministry of Science, Innovation and Universities, an Honourable Mention for his professional career from the Colegio Oficial de Ingenieros Industriales de Madrid, and the designation of Universal Spaniard by Fundación Independiente.</p> <p>In 2018 he was appointed as an Honorary Member of the Spanish Institute of Engineering.</p> <p>In 2017 he was named Best Chief Executive Officer (CEO) within the utilities category (for the eleventh time) by the Institutional Investor Research Group.</p> <p>In 2014 he was distinguished by Queen Elizabeth II with the title Commander of the Most Excellent Order of the British Empire and received the international Responsible Capitalism award from the First Group.</p> <p>In 2011 he was named Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thomson Extel Survey.</p> <p>In 2008 he was named Business Leader of the Year by the Spain-U.S. Chamber of</p>
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		<p>Commerce and was awarded the 2008 International Economy Prize by Fundación Cristóbal Gabarrón.</p> <p>In 2006 he was named Best CEO of the Year at the Platts Global Energy Awards.</p> <p>He was given the Award for Best CEO in Investor Relations by IR Magazine for three years in a row (2003-2005).</p>
Mr Francisco Martínez Córcoles	Business CEO	<p>Alicante, Spain, 1956.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the Business CEO of the Iberdrola group, chair of Iberdrola España, S.A. and of Iberdrola Energía Internacional, S.A.U. and a member of the board of the country subholding company in Mexico, Iberdrola México, S.A. de C.V.</p> <p>He is also a member of Merit of the National Association of Engineers of the Escuela Técnica Superior de Ingeniería (ICAI).</p> <p><u>Academic training</u></p> <p>Industrial Engineer specialising in Electricity from the ICAI (Universidad Pontificia Comillas, Madrid) and Master in Business Management from IESE Business School (Universidad de Navarra).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He worked at Compañía Sevillana de Electricidad, S.A. before joining Hidroeléctrica Española, S.A. and (after the merger with Iberduero, S.A.) Iberdrola, S.A., where he has been director of the Production Market, director of the Wholesale Energy Markets Business Unit, and general director of the Liberalised Energy business of the Group, with overall responsibility for all of the Wholesale, Retail and Energy Management businesses of the Iberdrola group.</p> <p>In June 2014 he was appointed Business CEO of the Iberdrola group, with overall</p>

		<p>responsibility for all of the group's businesses throughout the world.</p> <p>He has also held the position of chair of Elektro Holding, S.A., of Iberdrola Generación, S.A.U., of Iberdrola Generación México, S.A. de C.V. and of Scottish Power Generation Holdings Ltd. and has been a member of the board of Compañía Operadora del Mercado Eléctrico Español, S.A., Elcogas, S.A. and Iberdrola Ingeniería y Construcción, S.A.U.</p> <p>He was also a member of the Board of Directors of the Spanish Electric Industry Association (<i>Asociación Española de la Industria Eléctrica</i>) (UNESA).</p> <p><u>Noteworthy experience in other industries</u></p> <p>He began his professional career at the Systems Division of Arthur Andersen. He has been a member of the advisory board of the International University of Bremen (Germany) and vice president of the Energy and Natural Resources Committee of the Spanish Institute of Engineering.</p> <p><u>Other information</u></p> <p>He was awarded the XVII Annual Javier Benjumea Prize of the National Association of Engineers of ICAI Technical Engineering School and the Gold Medal of the Spanish Nuclear Society.</p>
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Total number of executive directors	2
Percentage of the Board	14.29

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
No data		

INDEPENDENT DIRECTORS

Name of director	
Ms Samantha Barber	<p data-bbox="726 450 1046 479">Dunfermline, Scotland, 1969.</p> <p data-bbox="726 495 1262 524"><u>Other current positions and professional activities</u></p> <p data-bbox="726 562 1386 757">She is the 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. She also performs advisory and business coaching work.</p> <p data-bbox="726 795 1342 824">She is Vice Chair of the 2020 Group on Climate Change.</p> <p data-bbox="726 862 927 891"><u>Academic training</u></p> <p data-bbox="726 929 1386 1055">Bachelor of Arts in Applied Foreign Languages and European Politics from the University of Northumbria, Newcastle (England) and Post-Graduate degree in EU Law from the University of Nancy (France).</p> <p data-bbox="726 1093 1386 1151"><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p data-bbox="726 1189 1386 1285">She has been a member of the Advisory Council of Scottish Power Ltd. following the integration of the Scottish company into the Iberdrola group.</p> <p data-bbox="726 1323 1182 1352"><u>Noteworthy experience in other industries</u></p> <p data-bbox="726 1391 1386 1547">She has been a 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.</p> <p data-bbox="726 1554 1386 1711">She has also been a member of the Advisory Board of Breakthrough Breast Cancer and of the Board of Directors of Right Track Scotland, an organisation dedicated to advancing educational, training and employment opportunities for youths at risk of social exclusion.</p> <p data-bbox="726 1749 927 1778"><u>Other information</u></p> <p data-bbox="726 1816 1386 1944">She was chosen as one of the “Top 100 Women to Watch” according to the FTSE list and Cranfield University, and was a finalist and earned second place in the annual Director of the Year Awards 2012 of IoD Scotland NED.</p>

<p>Ms María Helena Antolín Raybaud</p>	<p>Toulon, France, 1966.</p> <p><u>Other current positions and professional activities</u></p> <p>She is vice-chair of the Board of Directors and member of the Management Committee of Grupo Antolín Irausa, S.A. She is also the president of the Spanish Association of Automotive Equipment and Component Manufacturers (<i>Asociación Española de Fabricantes de Equipos y Componentes para Automoción</i>) (Sernauto), vice president of the Excellence in Management Club (<i>Club de Excelencia en la Gestión</i>), a member of the Advisory Board of Sabadell Urquijo Banca Privada, a member of the Executive Committee of the Spanish Confederation of Business Organisations (<i>Confederación Española de Organizaciones Empresariales</i>) (CEOE), a board member of France Foreign Trade (<i>Comercio Exterior de Francia</i>), Spain section, and a member of the Plenary Committee of the Chamber of Commerce of Spain.</p> <p><u>Academic training</u></p> <p>Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida (United States of America), and a Master of Business Administration from Anglia University, Cambridge (United Kingdom) and from Escuela Politécnica de Valencia (Spain).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has served as an external independent director of Iberdrola Renovables, S.A. and a member of its Related-Party Transactions Committee.</p> <p>She has been in charge of the corporate Industrial and Strategy Divisions of Grupo Antolín Irausa, S.A., where she has also been a director of Human Resources and the head of Total Quality for the Group.</p>
<p>Ms Georgina Kessel Martínez</p>	<p>Mexico City, Mexico, 1950.</p> <p><u>Other current positions and professional activities</u></p> <p>She is an independent director of Fresnillo plc and of Grupo Financiero Scotiabank Inverlat, S.A. de C.V., as well as the chair of the latter's Audit Committee, a partner of Spectron E&I and a member of the Business Board of Universidad de las Américas Puebla (UDLAP).</p> <p><u>Academic training</u></p>

	<p>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).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been chair of the Audit and Risk Supervision Committee of Iberdrola, S.A., chair of the Energy Regulatory Commission (<i>Comisión Reguladora de Energía</i>) and Energy Secretary of the Government of Mexico.</p> <p>She has also been chair of the Board of Directors of Pemex (Petróleos Mexicanos) and of the Board of Directors of the Federal Electricity Commission (<i>Comisión Federal de Electricidad</i>) (CFE).</p> <p>She has participated in the Energy Council of the World Economic Forum and in the United Nations Organization Secretary General's advisory group (Sustainable Energy for All).</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been an adviser to the chair of the Federal Competition Commission (<i>Comisión Federal de Competencia</i>), head of the Quasi-Autonomous Non-Governmental Organisations Investment and Divestment Unit (<i>Unidad de Inversiones y Desincorporación de Entidades Paraestatales</i>) of the Office of the Secretary of Finance and Public Credit of Mexico, general manager of the National Mint of Mexico (<i>Casa de Moneda de México</i>), member of the boards of Nacional Financiera (Nafinsa) and of Banco Nacional de Comercio Exterior (Bancomext), and general manager of Banco Nacional de Obras y Servicios Públicos.</p> <p>In the academic field, she has been a professor in the Economics Department of Instituto Tecnológico Autónomo de México, deputy chair of the course towards a Degree in Economics, and chair of the Alumni Association. She has also been holder of the Quintana Chair for Research in International Trade and is the author of many papers and specialised articles.</p>
Ms Denise Mary Holt	<p>Vienna, Austria, 1949.</p> <p><u>Other current positions and professional activities</u></p> <p>She is an independent director and member of the Audit Committee of HSBC Bank plc, chair of the Board of the University of Sussex and President of Cañada Blanch Centre for Contemporary Studies of the London School of Economics and Political Science (LSE).</p>

	<p><u>Academic training</u></p> <p>Degrees in Spanish philology, French philology and political sciences from the University of Bristol and Doctor of Laws from the same university (England, United Kingdom).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been a director of Scottish Power Renewable Energy Ltd. and of Scottish Power Energy Networks Holdings Ltd.</p> <p><u>Noteworthy experience in other industries</u></p> <p>In her diplomatic career, she has been first secretary of the Embassy of the United Kingdom in Brazil, director of Human Resources, of Migration and of the Overseas Territories at the UK Foreign and Commonwealth Office, and ambassador of the United Kingdom to Mexico, Spain and Andorra. For her contribution to the British diplomatic service, she was elevated to Dame Commander of the Order of St Michael and St George (DCMG).</p> <p>She has also been chair and an independent director of Mark & Spencer Financial Services, Ltd., an independent director and member of the Risk Committee of HSBC Bank plc, an independent director and member of the Quality and Safety and Remuneration Committees of the Board of Directors of Nuffield Health, chair of the Anglo-Spanish Society and of the Institute of Latin American Studies at the University of London, and has chaired the Nominations Committee of the Alzheimer's Society.</p>
Mr José Walfredo Fernández	<p>Cienfuegos, Cuba, 1955.</p> <p><u>Other current positions and professional activities</u></p> <p>He is a partner of Gibson, Dunn & Crutcher and a member of the board of directors of the Council of the Americas and the Center for American Progress.</p> <p><u>Academic training</u></p> <p>Degree in History from Dartmouth College (New Hampshire, United States of America), and Juris Doctor from Columbia University (New York, United States of America).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p>

	<p>He has been Assistant Secretary of State for Economic, Energy and Business Affairs for the United States of America. He has also been an independent director of Iberdrola USA, Inc.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has served on the boards of Dartmouth College, NPR Station WBGO-FM, the Middle East Institute and Ballet Hispánico of New York and of non-governmental institutions such as Acción Internacional. He has also been the State Department's representative on the Committee on Foreign Investment in the United States.</p> <p><u>Other information</u></p> <p>He was named one of the "World's Leading Lawyers" by Chambers Global for his M&A work, an "Expert" by the International Financial Law Review, one of the "World's Leading Privatization Lawyers" by Euromoney, and "Embajador de la Marca España" (Ambassador of the Spain Brand).</p>
Mr Manuel Moreu Munaiz	<p>Pontevedra, Spain, 1953.</p> <p><u>Other current positions and professional activities</u></p> <p>He is president of the Seaplace, S.L., sole director of H.I. de Iberia Ingeniería y Proyectos, S.L. and of Howard Ingeniería y Desarrollo, S.L., a director of Tubacex, S.A. and a member of the Spanish Committee of Lloyd's Register EMEA.</p> <p>He is a professor of the Master's Programme in Oil at Universidad Politécnica de Madrid (ETSIM), of the Maritime Master's Programme of Instituto Marítimo Español and of Universidad Pontificia Comillas.</p> <p><u>Academic training</u></p> <p>Doctorate in naval engineering from Escuela Técnica Superior de Ingenieros Navales (ETSIN) of the Universidad Politécnica de Madrid, and Master's degree in Oceanic Engineering from the Massachusetts Institute of Technology (MIT).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a member of the Corporate Social Responsibility Committee of Iberdrola, S.A., of the Board of Directors of Iberdrola Renovables, S.A., and a director and member of the</p>

	<p>Audit and Compliance Committee of Gamesa Corporación Tecnológica, S.A. (now Siemens Gamesa Renewable Energy, S.A.).</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been a member of the board of Metalships and Docks, S.A., Neumáticas de Vigo, S.A. and Rodman Polyships, S.A., dean of the Colegio Oficial de Ingenieros Navales y Oceánicos de Madrid y de España, president of the Spanish Institute of Engineering, and a professor of the Escuela Técnica Superior de Ingenieros Navales of the Universidad Politécnica de Madrid and for the Repsol's Masters programme in oil.</p>
Mr Xabier Sagredo Ormazza	<p>Portugalete, Spain, 1972.</p> <p><u>Other current positions and professional activities</u></p> <p>He is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa, of BBK Fundazioa and of Fundación Eragintza. He is also a trustee of Biocruces Sanitary Research Institute, of the Bilbao Museum of Fines Arts and of the Guggenheim Foundation, at which he also serves as member of the Executive Committee.</p> <p>He is a member of the Board of Directors of the Orkestra Basque Institute of Competitiveness and of the Management Council of Universidad de Deusto, and is a visiting professor at various institutions.</p> <p><u>Academic training</u></p> <p>Degree in Economics and Business from Universidad del País Vasco, with a major in Finance, and holder of postgraduate degrees in various areas.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a director of Iberdrola Generación, S.A. (Sociedad Unipersonal) and a member of its Audit and Compliance Committee.</p> <p>He was a director of Iberdrola Distribución Eléctrica, S.A. (Sociedad Unipersonal), at which he has held the position of chair of the Audit and Compliance Committee.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been the director of the Expansion and Assets area of the credit institution Ipar Kutxa, managing director of the</p>

	<p>concessionaire Transítia and a member of the Board of the Bilbao Port Authority.</p> <p>In addition, he has been chair and vice-chair of the Board of Directors of Caja de Ahorros Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK), and chair of its Audit Committee.</p>
Mr Juan Manuel González Serna	<p>Madrid, Spain, 1955.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the chairman of Ceralto Spain Foods, S.A., the parent company of the Siro Group, a business group in the food sector, and a member of the Governing Board of the Spanish Commercial Coding Association (<i>Asociación Española de Codificación Comercial</i>) (AECOC).</p> <p>He is a founding trustee and chairman of Fundación Grupo SIRO as well as a member of the Executive Committee and trustee of Fundación SERES, an honorary member of the General Assembly of the Spanish Paralympics Committee, a trustee of the Fundación Casa Ducal de Medinaceli, and honorary president of Empresa Familiar de Castilla y León.</p> <p><u>Academic training</u></p> <p>Degree in Law, Economics and Business Studies from the Instituto Católico de Administración y Dirección de Empresas (ICADE) of Universidad Pontificia Comillas (Madrid) and Masters in Business Administration (MBA) from the Escuela de Dirección del Instituto de Estudios Superiores de la Empresa de la Universidad de Navarra (IESE Business School) in Barcelona.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been an independent director of Iberdrola España, S.A. (Sociedad Unipersonal) and of Iberdrola Renovables, S.A., as well as chair of the Appointments and Remuneration Committee of the latter company.</p> <p><u>Noteworthy experience in other industries</u></p> <p>Apart from the food sector, he also has extensive experience in the finance, venture capital and health sectors. He is a member of the advisory board of Rabobank in Spain and Europe and has been a member of the board of Banco Urquijo Sabadell Banca Privada, S.A. and of Sociedad para el Desarrollo Industrial de Castilla y León, Sociedad de Capital Riesgo, S.A. (SODICAL, now Ade Capital Social, Sociedad de Capital Riesgo de Régimen Común, S.A.).</p>

	<p>He is also a member of the board of directors of the HM Hospitales Group.</p>
Mr Anthony L. Gardner	<p>Washington D.C., United States of America, 1963.</p> <p><u>Other current positions and professional activities</u></p> <p>He is a member of the board of directors of Brookfield Business Partners LP, senior adviser at the consulting firm Brunswick Group, LLP and senior counsel in the law firm Sidley Austin LLP, where he works in the International Trade and Privacy and Cybersecurity areas. He is also an adviser to the Bill and Melinda Gates Foundation and a member of the advisory boards of the Centre for European Reform, the German Marshall Fund and the European Policy Centre.</p> <p><u>Academic training</u></p> <p>He studied Government at Harvard University and International Relations at the University of Oxford. He holds a Juris Doctor degree from Columbia Law School and a Masters in Finance from London Business School.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He was an independent director of Scottish Power, Ltd and a member of that company's Audit and Compliance Committee.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He was the US ambassador to the European Union from 2014 to 2017. Prior to that appointment, for six years he was the managing director at Palamon Capital Partners, a private equity firm based in London. He was also the director of one of the finance departments of Bank of America and of GE Capital, as well as director in the international acquisitions group of GE International. He has also worked as an attorney at international law firms in London, Paris, New York and Brussels.</p> <p>He has dedicated more than twenty years of his career to US-European affairs, as a government official, lawyer and investor. As Director for European Affairs on the National Security Council (1994-1995), he worked closely with the US Mission to the European Union to launch the Transatlantic Free Trade Agreement.</p> <p>He previously worked with the Treuhandanstalt (German Privatisation Ministry) in Berlin, with the Stock Exchange Operations Committee in Paris and as secondee for the European Commission in Brussels.</p>

	<p><u>Other information</u></p> <p>He is the author of “A New Era in US-EU Relations? The Clinton Administration and the New Transatlantic Agenda” and numerous articles on EU affairs.</p>
Ms Sara de la Rica Goiricelaya	<p>Bilbao, Spain, 1963.</p> <p><u>Other current positions and professional activities</u></p> <p>She is director of Fundación ISEAK (Initiative for socio-economic analysis and knowledge), a member of the Scientific Advisory Board of Fundación Gadea, of the Scientific Committee of the Basque Institute for the Evaluation of the Educational System (IVEI-ISEI), an honorary member of the Spanish Economics Association (<i>Asociación Española de Economía</i>).</p> <p>She is an associate researcher for CreAM (Centre for Research and Analysis of Migration - London) and IZA (Institute for the Study of the Labour Market - Bonn). She is also a member of the Board of Directors of Basquetour, Turismoaren Euskal Agentzia, Agencia Vasca de Turismo, S.A., the government-owned company of the Department of Tourism, Trade and Consumption of the Basque Government, created to lead the promotion and implementation of the competitiveness strategy of Basque tourism.</p> <p><u>Academic training</u></p> <p>PhD in Economics from the University of the Basque Country and a professor at this institution. She has dedicated a large portion of her professional life to the study of and search for solutions on issues such as immigration, the labour market, gender equality and poverty.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been an independent director of Iberdrola España, S.A.U.</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been president of the European Society for Population Economics and a member of its Executive Committee, chair of the Committee on the Situation of Women in Economics (COSME), and a member of the Economic and Social Council (CES). She has also been the secretary of the Spanish Economics Association (AEE).</p>

	<p>She has worked on editorial boards and/or research project review boards.</p> <p><u>Other information</u></p> <p>In 2018 she was given the “2018 Basque Economist Award” (<i>Ekonomistak Saria</i> 2018) by the Basque Association of Economists (<i>Colegio Vasco de Economistas</i>).</p> <p>She regularly publishes academic articles in domestic and international magazines dealing with economic subjects, mainly related to labour, and participates in conferences and seminars and supervises graduate students in their dissertations.</p>
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Number of independent directors	10
Percentage of the Board	71.43

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

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

Name of director	Description of the relationship	Statement of the Board
No data		

OTHER EXTERNAL DIRECTORS

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
Ms Inés Macho Stadler	More than 12 years have passed since appointment.	IBERDROLA	<p>Bilbao, Spain, 1959.</p> <p><u>Other current positions and professional activities</u></p> <p>She is a professor of Economics in the Economics and Economic History Department of Universidad Autónoma de Barcelona and a professor of the</p>

			<p>Barcelona Graduate School of Economics. She is also an honorary member of the European Economic Association and of the Spanish Economic Association (<i>Asociación Española de Economía</i>) as well as a member-elect of The Academy of Europe.</p> <p><u>Academic training</u></p> <p>Degree in Economics from the University of the Basque Country. She has a Master's degree in Economics from l'École des Hautes Études en Sciences Sociales, and a doctorate in Economics (Ph.D.) from the same academic institution and from l'École Nationale de la Statistique et de l'Administration Économique (ENSAE) (Paris, France).</p> <p>Noteworthy experience in the energy and industrial engineering sector</p> <p>She has served as lead independent director (<i>consejera coordinadora</i>) of Iberdrola, S.A.</p> <p><u>Noteworthy experience in the energy and industrial economy sector</u></p> <p>She has been a member of the International Scientific Advisory Committee of the Basque Centre for Climate Change (bc3) and has served as chair of the Scientific Committee of the 2011 Conference of the Spanish Association for Energy Economics (<i>Asociación Española para la Economía Energética</i>).</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been president of the Spanish Economic Association, coordinator of the National Agency for Quality Evaluation and Accreditation (<i>Agencia Nacional de Evaluación y Prospectiva</i>), and representative at the European Science Foundation, as well as a</p>
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			<p>member-elect of the Council of the European Economic Association and a member of the Executive Committee of the European Association for Research in Industrial Economics. She has been a member of the Advisory Board of the Research Service of Caja de Ahorros y Pensiones de Barcelona, “la Caixa”. She has taught at universities in Germany, Belgium, Brazil, Denmark, France, Portugal and Spain.</p>
Mr Íñigo Víctor de Oriol Ibarra	More than 12 years have passed since appointment.	IBERDROLA	<p>Madrid, Spain, 1962.</p> <p><u>Academic training</u></p> <p>Bachelor of Arts in International Business from Schiller International University (Madrid), a graduate of the Executive Corporate Management Programme of IESE Business School, and Certified European Financial Analyst (CEFA) from Instituto Español de Analistas Financieros.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been chair of Electricidad de La Paz, S.A. (Bolivia), of Empresa de Luz y Fuerza Eléctrica de Oruro, S.A. (Bolivia), and of Iberoamericana de Energía Ibener, S.A. (Chile), as well as a member of the board of Neoenergia, S.A. (Brazil), of Empresa Eléctrica de Guatemala, S.A. and of Empresa de Alumbrado Eléctrico de Ceuta, S.A.</p> <p>He has also been a director of Corporate Governance for the Americas, director of Management Control at Amara, S.A., and a financial analyst in the Financial Division and the International Division of Iberdrola, S.A.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been chair of Empresa de Servicios Sanitarios de Los Lagos, S.A. (ESSAL) in Chile.</p>

Total number of other external directors	2
Percentage of the Board	14.29

State any changes in status that have occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
Mr Xabier Sagredo Ormaza	29/03/2019	Other external	Independent

Remarks
The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 ratified his interim appointment (co-option) and re-elected him as an independent director.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Financial Year 2019	Financial Year 2018	Financial Year 2017	Financial Year 2016	Financial Year 2019	Financial Year 2018	Financial Year 2017	Financial Year 2016
Executive	-	-	-	-	0.00	0.00	0.00	0.00
Proprietary	-	-	-	-	0.00	0.00	0.00	0.00
Independent	5	4	5	5	50	44	50	50
Other external	1	1			50	50	0.00	0.00
Total:	6	5	5	5	42.86	35.71	35.71	35.71

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

Yes ☒

No ☐

Partial policies ☐

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
<p>The Company's Corporate Governance System, and particularly the <i>Board of Directors Diversity and Member Selection Policy</i>, provides that any type of bias entailing any kind of discrimination, including for reasons of gender, ethnic origin, age or disability, shall be avoided in the candidate selection process. In particular, it provides that any bias that hinders the appointment of female directors and that might impede achieving the Company's goal that the number of female directors continues to account for at least thirty per cent of the total number of members of the Board of Directors in the year 2020, shall be avoided.</p> <p>The <i>Regulations of the Appointments Committee</i> give this committee the duty to ensure compliance with the above-described goal.</p> <p>Six of the fourteen members of the Board of Directors are currently women. One of them holds the position of vice chair of the Board of Directors and another two chair two of the four consultative committees.</p> <p>On 7 June 2006 the Board of Directors appointed Ms Inés Macho Stadler as independent director on an interim basis to fill a vacancy; such appointment was ratified by the shareholders at the General Shareholders' Meeting held on 29 March 2007. On 22 September 2009 Ms Inés Macho Stadler was appointed as independent director with special powers (<i>consejera independiente especialmente facultada</i>), the name of which was later changed to lead independent director (<i>consejera coordinadora</i>), in which position she was replaced by Mr Juan Manuel González Serna by resolution of the Board of Directors on 21 June 2018 upon Ms Stadler losing the status of independent director required for this position. Ms Inés Macho Stadler was appointed vice chair of the Board of Directors on this same date.</p> <p>On 31 July 2008 the Board of Directors resolved to appoint Ms Samantha Barber as an independent director on an interim basis to fill a vacancy; such appointment was ratified by the shareholders at the General Shareholders' Meeting held on 20 March 2009. Ms Barber has also chaired the Sustainable Development Committee since 24 April 2012.</p> <p>The shareholders at the General Shareholders' Meeting held on 26 March 2010 approved the appointment of Ms María Helena Antolín Raybaud, with the classification of external independent director.</p> <p>On 23 April 2013, Iberdrola's Board of Directors approved the interim appointment of Ms Georgina Kessel Martinez as an external independent director, which appointment was subsequently ratified by the shareholders at the General Shareholders' Meeting held on 28 March 2014. Ms Kessel Martínez was appointed chair of the Audit and Risk Supervision Committee on 17 February 2015, which position has been held by the director Mr Xabier Sagredo Ormaza since 19 February 2019.</p>

On 24 June 2014, the Board of Directors approved the interim appointment of Ms Denise Mary Holt as an external independent director. This appointment was ratified by the shareholders at the General Shareholders' Meeting held on 27 March 2015.

The Appointments and Remuneration Committee was split into two separate committees on 25 March 2015. The appointment of Ms María Helena Antolín Raybaud and of Ms Inés Macho Stadler as chairs of the Appointments Committee and the Remuneration Committee, respectively, was approved for these purposes. Ms Antolín continues to be the chair of the Appointments Committee while the Remuneration Committee has been chaired by Mr Juan Manuel González Serna since 21 June 2018.

The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 approved the appointment of Ms Sara de la Rica Goiricelaya in order to fill the vacancy occurring due to the end of the term of Mr Ángel Jesús Acebes Paniagua.

At 31 December 2019 the women represented 50% of the external directors on the Board of Directors.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means
<p>The Board of Directors Diversity and Member Selection Policy ensures that the proposed appointments of directors are based on a prior analysis of the needs of the Board of Directors. In particular, the candidates must be respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties. In particular, they must be irreproachable professionals, whose conduct and professional track record is aligned with the principles set forth in the Code of Ethics and with the corporate values contained in the Purpose and Values of the Iberdrola group.</p> <p>In the selection of candidates, it also endeavours to ensure a diverse and balanced composition of the Board of Directors overall, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its purview. To this end, the selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the group does or will do business. The directors must also have sufficient knowledge of the Spanish and English languages to be able to perform their duties.</p>

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

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of reasons
Not applicable.

- C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Appointments Committee believes that Iberdrola is developing the *Board of Directors Diversity and Member Selection Policy* in a fully consistent manner and that the objectives for 2020 were met significantly in advance, as shown in section C.1.4 of this Report.

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

Name of shareholder	Reason
No data	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes ☐

No ☒

- C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director or committee	Brief description
Mr José Ignacio Sánchez Galán	The chairman & CEO, as an individual decision-making body, has all the

	powers that may be delegated under the law and the By-Laws.
Executive Committee	All the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Corporate Governance System.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?
Mr José Ignacio Sánchez Galán	SCOTTISH POWER LTD.	Chair	No
Mr José Ignacio Sánchez Galán	AVANGRID, INC.	Chair	No
Mr José Ignacio Sánchez Galán	NEOENERGIA, S.A.	Chair	No
Mr Francisco Martínez Córcoles	IBERDROLA ESPAÑA, S.A.U.	Chair	No
Mr Francisco Martínez Córcoles	IBERDROLA MÉXICO, S.A. DE C.V.	Director	No
Mr Francisco Martínez Córcoles	IBERDROLA ENERGÍA INTERNACIONAL, S.A.U.	Chair	No

C.1.11 List any directors or representatives of legal person-directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
MS GEORGINA KESSEL MARTÍNEZ	GRUPO FINANCIERO SCOTIABANK INVERLAT, S.A. DE C.V.	Director
MS GEORGINA KESSEL MARTÍNEZ	FRESNILLO, PLC	Director
MS DENISE MARY HOLT	HSBC BANK, PLC	Director

MR MANUEL MOREU MUNAIZ	TUBACEX, S.A.	Director
MR ANTHONY L. GARDNER	BROOKFIELD BUSINESS PARTNERS, LP.	Director

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes ☒

No ☐

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

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	18,186
Amount of vested pension interests for current members (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

Remarks
This amount includes the remuneration received (5,562 thousand euros) by all of their directors for their performance as such during financial year 2019 (fixed remuneration, attendance fees and other items) as well as salaries, annual variable remuneration and the shares received by the executive directors in payment of the third period of the 2014-2016 Strategic Bonus, all of which is duly described in the Annual Director Remuneration Report.

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

Name	Position
Mr José Sainz Armada	Chief Financial Officer (CFO)
Mr Juan Carlos Rebollo Liceaga	Corporation Administration and Control Director
Mr Pedro Azagra Blázquez	Corporate Development Director
Mr Santiago Martínez Garrido	Director of Legal Services

Ms Sonsoles Rubio Reinoso	Internal Audit Director
Mr Xabier Viteri Solaun	Director of the Renewable Energy Business
Mr Armando Martínez Martínez	Director of the Networks Business
Mr Aitor Moso Raigoso	Director of the Liberalised Business
Mr Asís Canales Abaitua	Director of Procurement and Insurance

Total senior management remuneration (thousand euros)	19,520
Remarks	
The amount of the fixed and variable remuneration of the officers of the Iberdrola group (147 people) was 48,537 thousand euros. This figure does not include the shares delivered for the third and final payment of the 2014-2016 Strategic Bonus.	

C.1.15 State whether the Board rules were amended during the year

Yes ☒

No ☐

Description of changes
Within the process of ongoing review of Iberdrola's Corporate Governance System, apart from certain technical improvements, there have been amendments of the <i>Regulations of the Board of Directors</i> in order to reflect the recommendations included in the National Securities Market Commission's <i>Technical Guide 1/2019 on Nomination and Remuneration Committees</i> .

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

1. APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment, re-election, and removal of directors is within the purview of the shareholders at the General Shareholders' Meeting.

Vacancies that occur may be filled by the Board of Directors on an interim basis until the next General Shareholders' Meeting.

The Appointments Committee must advise the Board of Directors regarding the most appropriate configuration thereof and of its committees as regards size and equilibrium among the various classes of directors existing at any time. This is in

any event based on the conditions that candidates for director must meet pursuant to the Board of Directors Diversity and Member Selection Policy.

The following may not be appointed as directors or as individuals representing a corporate director:

- a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.
- b) Individuals or legal entities serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges. Positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.
- c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets or other industries in which the group operates.
- d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the group.

The Board of Directors and the Appointments Committee, within the scope of their powers, shall endeavour to ensure that the candidates proposed are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability, and commitment to their duties.

It falls upon the Appointments Committee to propose the independent directors, as well as to report upon the proposals relating to the other classes of directors.

If the Board of Directors deviates from the proposals and reports of the Appointments Committee, it shall give reasons for so acting and shall record such reasons in the minutes.

2. REMOVAL OF DIRECTORS

Directors shall serve in their position for a term of four years, so long as the shareholders acting at the General Shareholders' Meeting do not resolve to remove them and they do not resign from their position.

The Appointments Committee shall inform the Board of Directors regarding proposed removals due to breach of the duties inherent to the position of director

or due to a director becoming affected by supervening circumstances of mandatory resignation or withdrawal. It may also propose the removal of directors in the event of disqualification, structural conflict of interest or any other reason for resignation or cessation of office, pursuant to law or the Corporate Governance System.

The Board of Directors may propose the removal of an independent director before the passage of the period provided for in the By-Laws only upon sufficient grounds, evaluated by the Board of Directors after a report from the Appointments Committee, or as a consequence of takeover bids, mergers or other similar corporate transactions resulting in a significant change in the structure of the Company's share capital, as recommended by the Good Governance Code of Listed Companies.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
<p>The Iberdrola group has an ongoing commitment to the development of its corporate governance. Along these lines, Iberdrola evaluates the operation of its governance bodies on an annual basis, and based on the conclusions obtained, identifies the principal areas of work for the coming year.</p> <p>The Regulations of the Board of Directors were amended in March 2019 in order to reflect the recommendations included in the National Securities Market Commission's <i>Technical Guide 1/2019 on Nomination and Remuneration Committees</i>.</p> <p>More than 90% of the work areas defined in the evaluation process from the prior year were met during 2019.</p> <p>Other milestones that took place during financial year 2019 include the following:</p> <p>Composition of the governance bodies:</p> <ul style="list-style-type: none"> - Continuation of the process of regular and staggered renewal of the Board of Directors with the appointment of Ms Sara de la Rica Goiricelaya, increasing the number of women to approximately 43% of the total number of members on the Board of Directors. <p>Development of competencies:</p> <ul style="list-style-type: none"> - Definition of the Purpose and update of the Values of the Iberdrola group. - Review of alternatives for comprehensive analysis of the group's risks (combined assurance). - Expansion of the competencies of the Appointments Committee. - Expansion of the competencies of the Remuneration Committee.

Operation:

- Half-yearly review of the annual work plan of the consultative committees.
- Digitisation of the orientation programme on the directors' website and adaptation to the technical guides published by the CNMV.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The Appointments Committee will coordinate the evaluation of the operation of the Board of Directors and of the committees thereof on an annual basis, and will submit to the full board the results of said evaluation together with a proposed action plan or with recommendations to correct any potential detected deficiencies or to improve the operation of the Board of Directors or the committees thereof.

The evaluation of the chairman & CEO will be led by the lead independent director.

The process of evaluation of the Board of Directors, its committees, the chairman & CEO and each of the other directors of the Company will include the following aspects: (i) the operation and quality of the work of the Board of Directors and its committees; (ii) the size, composition and diversity of the Board of Directors and of its committees; (iii) the performance of duties by the chairman of the Board of Directors & CEO; (iv) the performance and contribution of each director, paying special attention to those responsible for the various committees; (v) the frequency and duration of the meetings; (vi) the contents of the agenda and the sufficiency of the time dedicated to dealing with the various issues based on the importance thereof; (vii) the quality of the information received; (viii) the broadness and openness of debates, avoiding group-think; and (ix) whether the decision-making process within the Board of Directors or any of its committees was dominated or strongly influenced by a member or a small group of members.

The evaluation for financial year 2019 used PricewaterhouseCoopers Asesores de Negocios, S.L. (PwC) as an external adviser in the process.

The scope of the process in 2019 included the evaluation of the Board of Directors, of its committees, of the chairman & CEO and of each of the other directors of the Company from the viewpoint of the following dimensions of the study: (i) compliance with internal rules and with the *Good Governance Code of Listed Companies*, (ii) monitoring of corporate governance trends, and (iii) analysis of achievement of potential areas of progress defined in evaluations from prior years.

More than 370 indicators of good practices with verifiable evidence were used. All of this was supplemented with interviews of the directors by the lead independent director in line with the recommendations of the

Good Governance Code of Listed Companies and of *Technical Guide 1/2019 on Nomination and Remuneration Committees* published by the National Securities Market Commission.

The process concluded with a Continuous Improvement Plan, with indicators that are evaluated for compliance the following financial year. The conclusions of the evaluation process reflect compliance with practically all of the indicators, with an alignment of more than 95% in the application of the latest international trends and in the development of the areas for improvement identified during prior financial years.

The Continuous Improvement Plan 2020 deriving from the 2019 evaluation process focuses on advancing in the following areas, among others:

- Monitoring of the changes made to be made to the recommendations of the *Good Governance Code of Listed Companies*.
- Deepening the supervision of critical issues like climate change, the energy transition and emerging risks.
- Continued improvement of training and initial orientation plans, including new issues and new formats.

On 24 February 2020 the Board of Directors approved the results of the evaluation of financial year 2019 and the Continuous Improvement Plan for financial year 2020.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

Iberdrola has been assisted by an outside consultant for the last ten years. In 2019 PwC's business relations with the Iberdrola group worldwide were approximately 23 million euros (a large portion of this figure is due to the recent outsourcing of tax services by Avangrid, Inc.).

The total amount of billing by PwC for consulting services provided to the Board of Directors and the Office of the Secretary thereof in 2019 was 373,000 euros.

C.1.19 State the situations in which directors are required to resign.

Directors must submit their resignation from the position and formally resign from their position upon the occurrence of any of the instances of disqualification, lack of competence, structural and permanent conflict of interest or prohibition against performing the duties of director provided by law or Iberdrola's Corporate Governance System.

In this connection, the Regulations of the Board of Directors provide that the directors must submit their resignation to the Board of Directors in the following cases:

- a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or

<p>the Corporate Governance System.</p> <p>b) When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk of criminal liability for the Company or any of the companies of the group.</p> <p>c) When they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a director of the Company. In particular, when the activities carried out by the director, or the companies directly or indirectly controlled by the director, or the individuals or legal entities that are shareholders of or related to any of them, or the individual representing a corporate director, may compromise the competence of the director.</p> <p>d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.</p> <p>e) When their continuance in office on the Board of Directors may for any reason, either directly, indirectly, or through persons related thereto, jeopardise the faithful and diligent performance of their duties in furtherance of the corporate interest.</p> <p>f) When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested, or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.</p> <p>g) When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.</p> <p>The resignation provisions set forth under f) and g) above shall not apply when, after a report from the Appointments Committee, the Board of Directors believes that there are reasons that justify the director's continuance in office, without prejudice to the effect that the new supervening circumstances may have on the classification of the director.</p>

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes ☒

No ☐

If so, please describe any differences.

Description of differences
<p>The Regulations of the Board of Directors require a majority of at least two-thirds of the directors present at the meeting in person or by proxy to approve the amendment thereof.</p> <p>The Regulations of the Board of Directors also state that directors must tender their resignation to the Board of Directors if they are seriously reprimanded thereby because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.</p>

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes ☐

No ☒

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes ☐

No ☒

Remarks
<p>The Regulations of the Board of Directors provide that the standards to take into account for selecting candidates for the position of director shall include, by way of guidance only, the appropriateness of the directors generally not exceeding the age of seventy years.</p> <p>Each of the non-executive directors has undertaken to tender their resignation to the Board of Directors at the first meeting it holds after they reach seventy years of age.</p>

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors or other more stringent requirements in addition to those established by law:

Yes ☐

No ☒

C.1.24 State whether the Articles of Association or Board Rules establish specific rules for granting proxies to other directors at Board meetings, how they are to be delegated and, in particular, the maximum number of proxies that a director may have, as well as if there is any limit regarding the category of director to whom a proxy may be granted beyond the limitations imposed by law. If so, please briefly describe the rules.

Pursuant to the *By-Laws*, all of the directors may cast their vote and give their proxy in favour of another director, provided, however, that non-executive directors may only do so in favour of another non-executive director.

The *Regulations of the Board of Directors* require that directors attend the meetings of the Board of Directors and when they cannot do so personally they must grant their proxy to another director, to whom they must give the appropriate instructions.

Directors may not grant a proxy in connection with matters in respect of which they have any conflict of interest.

The proxy granted shall be a special proxy for the Board meeting in question and may be communicated by any means allowing for the receipt thereof.

There is no maximum number of proxies provided per director.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	8
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	1
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Remarks
<p>Pursuant to the provisions of art. 45 of the By-Laws, the lead independent director coordinates, meets with and reflects the concerns of the non-executive directors, and also directs the periodic evaluation of the chairman of the Board of Directors and leads any process for the succession thereof.</p> <p>In the exercise of these powers, the lead independent director has held meetings with all of the non-executive directors, which meetings dealt with the evaluation of the chairman & CEO as well as initiatives to improve the performance of each of the directors.</p>

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	15
Number of meetings held by the Audit and Risk Supervision Committee	12
Number of meetings held by the Appointments Committee	9
Number of meetings held by the Remuneration Committee	7
Number of meetings held by the Sustainable Development Committee	9

C.1.26 State the number of meetings held by the Board of Directors during the year and information regarding the attendance of its members:

Number of meetings with the attendance of at least 80% of the directors	8
% personal attendance of total votes during the year	98.21
Number of meetings with all directors attending in person or by proxy with specific instructions	8
% of votes cast in person and by proxy with specific instructions of all votes cast during the year	100.00

Remarks

The attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2019 is detailed in the Annex to this Report.

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes ☒ X

No ☐

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Mr José Ignacio Sánchez Galán	Chairman & CEO
Mr José Sainz Armada	CFO
Mr Daniel Alcaín López	Corporation Administration and Control Director

Remarks
<p>The Iberdrola group has established a certification process by which those responsible for financial information in the different areas of the Company certify that: (i) the financial information they deliver to Iberdrola for purposes of consolidation does not contain any material errors or omissions and provides a fair view of the results and the financial condition within their area of responsibility, and (ii) they are responsible for establishing the Internal Control Over Financial Reporting (ICFR) system within their area of responsibility and have found, upon evaluation, that the system is effective. The text of these certifications is inspired by the form of certification established in section 302 of the U.S. Sarbanes-Oxley Act.</p> <p>The culmination of the process is a joint certification that the chairman & CEO, the CFO and the Corporation Administration and Control Director submit to the Board of Directors.</p> <p>The process is carried out by means of electronic signature in a software application which manages the areas of responsibility and time periods and which serves as a repository of all the documentation generated, allowing for periodic review by the supervision and control bodies of the group.</p>

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The *Regulations of the Audit and Risk Supervision Committee* provide that it shall have the following duties, among others:

- Supervise (on an ongoing basis and specifically at the request of the Board of Directors) the process of preparing and presenting regulated financial information relating to the Company, both individual and consolidated with its subsidiaries, reviewing compliance with legal requirements, the proper delimitation of the scope of consolidation and the correct application of accounting standards, and submit recommendations or proposals to the Board of Directors to safeguard the integrity thereof.
- Supervise the clarity and integrity of the economic/financial information regarding the Company and its group and, based on available sources of internal information (including reports from the Internal Audit Area, reports from other areas or departments, or the analysis and opinion of the Company's management team itself) and external information (including reports from experts or information received from the statutory auditor), reach its own conclusion as to whether the Company has properly applied the accounting policies.
- Establish appropriate relationships with the statutory auditor to receive information regarding matters that might entail a threat to the independence thereof, for examination by the committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on statutory audit and in other legal provisions on auditing.
- The committee must receive written confirmation from the statutory auditors on an annual basis of their independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on additional services of any kind provided to and the corresponding fees received from such entities by such statutory auditors or by persons or entities related thereto, pursuant to the legal provisions governing the auditing of accounts.
- On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the statutory auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the *Regulations for the General Shareholders' Meeting*. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding point, considered individually and as a whole, and in relation to the rules on independence or the legal provisions regarding the statutory audit.
- Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company; the committee shall make sure that the interim statements are prepared in accordance with the same accounting standards as the annual accounts and, for such purpose, it shall consider the appropriateness of a limited review by the statutory auditor.
- Review the contents of the audit reports on the accounts and of the reports on the limited review of interim accounts, if any, as well as other

mandatory reports to be prepared by the statutory auditor, prior to the issuance thereof, in order to avoid qualified reports.

- Assess the results of each audit of accounts and supervise the response of the members of senior management to the recommendations made therein.
- Act as a channel of communication between the Board of Directors and the statutory auditors, causing them to hold an annual meeting with the Board of Directors to report thereto on the work performed and the accounting status and risks of the Company.
- Evaluate any proposal made by the members of senior management regarding changes in accounting practices.
- Obtain information on significant adjustments identified by the statutory auditor or that result from revisions made by the Internal Audit Area and the position of the management team regarding said adjustments.
- Timely and properly attend to, answer and take into account any requests sent thereto by the National Securities Market Commission during the current financial year or in prior years, ensuring that the same types of incidents previously identified in said requests are not repeated in the financial statements.

In turn, the *Regulations of the Board of Directors* provide that:

- The Board of Directors shall meet with the statutory auditors at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.
- The Board of Directors shall use its best efforts to definitively prepare the accounts such that there is no room for qualifications by the statutory auditors. However, if the Board of Directors believes that its opinion must prevail, it shall provide a public explanation of the content and scope of the discrepancy.

Pursuant to the above-cited rules, the Audit and Risk Supervision Committee reports on the economic/financial information of the Company throughout the financial year and prior to the approval thereof by the Board of Directors and its submission to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). The reports of the committee, which the chair thereof presents to the full Board of Directors, are mainly intended to disclose such aspects, if any, as may give rise to qualifications in the audit report of Iberdrola and its consolidated group, making the appropriate recommendations to avoid any such qualifications.

Accordingly, the committee submitted to the Board of Directors the following reports regarding the annual and half-yearly financial reports and the *Interim Management Statements* of the Company for financial year 2019:

- Report dated 23 April 2019 on the *Interim Management Statement* for the first quarter of 2019.
- Report dated 22 July 2019 on the economic/financial information for the first half of 2019.
- Report dated 28 October 2019 on the *Interim Management Statement* for the third quarter of 2019.
- Report dated 24 February 2020 regarding the annual accounts of Iberdrola and its consolidated group for financial year 2019.

As disclosed in the information about Iberdrola posted on the website of the National Securities Market Commission (www.cnmv.es), the audit reports on the individual and consolidated annual accounts prepared by the Board of Directors have historically been issued without qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes ☐

No ☒

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
Mr Julián Martínez-Simancas Sánchez	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

MECHANISMS TO PRESERVE THE INDEPENDENCE OF THE AUDITOR.

The *Regulations of the Audit and Risk Supervision Committee* and the *Statutory Auditor Contracting and Relations Policy*, included within the Company's Corporate Governance System, provide that:

- The relations of the committee with the statutory auditor of the Company shall respect the independence thereof, in accordance with the provisions of the Corporate Governance System.
- The Audit and Risk Supervision Committee must discuss with the statutory auditor any circumstance that might give rise to a threat to the independence thereof and evaluate the effectiveness of the protective measures adopted, as well as understand and evaluate the set of relationships between the Iberdrola group and the statutory auditor and its network that entail the provision of non-audit services or any other type of relationship.
- The committee shall ask the statutory auditor to provide an annual certification of independence of the firm as a whole and of the members of the team participating in the process of auditing the annual accounts of the Iberdrola group from the Company or entities directly or indirectly connected thereto, as well as a detailed breakdown of information regarding additional services (other than auditing) of any kind provided by the statutory auditor or by persons connected thereto, pursuant to the law on statutory audit. In addition, the statutory auditor shall include in such certification a statement in which it reports on compliance with the application of the internal procedures of quality assurance and protection of independence that have been implemented.
- The statutory auditor shall provide to the committee annual information regarding the profiles and the track record of the persons making up the audit teams of the Company and of the Iberdrola group, stating the changes in the composition of such teams compared to the immediately preceding financial year.
- On an annual basis and prior to the issuance of the audit report, the committee shall issue a report setting forth an opinion on the independence of the statutory auditor. This

report must contain an assessment of the possible impact on the independence of the statutory auditor of each and every one of the additional services (other than the legal audit) of any kind provided by the statutory auditor or by persons connected thereto, considered individually and as a whole.

- The committee shall monitor the quality assurance and independence safeguarding internal procedures implemented by the statutory auditor.
- The committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders' Meeting, for appointment as statutory auditor of firms for which it has evidence that they are affected by any circumstance of lack of independence, prohibition or disqualification pursuant to the legal provisions governing the audit of accounts, and in any event if the fees that the Company intends to pay it for any and all services are greater than five percent of its total domestic income during the last financial year.
- The committee shall receive information on the hiring by any of the companies of the Iberdrola group of professionals coming from the statutory auditor.

The Audit and Risk Supervision Committee has also established a restrictive policy on the non-audit services by the statutory auditor to the Iberdrola group that can be authorised. Likewise, pursuant to the *Regulations of the Audit and Risk Supervision Committee*, in order for the committee to authorise the provision of said services, it must assess whether the audit firm is the most appropriate firm to provide them based on its knowledge and experience, and in this case shall analyse: (i) the nature thereof and the circumstances and context in which it occurs, (ii) the status, position or influence of the provider of the service and other relations thereof with the Company; (iii) the effects thereof; and (iv) whether said services could threaten the independence of the auditor and, if applicable, the establishment of measures eliminating or reducing these threats to a level that does not compromise the independence thereof.

As regards financial year 2019:

- Iberdrola's statutory auditor, "KPMG Auditores, S.L." ("**KPMG**") appeared on fifteen occasions before the Audit and Risk Supervision Committee and on one occasion before the Board of Directors to report on various matters relating to the audit process. During these appearances, the statutory auditor did not report issues that might put its independence at risk.
- On 18 February 2019 KPMG sent to the committee written confirmation of its independence with regard to the audit of the economic/financial information for financial year 2018.
- On 16 July 2019 KPMG sent to the committee written confirmation of its independence with regard to the limited review of the economic/financial information as at 30 June 2019.

- On 19 February 2020 KPMG sent to the committee written confirmation of its independence with regard to the audit of the economic/financial information for financial year 2019.
- In the letters described above, the statutory auditor represents that it has implemented internal policies and procedures designed to reasonably ensure that KPMG and its personnel maintain their independence when so required by applicable legal provisions.
- The hiring of the statutory auditor for services other than auditing is approved in advance by the committee. Furthermore, prior to approval thereof, the director of Internal Audit, and if necessary the audit committee and internal audit division of the group company receiving the services, must state that the provision thereof does not generate threats to the independence of the statutory auditor. In requests for services directed by the committee, the statutory auditor must confirm that there are no restrictions on independence for the performance of the work in question.
- In its statement of independence of 24 February 2020, KPMG reported that it had no evidence that any member of the teams participating in the audit of the financial statements for financial year 2019 had joined as an employee of Iberdrola or of its related companies.
- On 24 February 2020 the committee submitted its report to the Board of Directors regarding the independence of the Company's statutory auditor. The committee concluded that the statutory auditor performed its audit work with independence from Iberdrola or entities related thereto.

MECHANISMS TO PRESERVE THE INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS, AND RATING AGENCIES.

The principles which form the basis of the relations of the Company with financial analysts, investment banks, and rating agencies are contained in the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors* and are transparency, non-discrimination, truthfulness, and trustworthiness of the information supplied.

The Finance and Resources Division, through the Investor Relations and Communication Division, manages their requests for information and requests submitted by institutional or retail investors (in the case of retail investors, through the Office of the Shareholder). The Finance and Resources Division gives mandates to investment banks. The Corporate Development Division gives the appropriate advisory mandates to investment banks within the scope of its activities, in coordination with the Finance and Resources Division.

The independence of financial analysts is protected by the Investor Relations and Communications Division, which ensures the objective, fair, and non-discriminatory treatment thereof.

To actualise the principles of transparency and non-discrimination, always in strict compliance with regulations regarding the securities market, the Company has a number of communication channels:

- Personalised assistance for analysts, investors and rating agencies.
- Publication of the information relating to quarterly results and other specific events, such as those relating to the submission of the Business Prospects or to corporate transactions.
- E-mail through the corporate website (accionistas@iberdrola.com) and a toll-free line for shareholders (+34 900 100 019).
- In-person and broadcasted presentations.
- Release of announcements and news.
- Visits to Company facilities.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes ☐

No ☒

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes ☐

No ☒

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes ☐

No ☒

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given to the shareholders at the General Meeting by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes ☐

No ☒

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	3	3

	Individual	Consolidated
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Number of years audited by the current audit firm/number of fiscal years the company or its group has been audited (by %)	11.11%	11.11%
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C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes ☒

No ☐

Explanation of procedure
<p>The <i>Regulations of the Board of Directors</i> provide that the required support shall be provided for new directors to become rapidly and adequately acquainted with the Company and its group, such that they can actively perform their duties as such and, if so appointed, as members of any of the committees of the Board of Directors as from their appointment as such. To this end, an <i>Orientation Programme</i> shall be made available to them through the directors' website.</p> <p>They shall also be provided with the information needed to perform their duties, and access to training materials and sessions that allow them to continuously update their knowledge shall be encouraged.</p> <p>The regulations of the consultative committees also provide that they shall have a periodic training plan that ensures the refreshment of knowledge relating to the purview of each of them.</p> <p>In order to improve their knowledge of the group, presentations are made to the directors regarding the businesses thereof. In addition, a portion of each meeting of the Board of Directors tends to be dedicated to a presentation on economic, legal or political/social issues of importance to the group.</p> <p>The directors have access to a specific application, the directors' website, that facilitates performance of their duties and the exercise of their right to receive information. This website includes information deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof in accordance with the agenda, as well as the <i>Orientation Programme</i> and the training materials intended for the directors and presentations made to the Board of Directors.</p> <p>In addition, the directors are given access through the directors' website to the minutes of the meetings of the Board of Directors and the committees thereof, as well as to any other information that the Board of Directors approves or that the chairman or the secretary of the Board of Directors deems appropriate to include.</p>

Pursuant to the Regulations of the Board of Directors, there shall be an inclusion on the directors' website of such information as is deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof, in accordance with the agenda included in the calls to meeting.

In addition, the Regulations of the Board of Directors provide that a director is specifically required to properly prepare the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the committees of which the director is a member, for which purposes the director must diligently become apprised of the running of the Company and the matters to be discussed at such meetings.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes ☒

No ☐

Explain the rules

The *Regulations of the Board of Directors* set out the obligations and duties of the directors, including, as an expression of the duty of loyalty, the duty to submit their resignation to the Board of Directors in the event that supervening circumstances mean they are involved in an instance of disqualification or prohibition, loss of suitability, respectability, capability, expertise, competence, availability or commitment to their duties required to be a director and the other instances provided for in the Company's Corporate Governance System.

As provided by the Regulations of the Board of Directors, the director must inform the Company of any judicial, administrative or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, every director must inform the Company, through the secretary of the Board of Directors, in the event that the director is subject to an investigation, is arrested, or an order for the commencement of an oral criminal trial is issued against the director for the commission of any crime, and of the occurrence of any significant procedural steps in such proceedings. In such instance, the Board of Directors shall review this circumstance as soon as practicable and, following a report of the Appointments Committee, shall adopt the decisions it deems fit taking into account the interests of the Company.

In addition, the director must inform the Company of any fact or event that may be relevant to the holding of office as a director.

Directors must also submit their resignation to the Board of Directors and formally resign from their position in the events set forth in the Regulations of this body, particularly:

- a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Corporate Governance System.
- b) When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk of criminal liability for the Company or any of the companies of the Group.
- c) When they cease to deserve the respectability or to have the capability, expertise, competence, availability, or commitment to their duties required to be a director of the Company.

In particular, when the activities carried out by the director, or the companies directly or indirectly controlled by the director, or the individuals or legal entities that are shareholders of or related to any of them, or the individual representing a corporate director, may compromise the competence of the director.

- d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.
- e) When their continuance in office on the Board of Directors may for any reason, either directly, indirectly, or through persons related thereto, jeopardise the faithful and diligent performance of their duties in furtherance of the corporate interest.
- f) When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested, or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.
- g) When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.

In any of the aforementioned instances, the Board of Directors shall request the director to resign from such position and, if applicable, shall propose the director's removal from office to the shareholders at the General Shareholders' Meeting.

By way of exception, the resignation provisions set forth in letters f) and g) above shall not apply if the Board of Directors believes that there are reasons that justify the director's continuance in office, after a report of the Appointments Committee, without prejudice to the effect that the new supervening circumstances may have on the classification of the director.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes

No X

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes ☐

No X

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Not applicable.

C.1.39 Identify individually for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, officers or employees providing severance payments or golden parachutes in the event of resignation or unfair dismissal or termination of employment due to a takeover bid or any other type of transaction.

Number of beneficiaries	28
Type of beneficiary	Description of agreement
Executive directors and officers	<p>1. EXECUTIVE DIRECTORS</p> <p>Pursuant to the provisions of his contract, the chairman & CEO has the right to receive a severance payment in the event of termination of his relationship with the Company, provided that such termination is not the consequence of a breach attributable thereto or exclusively due to his own decision to withdraw. The amount of the severance payment is three times annual</p>

	<p>salary. Since 2011, contracts with new executive directors and with senior management include maximum severance pay equal to two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This is the system applicable to the Business CEO, who was appointed by the shareholders at the General Shareholders' Meeting held on 31 March 2017.</p> <p>Furthermore, in consideration for the executive directors' non-compete commitment for a period of between one and two years, they shall be entitled to severance pay equal to the remuneration for such period.</p> <p>2. OFFICERS</p> <p>Some employment contracts with officers of Iberdrola include specific severance clauses. The purpose of such clauses is to obtain an effective and sufficient level of loyalty for the management of the Company and thus avoid a loss of experience and knowledge that might jeopardise the achievement of strategic objectives, more so for positions deemed to decisively contribute to the creation of value due to the responsibilities entailed thereby. The amount of the severance pay is determined based on length of service and the reasons for the officer's withdrawal from office, up to a maximum of five times annual salary.</p> <p>Notwithstanding the foregoing, the Senior Management Remuneration Policy provides since 2011 that the limit on the amount of the severance pay under new contracts with the members of senior management shall be two times their annual salary.</p>
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State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	X	

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?	X	

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Position	Category
Mr José Ignacio Sánchez Galán	Chair	Executive
Ms Inés Macho Stadler	Member	Other external
Mr Manuel Moreu Munaiz	Member	Independent
Ms Samantha Barber	Member	Independent

% of executive directors	25
% of independent directors	50
% of other external directors	25

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or other corporate resolutions.

The Executive Committee is assigned all the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions. The chairman of the Board of Directors and the chief executive officer, if any, are members in all cases. The secretary of the Board of Directors acts as secretary of the Committee.

The Executive Committee shall meet as many times as deemed necessary by the chair thereof. It shall also meet when so requested by a minimum of two of the directors forming part thereof.

Resolutions of the Committee shall be adopted by absolute majority of its members who are present at the meeting in person or by proxy.

The duties of this Committee consist of making proposals to the Board of Directors regarding strategic decisions, investments and divestitures that are significant for the Company or the group, assessing their conformity to the current budget and strategic plans and analysing and monitoring business risks. It also provides assistance to the Board of Directors in the ongoing supervision of compliance with the principles governing the organisation and the coordination of the group and the strategic goals thereof.

The most relevant activities performed by this Committee during financial year 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

AUDIT AND RISK SUPERVISION COMMITTEE

Name	Position	Category
Mr Xabier Sagredo Ormaza	Chair	Independent
Ms Denise Mary Holt	Member	Independent
Ms Georgina Kessel Martínez	Member	Independent
Mr José Walfredo Fernández	Member	Independent

% of independent directors	100
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Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit and Risk Supervision Committee is an internal informational and consultative body.

The Audit and Risk Supervision Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee from among the non-executive directors who are not members of the Executive Committee. A majority of its members shall be independent,

and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit and risk management.

Without prejudice to the foregoing, the Board of Directors and the Appointments Committee shall endeavour to ensure that all members of the Audit and Risk Supervision Committee, and especially the chair thereof, have the expertise, qualifications and experience appropriate for the duties they are called upon to perform in the area of accounting, auditing or risk management, that at least one of them has experience in information technology, and that as a whole the members of the Audit and Risk Supervision Committee have relevant technical knowledge in the finance and internal control area, as well as in relation to the energy sector.

The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The members of the Audit and Risk Supervision Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length. The chair shall hold office for a maximum period of four years, after which period the director who has held office as such may not be re-elected until the passage of at least one year from ceasing to act as such.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are provided and are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Audit and Risk Supervision Committee.

The most relevant activities performed by this Committee during financial year 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	Mr Xabier Sagredo Ormaza and Ms Georgina Kessel Martínez
Date of appointment of the chairperson	19/02/2019

APPOINTMENTS COMMITTEE

Name	Position	Category
Ms María Helena Antolín Raybaud	Chair	Independent
Mr Íñigo Víctor de Oriol Ibarra	Member	Other external
Mr Anthony L. Gardner	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors from among the non-executive directors.

A majority of the members of the Appointments Committee must be classified as independent. The Board also appoints the chair thereof from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, particularly in the following areas: corporate governance, strategic human resources analysis and evaluation, selection of directors and management personnel, and performance of senior management duties.

The members of the Appointments Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and

resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Appointments Committee.

The most relevant activities performed by this Committee during financial year 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

REMUNERATION COMMITTEE

Name	Position	Category
Mr Juan Manuel González Serna	Chair	Independent
Ms Inés Macho Stadler	Member	Other external
Mr Manuel Moreu Munaiz	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or other corporate resolutions.

The Remuneration Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors. A majority of the members of the Remuneration Committee must be classified as independent. The Board also appoints the chair thereof from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, and particularly regarding corporate governance, policy design and remuneration plans for directors and senior management.

The members of the Remuneration Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Remuneration Committee.

The most relevant activities performed by this Committee during financial year 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

SUSTAINABLE DEVELOPMENT COMMITTEE

Name	Position	Category
Ms Samantha Barber	Chair	Independent
Mr Íñigo Víctor de Oriol Ibarra	Member	Other external
Ms Sara de la Rica Goiricelaya	Member	Independent

% of independent directors	66.67
% of other external directors	33.33

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, the Articles of Association or other corporate resolutions.

The Sustainable Development Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors.

A majority of the members of the Sustainable Development Committee must be classified as independent. The Board of Directors

shall appoint a chair of the Committee from among the members forming part thereof, as well as its secretary, who need not be a director.

The members of the Sustainable Development Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are set out in the Regulations of the Board of Directors, as well as in the Regulations of the Sustainable Development Committee.

The most relevant activities performed by this Committee during financial year 2019 are described in the *Activities Report of the Board of Directors and of the Committees thereof 2019*, available at www.iberdrola.com.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	FY 2019 Number %	FY 2018 Number %	FY 2017 Number %	FY 2016 Number %
Executive Committee	2/50	2/40	2/40	1/20
Audit and Risk Supervision Committee	2/50	2/50	2/50	2/50
Appointments Committee	1/33.33	1/33.33	1/33.33	1/33.33
Remuneration Committee	1/33.33	1/33.33	1/33.33	1/33.33
Sustainable Development Committee	2/66.67	1/33.33	1/33.33	1/33.33

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments

made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

Each of the committees has its own regulations, available at www.iberdrola.com, where one can also find the Activities Report of the Board of Directors and of the Committees thereof.

Within the process of ongoing review of the Corporate Governance System, apart from technical improvements, there have been amendments of the Regulations of the Appointments Committee and of the Remuneration Committee in order to reflect the recommendations included in the National Securities Market Commission's Technical Guide 1/2019 on Nomination and Remuneration Committees.



RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions.

Article 48 of the Regulations of the Board of Directors provides that:

1. Any transaction by the Company or the companies forming part of its group with directors, with shareholders that directly or indirectly own a shareholding interest that is equal to or greater than that legally regarded as significant at any time or that have proposed or caused the appointment of any of the directors of the Company, or with the respective related persons ("Related-Party Transactions"), shall be subject to the approval of the Board of Directors, or in urgent cases, of the Executive Committee, following a report from the Appointments Committee.
2. In the event that authorisation has been granted by the Executive Committee due to the urgency of the matter, the Executive Committee shall give notice thereof to the Board of Directors at its next meeting in order for it to be ratified.
3. The authorisation of Related-Party Transactions must be approved by the shareholders at the General Shareholders' Meeting in the instances provided by law, and particularly if it relates to a transaction having a value of more than ten per cent of the corporate assets.
4. As an exception, Related-Party Transactions with any of the listed companies of the group (as is the case of Avangrid, Inc. and Neoenergia, S.A.) or with the subsidiaries thereof shall not be subject to the rules on Related-Party Transactions, provided that they have corporate governance rules similar to those of the Company.
5. The execution of a Related-Party Transaction puts the director engaging in said transaction or who is related to the person engaging in the transaction in a conflict of interest, for which reason the provisions of the Regulations of the Board of Directors in this area shall apply, to the extent applicable. This particularly includes the duties of communication and abstention.

6. The Board of Directors, through the Appointments Committee, shall ensure that Related-Party Transactions are carried out under arm's length conditions and with due observance of the principle of equal treatment of shareholders in the same situation. In the case of transactions to be carried out by companies of the Group, the scope of authorisation of the Board of Directors, or that of the Executive Committee, if applicable, referred to in the preceding sections, shall be limited to the verification of compliance with such particulars.
7. In the case of customary and recurring Related-Party Transactions in the ordinary course of business, it shall be sufficient for the Board of Directors to give prior generic approval of the kind of transaction and of the conditions for performance thereof, following a report from the Appointments Committee.
8. If a Related-Party Transaction entails the successive performance of different transactions, of which the second and subsequent transactions are mere acts of execution of the first transaction, the provisions of article 48 of the *Regulations of the Board of Directors* shall only apply to the first transaction carried out.
9. The authorisation shall not be required in connection with transactions that simultaneously satisfy the following three conditions: that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question, and that the amount thereof does not exceed one per cent of the consolidated annual income of the Group.
10. The Company shall report Related-Party Transactions in the Half-Yearly Financial Report and in the Annual Corporate Governance Report, in the cases and to the extent provided by law. Likewise, the Company shall include in the notes accompanying the annual accounts information regarding the transactions by the Company or by the companies of the Group with the directors and with those persons who act for the account of the latter when such transactions are conducted other than in the ordinary course of the Company's business or other than under normal arm's length conditions.

To this end, the directors must give written notice to the secretary of the Board of Directors, on a semi-annual basis, within the first week of January and July of each year, regarding the Related-Party Transactions that they have engaged in. If they are not carried out, the directors shall so report. The secretary of the Board of Directors shall send a notice to the directors on a semi-annual basis requesting the appropriate information that must be sent to the Company.
11. The notice must include the following information: the nature of the transaction; the date on which the transaction originated; the conditions and periods for payment; the name of the person who carried out the transaction and the relationship, if any, with the director; the amount of the transaction; and other aspects, such as pricing policies, guarantees given and received, and any other feature of the transactions that allows for a proper assessment thereof, particularly such information as allows for verification that it has

been carried out on arm's length conditions and in compliance with the principle of equal treatment.

12. The secretary of the Board of Directors shall prepare a register of Related-Party Transactions. The information set forth in such register shall be made available to the Compliance Unit when it so requests, and shall also periodically be made available to the Audit and Risk Supervision Committee through the Management of the Internal Audit Area.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company or entity within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
QATAR INVESTMENT AUTHORITY	IBERDROLA, S.A.	Corporate	Dividends and other distributed profits	2,766
QATAR INVESTMENT AUTHORITY	IBERDROLA Group	Corporate	Other	248

Remarks
<p>Transactions by shareholders exercising a significant influence on participation in the entity's financial and operating decisions, with significant influence being understood as having a member of the Board of Directors, are deemed to be related-party transactions.</p> <p>Shareholders who are able to exercise the proportional representation system due to their interest in the capital of the Company are also considered to have such influence.</p> <p>As of the date of this report, only Qatar Investment Authority meets this condition, for which reason the amounts reflected in the period refer to transactions with this shareholder.</p> <p>The amount allocated for "dividends and other distributed profits" corresponds to the bonus for attending the General Shareholders' Meeting and "other" corresponds to the income from treasury placements made with Qatar National Bank by Scottish Power Ltd.; there was no outstanding amount at 31 December.</p>

D.3 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the directors or officers of the company:

Name of director or manager	Name of related party	Relationship	Type of transaction	Amount (thousand euros)
No data				

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions. In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
No data		

Remarks
Transactions with subsidiaries and companies in which the Company has an interest that have not been eliminated in the process of consolidation were made in the ordinary course of business of the Company, were carried out under arm's-length conditions, and are of little significance to accurately reflect the assets, financial condition and results of operations of the Company.

D.5 Describe significant transactions conducted with other related parties that have not been reported in the previous sections.

Name of the related party	Brief description of the transaction	Amount (thousand euros)
SIEMENS GAMESA GROUP	PURCHASE OF MATERIAL ASSETS	698,463
SIEMENS GAMESA GROUP	RECEIPT OF SERVICES	42,978
SIEMENS GAMESA GROUP	PURCHASE OF GOODS (FINISHED OR IN PROGRESS)	1,995

SIEMENS GAMESA GROUP	SALES	1,201
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D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Pursuant to the Regulations of the Board of Directors, a conflict of interest shall be deemed to exist in those situations provided by law, particularly when the interests of the director, either for their own or another's account, directly or indirectly conflict with the interest of the Company or of companies within the group and their duties to the Company. An interest of a director shall exist when a matter affects the director or a person related thereto or, in the case of a proprietary director, when it also affects the shareholder or shareholders that proposed or caused the appointment thereof or persons directly or indirectly related thereto.

The *Regulations of the Board of Directors* contain a list of persons deemed to be related for such purposes, distinguishing between an individual and a corporate director.

Conflicts of interest shall be governed by the following rules, without prejudice to the general duty imposed on all directors to take the measures necessary to avoid engaging in these situations:

- a) Communication: once a director becomes aware of being in a situation of conflict of interest, the director must give written notice of the conflict to the Board of Directors, in the person of the secretary thereof. The secretary shall periodically submit a copy of the notices received to the Appointments Committee, in the person of the secretary thereof.

The notice shall contain a description of the situation giving rise to the conflict of interest, with a statement as to whether it is a direct conflict or an indirect conflict through a related person, in which case the latter person must be identified.

The description of the situation must include, as applicable, the subject matter and the principal terms of the transaction or the planned decision, including the amount thereof or an approximate financial assessment thereof. If the situation giving rise to the conflict of interest is a Related-Party Transaction (as this term is defined in article 48 of the *Regulations of the Board of Directors*), the notice shall also identify the department or person of the Company or of any of the companies of the Group with which the respective contacts were made.

Any question as to whether a director might be involved in a conflict of interest must be forwarded to the secretary of the Board of Directors, and the director must refrain from taking any action until it is resolved.

- b) Abstention: if the conflict arises from an operation, transaction, or circumstance that requires any kind of operation, report, decision, or acceptance, the director must refrain from taking any action until the Board of Directors studies the case and informs the director of the appropriate decision.

To this end, the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members attending for purposes of the calculation of a quorum and majorities. At each meeting of the Board of Directors and of the committees thereof, the secretary reminds the directors, before dealing with the agenda, of this abstention rule.

- c) Transparency: whenever required by law, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.

If the conflict of interest is, or may reasonably be expected to be, of a structural and permanent nature, it shall be deemed that there is a loss of the suitability required to hold office, which constitutes an event requiring the resignation, separation and removal of the director.

Conflicts of interest with officers are subject to the same rules of communication, abstention and transparency.

The Code of Ethics, which dedicates a specific section to conflicts of interest, applies to all professionals within the group, regardless of rank.

Furthermore, transactions between companies forming part of the group with significant shareholders or shareholders that have proposed the appointment of any of the directors and their respective related persons are also dealt with in the Regulations of the Board of Directors as explained in section D.1. They must be carried out on arm's-length conditions and be previously approved by the Board of Directors (or, in urgent cases, by the Executive Committee) or approved by the shareholders at a General Shareholders' Meeting if the value of the transaction exceeds 10% of the corporate assets. All transactions will be reported in the Annual Corporate Governance Report and in the Annual Financial Report.

D.7 Is there more than one company in the group listed in Spain?

Yes ☐

No ☒

Identify the other companies that are listed in Spain and their relationship to the company:

E**RISK MANAGEMENT AND CONTROL SYSTEMS****E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.**

Iberdrola's *General Risk Control and Management Policy* and the *Risk Policies* (corporate and those specific to the businesses) in development thereof are implemented within a comprehensive risk control and management system, supported by a Risk Committee of the group and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon supporting procedures, methodologies and tools, suitable for the various stages and activities within the system, including:

- a) The establishment of a structure of risk policies, guidelines, limits and indicators, as well as of the corresponding mechanisms for the approval, implementation and monitoring thereof, which effectively contributes to risks being managed in accordance with the Company's risk appetite.
- b) The ongoing identification of significant risks and threats, taking into account their possible impact on key management objectives and the accounts (including contingent liabilities and other off-balance sheet risks).
- c) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the group as a whole.
- d) The measurement and control of risks following homogeneous procedures and standards common to the entire group.
- e) The analysis of risks associated with new investments, as an essential element in risk/return-based decision-making, including physical and transition risks related to climate change.
- f) The maintenance of a system for monitoring and control of compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.
- g) The periodic monitoring and control of profit and loss account risks in order to control the volatility of the annual income of the group.
- h) The ongoing evaluation of the suitability and efficiency of applying the system and the best practices and recommendations in the area of risks for eventual inclusion thereof in the model.
- i) The audit of the comprehensive risk control and management system by the Internal Audit Division.

The foregoing is undertaken in accordance with the following main principles of conduct:

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

within the framework of the best international practices as to transparency and good governance, and implement the monitoring and measurement thereof.

- f) Act at all times in compliance with the values and standards reflected in the *Code of Ethics*, under the principle of “zero tolerance” for the commission of unlawful acts and situations of fraud set forth in the *Crime Prevention Policy* and in the *Anti-Corruption and Anti-Fraud Policy*, and the principles and good practices reflected in the *Corporate Tax Policy*.

The *General Risk Control and Management Policy* and the *Risk Policies* in further development thereof apply to all companies over which the Company has effective control, within the limits established in the legal provisions applicable to the companies of the group that carry out regulated activities in the various countries in which it has a presence.

The listed country subholding companies (Avangrid, Inc. and Neoenergia, S.A.) have their own risk policies approved by their competent bodies pursuant to their own special framework of strengthened autonomy, which are aligned with those of the group.

At those companies in which the Company has an interest but which do not belong to the group, the Company shall promote principles, guidelines, and risk limits consistent with those established in the *General Risk Control and Management Policy* and in its supplemental *Risk Policies* and shall maintain appropriate channels of information to ensure a proper understanding of risks.

Iberdrola believes that its comprehensive risk control and management system operates on a comprehensive and continuous basis, strengthening such management by business unit or activity, subsidiaries, geographic areas and corporate-level support areas.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

1. BOARD OF DIRECTORS

In the area within its purview, and with the support of the Audit and Risk Supervision Committee, it must use develop all of its capabilities in order for the significant risks to all the activities and businesses of the group to be adequately identified, measured, managed and controlled, and to establish through the *General Risk Control and Management Policy* the mechanisms and basic principles for appropriate management of the risk/opportunity ratio. By virtue thereof, it defines the risk strategy and profile of the group and approves the *Risk Policies*.

2. EXECUTIVE COMMITTEE

In order to conform the impact of the risks to the established appetite, the Executive Committee, upon the proposal of affected business or corporate divisions and after a report from the group’s Risk Committee, annually reviews and approves the specific guidelines regarding the risk limits of the corporate risk policies.

3. AUDIT AND RISK SUPERVISION COMMITTEE.

As a consultative body of the Board of Directors, it has the following powers, among others, relating to the risk control and management systems and the tax area:

- Directly supervise the Corporate Risk Division and maintain an appropriate relationship therewith and with the audit and compliance committees of the other companies of the group.
- Continuously review the risk control and management systems, such that the principal risks are properly identified, managed and reported.
- Supervise the effectiveness of the risk control and management systems, formulating proposals for improvement.

- Obtain information regarding any significant deficiency in internal control that the statutory auditor detects while carrying out its audit work.
- Ensure that the group's risk control and management system identifies at least:
 - the various risk factors that the Company faces;
 - the establishment and review of the risk map and the risk levels that are deemed acceptable;
 - the measures identified in order to mitigate the potential impact the materialisation of any of the identified risks; and
 - the internal control and information systems to be used in order to control and manage such risks.
- Promote (within the limits of its purview) a culture in which risk is a factor that is taken into account in the decisions of the Company.
- Identify and evaluate emerging risks, like those arising from technological, climactic, social and regulatory changes and reputational risks, as well as existing alert mechanisms, periodically evaluating the effectiveness thereof.
- Receive annual visits from the heads of the businesses of the group in order for them to report on the trends of their respective businesses and the risks associated therewith.
- Report in advance on the risks of the group to be included in the *Annual Corporate Governance Report*.
- Receive information from the Company's tax director regarding the tax standards applied during the financial year, and particularly regarding the level of compliance with the *Corporate Tax Policy*.

4. BOARDS OF DIRECTORS AND AUDIT AND COMPLIANCE COMMITTEES OF COUNTRY SUBHOLDING AND HEAD OF BUSINESS COMPANIES

The country subholding companies adopt the risk policies of the group and define the application thereof, approving guidelines on specific risk limits based on the nature and particularities of the businesses in each country. The audit and compliance committees of such companies shall report to the Board of Directors on the internal risk control and management systems.

The management decision-making bodies of the head of business companies of each country must approve the specific risk limits applicable to each of them and implement the control systems necessary to ensure compliance therewith, all within the limits provided by the legal provisions applicable to the companies of the group that carry out regulated activities.

Pursuant to their special framework of strengthened autonomy, the listed companies of the group (Avangrid, Inc. and Neoenergia, S.A.) and those with significant interests of other shareholders have their own risk policies, which are aligned with those of the group.

5. GROUP RISK COMMITTEE

The Risk Committee of the Iberdrola group is a technical committee that is chaired by the CFO and that performs executive duties in the customary management of risks and provides advice to the governance bodies of the group.

- It meets at least once a month, with the participation of the group's Risk Management director, the risk directors of the country subholding companies and corporate areas that have such a position, the Internal Audit Division and the Administration and Control Division.
- It reviews new reported risks and the reports monitoring the main existing risks, and issues the *Quarterly Risk Report of the group*, which includes the main risk positions, the report on compliance with the risk limits and indicators, and the update of the key risks map.

It is supplemented by the credit risk and market risk committees, which report to the former, and which meet on a monthly basis to discuss and decide on credit and market (financial and commodities) risks.

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

The group is subject to various risks inherent in the different countries, industries and markets in which it does business and in the activities it carries out, which may prevent it from achieving its objectives and successfully implementing its strategies.

In the "Principal risks and uncertainties" section of the *Management Report* for financial year 2019, there is a detailed description of the principal risks associated with the activities of the main businesses of the group, as well as the risks of the corporation.

Due to the universal and dynamic nature thereof, the comprehensive risk system allows for the consideration of new risks that could affect the group as a consequence of changes in the environment or revisions of objectives and strategies, as well as updates based on the monitoring, verification, review and supervision activities that are performed on a continuous basis.

Pursuant to the definitions established by the *General Risk Control and Management Policy*, risks at the group level are classified as follows:

- a) Corporate governance risks.
- b) Market risks.
- c) Credit risks.
- d) Business risks.
- e) Regulatory and political risks.
- f) Operational, technological, environmental, social and legal risks.
- g) Reputational risks.

The activities of the group during financial year 2020 and later years will be affected by the following main risk factors:

- Changes in the exchange rate between the euro and the currencies of the principal countries in which the group does business.
- The evolution of commodities and electricity prices in these countries.
- The annual change in hydraulic or wind resources for the production of electricity at the renewable generation plants of the group.
- Increased competition in the unrestricted market in Spain as a result of the entry of significant new players, and the current increased competition in the United Kingdom, with a possible impact on the annual accounts.
- The ability to implement the current major investment plan, in terms of cost and timing.
- The risks associated with cybersecurity.

Finally, in relation to possible risks with a reputational impact, the following is reported:

- The proceeding that commenced in April 2017 when the Public Prosecutor filed a claim against Iberdrola Generación España, S.A.U., bringing before the courts an adverse government ruling by the National Markets and Competition Commission (*Comisión Nacional de los Mercados y de la Competencia*) ("CNMC"), which was appealed to the contentious-administrative courts, relating to the price of bids for the Duero, Sil and Tajo hydroelectric management units between 30 November 2013 and 23 December 2013.
- The hiring of entities linked to the former police commissioner José Manuel Villarejo Pérez, a matter disclosed in the annex to this Report due to the limit on the number of characters in this section.

In relation to these types of risks, it should be noted that the group's comprehensive risk control and management system specifically identifies all risks with a reputational impact and establishes mechanisms for the monitoring, control and internal and external communication thereof.

Furthermore, Iberdrola has a Compliance System made up of a set of substantive rules, formal procedures and significant actions intended to ensure that conduct is in accordance with ethical principles and applicable law, preventing, avoiding and mitigating the risk of conduct that is improper or contrary to ethics or the law. The bodies and divisions directly entrusted with the implementation and further development thereof also form part of this system.

Elements of the system include the *Code of Ethics* (which is applicable to all professionals of the group, board members and suppliers) and the Compliance Unit, a collective permanent and internal body linked to the Sustainable Development Committee, which, among other things, spreads a preventive culture based on the principle of "zero tolerance" towards the commission of illegal acts or improper conduct. The system has been designed following the best domestic and international practices in the area of compliance, fraud prevention and the fight against corruption.

For more details regarding the risks to which the group is subject, see:

- The annual accounts 2019, and particularly the section dedicated to risk factors in the Management Report.
- Statement of Non-Financial Information. Sustainability Report 2019
- The Integrated Report 2019.
- Other sections of this Annual Corporate Governance Report.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The Company's Board of Directors reviews and approves the risk tolerance level that is acceptable for the group on an annual basis. The *General Risk Control and Management Policy*, together with the policies that further develop and supplement it, qualitatively and quantitatively establish the annually accepted risk appetite, in a sufficiently detailed manner, both at the group level and at the level of each of its principal businesses and corporate functions.

By way of complement, the Administration and Control Division, after considering such limits and guidelines, in order to verify the risk globally assumed in the annual profit and loss account, engages in a comprehensive probability analysis of the global risk remaining for the financial year at the time of approving the annual budget.

In addition, all new multi-annual plans are accompanied by their corresponding analysis of associated risk.

The *General Risk Control and Management Policy* is further developed and supplemented through the following policies, which are also subject to approval and update by the Company's Board of Directors, and which include the following risk limits and indicators:

Corporate Risk Policies:

- *Corporate Credit Risk Policy*
- *Corporate Market Risk Policy*
- *Operational Risk in Market Transactions Policy*
- *Insurance Policy*
- *Investment Policy*
- *Financing and Financial Risk Policy*
- *Treasury Share Policy*
- *Risk Policy for Equity Interests in Listed Companies*
- *Information Technologies Policy*
- *Cybersecurity Risk Policy*
- *Reputational Risk Framework Policy*
- *Procurement Policy*

Risk policies for the various businesses of the group:

- *Risk Policy for the Networks Businesses of the Iberdrola group*
- *Risk Policy for the Renewable Energy Businesses of the Iberdrola group*
- *Risk Policy for the Liberalised Businesses of the Iberdrola group*
- *Risk Policy for the Real Estate Business of the Iberdrola group*

The *General Risk Control and Management Policy*, as well a summary of the risk policies in further implementation thereof, are available on the corporate website.

The limits and indicators of the risk policies should be consistent with the annual budget and the objectives set forth in the multi-annual investment plans. The numeric values of the limits and indicators set forth in the various policies are probabilistic in nature (like VaR and EBITDA at risk) or deterministic in nature, and are expressed in monetary units, indices or benchmarks based on which volumetric risks and/or values are generated, including:

- limits on the maximum overall credit risk exposure by type of counterparty;
- limitations on market risk proportional to the volume of activity of each business;
- strict overall limit on the discretionary trading of energy;
- limitations on operational risk through preventative maintenance programmes and assurance programmes; and
- strict limitations on activities not associated with the main energy business.

The *Corporate Tax Policy* establishes the limits on tax risk by setting the tax strategy, the principles of conduct and the good tax practices assumed by the Company.

As described above, the Iberdrola group has a risk tolerance level (acceptable risk level) established at the corporate level, which is annually approved by the Board of Directors and its Executive Committee. The group's Risk Committee, the Operating Committee, the Audit and Risk Supervision Committee, the

businesses, the corporate functions, the Administration and Control Division and the Risk Management Division also participate in the process.

E.5. State which risks, including tax compliance risks, have materialised during the year

The activities of the Iberdrola group during 2019 have been subject to various risk factors occurring in the countries and markets in which it operates, and on a global basis have not had a significant impact on the results for the financial year, thanks to the diversification of activities, markets and geographic areas in which the group is present, which has allowed for the negative effects of some businesses to be offset with favourable performance in others.

During the financial year, the group was negatively affected by events described below, although they have been offset by the following positive events:

- The approval at the end of 2019 of the new remuneration framework and rate applicable to the electricity distribution business in Spain for the 2020-25 period and the approval in December 2019 of the remuneration rate applicable for the next 12 years to the assets of the rate-regulated renewable energy business in Spain.
- These approvals, together with the agreement reached with ENRESA at the beginning of the year for a "Plan for scheduled closing of Spanish nuclear plants", positively eliminate uncertainties relating to these activities by the group in Spain.
- The approval in August 2019, on terms favourable to the group, of the remunerative framework of Elektro, applicable until August 2023.
- The sale with positive impacts for the group of: 1) 40% of the East Anglia One offshore wind farm in the United Kingdom, 2) the group's long-term liquefied natural gas supply contracts, and 3) the fibre optic business of the networks business in Spain.

The risks that have materialised include:

- The slowdown of economic growth in some of the countries in which the group is present, like Mexico, Brazil and the United Kingdom, partially offset by the group's business model, which makes it less sensitive to changing circumstances in the economic growth of the countries in which it is present.
- Lower hydrological contributions received by our hydroelectric plants as a result of the drought in Spain during 2019, which has resulted in hydroelectric production 4.5 TWh lower than expected in annual terms.

The write-off of 54 million euros in accounts receivable for territorial supplements, corresponding to the eco-tax in Extremadura (Spain).

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The comprehensive risk control and management system, together with the control and management policies of the Company that implement them, including the group's Risk Committee and the Company's

Operating Committee, have allowed for the identification of risks and new threats sufficiently in advance, as well as for establishing appropriate mitigation plans.

The Company's Operating Committee meets on an approximately weekly basis.

The group's Risk Committee, which reviews the evolution of the various risks, meets on a monthly basis, and on a quarterly basis issues the *Quarterly Risk Report of the Group*, which includes the main risk positions, the report on compliance with policies and limits approved, and the update of the key risks map.

On at least a quarterly basis, the Audit and Risk Supervision Committee of the Board of Directors supervises the evolution of the Company's risks:

- It reviews the group's Quarterly Risk Report submitted by the group's Risk director.
- It coordinates and reviews the Risk Report submitted on a regular basis (at least half-yearly) by the audit and compliance committees of the country subholding and head of business companies of the group.
- On at least a half-yearly basis, it prepares a Risk Report for the Board of Directors.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. Control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Iberdrola's Board of Directors is ultimately responsible for implementing and maintaining a proper and effective internal control over financial information ("**ICFR**") system. The Boards of Directors of the country subholding companies and head of business companies also have this responsibility within their various purviews.

The heads of the country subholding companies and of the head of business companies, together with their respective heads of control, as well as the directors of the global corporate areas, are in turn responsible for the design and implementation of the ICFR system. This responsibility is explicitly set forth in the certifications that said persons sign on a half-yearly basis in relation to the financial information for their respective areas of responsibility.

Pursuant to article 31.6.d of the *Regulations of the Board of Directors*, the Audit and Risk Supervision Committee (hereinafter, "**ARSC**") is responsible for supervising the effectiveness of the internal control of the Company and of its group, as well as the risk management systems thereof. Article 31.6.f also provides that the duties of the ARSC include that of supervising the process of preparing and presenting mandatory financial information and submitting recommendations or proposals to the Board of Directors to protect the integrity of this information. The ARSC relies on the Internal Audit Area to carry out these responsibilities. Any audit committees at the country subholding and head of business companies have these powers within their respective purviews.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

The Board of Directors of Iberdrola defines the organisational structure at the first level. The heads of these top-level organisations, together with the Human Resources and General Services Division, implement the deployment within their respective purviews.

Each top-level division prepares a proposed organisational structure, including a description of the mission, duties and responsibilities of the various organisations deployed, which must subsequently be validated by the Human Resources and General Services Division, as well as by the Finance and Resources Division.

The main responsibility for preparing financial information lies with the corporate Administration and Control Division. This division proposes the structure of heads of Control of the country subholding and head of business companies and deals with coordinating and supervising the conduct thereof.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.**

The Iberdrola group has a *Code of Ethics* that was first approved by the Board of Directors in financial year 2002, and that is regularly reviewed and updated. In its review of April 2019, the *Code of Ethics* strengthened the obligation of the group's professionals to report to the Compliance Division the commission of any illegal act or any impropriety. The obligation of suppliers to comply with the *Code of Ethics* and with the corporate anti-corruption policies is also included.

The *Code of Ethics* is communicated and disseminated among the professionals of the Iberdrola group in accordance with the plan approved annually for this purpose by the Compliance Unit, which provides for various initiatives in the area of training (both on-line and in-person) and communication, addressed to the various groups of employees based on their exposure to Compliance risks.

The *Code of Ethics*, which includes informational transparency among its general ethical principles and principles on relations with Iberdrola's stakeholders, expressly states the following in article B.6.:

"1. The group shall provide true, proper, useful and consistent information regarding its programmes and actions. The transparency of the information required to be disclosed is a basic principle that must govern the conduct of all directors, professionals and suppliers of the group.

2. The economic/financial information of the group (especially the annual accounts) shall faithfully reflect its economic and financial position and its net worth, in accordance with generally accepted accounting principles and applicable international financial reporting standards. For such purposes, no directors, professional or supplier shall conceal or distort the information set forth in the accounting records and reports of the group, which shall be complete, accurate and truthful.

3. A lack of honesty in the communication of information, whether within the group (to professionals, subsidiaries, departments, internal bodies, management decision-making bodies, etc.) or externally (to auditors, shareholders and investors, regulatory entities, the media, etc.) is a breach of this Code of Ethics. This includes delivering incorrect information, organising it in an incorrect manner or seeking to confuse those who receive it".

The Compliance Unit, which is a collective permanent and internal body linked to the Sustainable Development Committee of Iberdrola, controls the effective operation of the Company's Compliance System, with powers in the area of regulatory compliance. The duties of the Unit include ensuring the application of the *Code of Ethics* and of the other rules of the group in the compliance area, and the spread of a preventive culture based on the principle of "zero tolerance" towards the commission of unlawful acts. It also approves the *General Compliance System Framework of the Iberdrola group*, which contains the basic principles of structure and operation of the group's Compliance System as well as the duties and responsibilities of the various bodies involved. The Unit also evaluates and prepares an annual report on the effectiveness of the Compliance System of the Company and of the other companies of the group. The report is submitted to the Sustainable Development Committee, which issues its opinion and forwards it to the Board of Directors.

The Compliance Unit is also in charge of determining whether a professional of Iberdrola, S.A. has engaged in activities that violate the provisions of law or the *Code of Ethics*, and if applicable, for tasking the Human Resources and General Services Division to apply disciplinary measures in accordance with the offences and penalties system set forth in the collective bargaining agreement to which the professional belongs or in applicable labour law. The Compliance divisions of the other companies of the group perform this same function at each of them.

Pursuant to article F.5.1 thereof, directors, professionals of the companies of the group and the suppliers thereof expressly accept the rules of conduct established in the *Code of Ethics* that are applicable thereto.

Pursuant to article F.5.2, professionals who hereafter join or become part of the group and suppliers contracting with companies of the group shall also expressly accept the rules of conduct to which they are subject as set forth in sections D (for professionals of the group) and E (for suppliers), respectively, of the *Code of Ethics*. For this purpose, a literal extract of the corresponding section in each case is attached to their respective contracts.

Likewise, directors shall receive a complete copy of the *Code of Ethics*, for which they shall deliver a signed receipt.

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

Iberdrola has various reporting mailboxes based on the sender: (i) ethics mailboxes for the professionals of the group; (ii) the mailbox available to shareholders and investors; and (iii) the suppliers' mailbox, accessible from the Employee Portal, from the OLS "On Line Shareholders" system or their mobile app, and from the Supplier Portal, respectively. These channels allow for communicating and complaining of any conduct that may involve the commission of an improper act or an act in violation of legal provisions or of the rules of conduct laid down in the *Code of Ethics* or to ask questions regarding any issue with respect to Compliance.

One need not identify oneself in order to send a complaint through these mailboxes (complaints may be anonymous), and if one does so Iberdrola guarantees absolute confidentiality with respect to both the information provided and the personal data of the reporting party. The group naturally states its commitment to not retaliate against any employee making a complaint, unless there is bad faith on the part of the complaining party.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

Training is key in the Iberdrola's human resources policy and is an essential element for adjusting new employees to Iberdrola and the proper performance of their jobs, as well as to keep the group's employees updated regarding any changes that occur within the group itself as well as the environment within which it does business.

As an example of the commitment to training, Iberdrola has a corporate campus with multiple training centres in various countries, including the International Corporate Campus in San Agustín de Guadalix (Madrid). Training in all areas is provided at these facilities by internal professionals, outside entities, universities, outside experts, etc.

Specifically, the personnel directly or indirectly involved in the preparation and review of financial information and in the evaluation of the ICFR system, based on their different responsibilities, receive regular training on accounting standards, internal control and risk management, which is intended to give them the knowledge needed for the optimal performance of their duties as well as to anticipate, to the extent possible, the proper conformance of the group to future rules and to best practices. Most of these courses are provided by outside entities: business schools, universities and consultants specialising in economic/financial matters.

In addition, and on a general basis, these professionals regularly take coursework to improve their qualifications in the use of the computer-based tools required to perform their duties, mainly excel and database management.

They also attend various conferences, symposia and seminars in the areas of accounting, tax and internal audit, at both the domestic and international level.

Furthermore, in order to pool best practices and analyse the challenges facing the group in these areas, various meetings between the professionals of these areas from the different countries and country subholding companies are organised on an annual basis. Specifically, in 2019 there were, among other events, the International Internal Audit Planning Days, the "VII-Global Tax Meeting" and the annual "XII Global Control Committee", which analyses the most significant issues affecting the function, like new accounting rules, with special attention on reviewing and evaluating the group's ICFR system.

In addition, although not considered specific training activities, the Accounting Practices Division, which reports directly to the director of Administration and Control, who is responsible for defining and updating the accounting policies, publishes a quarterly bulletin that is broadly distributed within the group regarding new accounting developments with respect to International Financial Reporting Standards ("IFRS"), which includes updates on standards (standards that have entered into effect, drafts issued, standards issued, standards approved by the European Union, new standards and expected drafts, as well as existing standards) and accounting questions asked internally, together with the conclusions with respect thereto.

F.2. Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- **Whether the process exists and is documented.**

The process of identifying risks of error in financial information is one of the most important steps within the methodology for performing the internal control over financial information at Iberdrola, documenting both the objectives and performance thereof as well as its results.

The methodology starts with an analysis of the consolidated financial information of the Iberdrola group and of the various country subholding companies, in order to select the most significant accounting headings and notes, pursuant to quantitative (materiality) and qualitative (business risk and third-party visibility) standards. The headings and notes selected are grouped into management cycles or large processes in which the selected information is generated. The cycles are analysed and a high-level

description of each of them is prepared as a means for identifying the potential risks of error in the financial information in relation to attributes like integrity, presentation, valuation, cut-off, recording and validity. The risks identified are subject to a process of evaluation, selecting the most significant ones, applying professional judgement regarding a number of indicators (existence of documented processes and controls, intervention of systems that automate the process, occurrence of incidents in the past, familiarity with and maturity of the process, and need for the use of judgement to make estimates). The risks of fraud are not subject to explicit identification, although they are taken into account to the extent that they can generate material errors in the financial information.

Once the most significant risks have been selected and the main aspects to be controlled are identified, the controls required for the mitigation or management thereof are selected and designed, with these controls being subject to monitoring and documentation, as well as systematic review by the Internal Audit Area.

The selected risks are reviewed at least annually within the framework of the assessment of the effectiveness of the internal control system performed by those responsible for it. This review is intended to update the risks to the changing circumstances in which the Company operates, especially given changes in the organisation, computer systems, regulation, products or the status of the markets.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

As mentioned above, the cycles or large processes in which financial information is generated are reviewed at least on an annual basis to identify potential risks of error in relation to attributes like validity (existence and approval), integrity, valuation, presentation, cut-off and recording.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

The scope of consolidation is identified on a monthly basis, and is obtained as a product of an updated map of companies, with express identification of the changes that have occurred each period.

The scope of this review is the totality of all companies in which Iberdrola or any of its subsidiaries has an interest, regardless of the significance thereof.

Furthermore, following the provisions of section 529 of the *Companies Act*, the *Regulations of the Board of Directors* provide that the purview of the Board of Directors includes, among other things, approving the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the group. In any event, the making of such decision requires a prior report of the ARSC, as provided in Iberdrola's *Regulations of the Audit and Risk Supervision Committee*.

Pursuant to specific internal procedures in effect (conforming to the current corporate governance model), the initiative relating to the creation or acquisition of an interest in a special purpose entity or an entity domiciled in a tax haven is within the purview of the Management of the group or of the country subholding company or head of business company or subsidiary thereof that intends to create or acquire a company of this nature. In the event that such transactions are carried out by listed country subholding companies of the group or by subsidiaries thereof, the audit and compliance committee or similar body of such listed country subholding company shall be responsible for issuing the relevant report.

- **If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The process of identifying risks of error in financial information takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements, which risks are evaluated and managed by various corporate units like the Risk Division or the Legal Division, among others. However, there is no express identification of such other types for the identification of financial information risks.

- **The governing body within the company that supervises the process.**

The governing body that supervises the process is the ARSC, which is supported by the Management of the Internal Audit Area in the performance of this duty.

F.3. Control activities

State whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.**

On 24 July 2018, Iberdrola's Board of Directors approved an *Iberdrola group Financial Information Preparation Policy* that applies to all companies of the group, and which further develops the process for preparing the consolidated financial information and clearly defines the powers vested in the ARSC and the audit and compliance committees of the other companies of the group.

"*Consolidated financial information*" means the information appearing in the consolidated annual accounts, in the *Interim Management Statements* corresponding to the results of Iberdrola and its consolidated group for the first and third quarter, and in the *Half-Yearly Financial Report*.

The policy provides that the financial information required for the preparation of the "*consolidated financial information*" must be prepared in accordance with the accounting standards established in the *Accounting Policies Handbook* and the models approved by Iberdrola's Administration and Control Division.

The policy provides which management decision-making body of each company shall be responsible for preparing the financial information relating to its respective company that may be required to prepare the "*consolidated financial information*". By analogy, the management decision-making bodies of the country subholding companies shall be responsible for approving the "*financial information for consolidation*" within which the information regarding the company itself and that of the subsidiaries forming part of its subgroup are included.

Thus, the management decision-making bodies of the country subholding companies, following a report from their respective audit and compliance committees, and based on the information received from their subsidiaries, shall prepare and approve the financial information for consolidation corresponding to each

subgroup, and once such information has been verified by their external auditor within the context of its review of the consolidated financial information, they shall send it to Iberdrola's Administration and Control Division prior to the date indicated thereby, in order to prepare the consolidated financial information and submit it for formulation or approval by Iberdrola's Board of Directors, as appropriate, after a report from its ARSC.

Furthermore, the process or structure of certification of the financial information, which is formally carried out on a half-yearly basis, coinciding with the interim and annual close, reflects the form in which the financial information is generated within the group.

In this structure, the heads of the country subholding companies and the heads of the head of business companies, together with their respective heads of control, as well as the heads of the global corporate areas, certify both the reliability of the financial information regarding their areas of responsibility (which is the information they provide for consolidation at the group level) and the effectiveness of the internal control system established to reasonably guarantee such reliability. Finally, the chairman & CEO, as the top responsible executive, and the Corporate Administration and Control Director, who is responsible for the preparation of the financial information, certify to the Board of Directors the reliability of the consolidated annual accounts and the *Half-Yearly Financial Report*.

The ARSC, with the support of the Management of the Internal Audit Area, supervises the entire process of certification, submitting to the Board of Directors the conclusions obtained from this analysis at the meetings during which the accounts are formally prepared.

As regards the description of the ICFR system to be published in the securities markets, the procedure for the review and approval thereof is the same as the one used for all disclosures of an economic and financial nature in the *Annual Corporate Governance Report*.

The documentation of the Internal Control over Financial Reporting (ICFR) System includes high-level descriptions of the cycles for generating the selected relevant financial information, as well as detailed descriptions of the prioritised risks of error and of the controls designed for the mitigation or management thereof. The description of the controls includes the evidence obtained for the implementation thereof, which is necessary for their review.

Each of the accounting close processes at the businesses is considered a cycle, and the same occurs with the group of accounting close activities at the corporate level, with the process of global consolidation and with the process of preparing the notes. This means that all of these activities are subject to the methodological process described in the section relating to risks.

Furthermore, the specific review of critical accounting opinions, estimates, valuations and relevant projections is subject to specific controls within the model, as these types of issues involve risks of error in the various cycles in which they are made. The evidence of the specific controls is the support for such reviews in many cases.

Independently of the process of certification followed in the countries, businesses and corporate areas, the ARSC, once again with the support of the Internal Audit Division, performs a quarterly global review of the financial information, ensuring that the half-yearly financial reports and quarterly management statements are prepared using the same accounting standards as the annual financial reports, and verifying the proper definition of the scope of consolidation, as well as the correct application of generally accepted accounting principles and international financial reporting standards.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The controls considered to mitigate or manage the risks of error in financial reporting include some relating to the most significant software applications, like the controls relating to user access permissions or those relating to the integrity of the transfer of information between applications, of the transaction, and of change management.

In addition, the Iberdrola group has internal control guidelines and procedures regarding IT systems in relation to the acquisition and development of software, the acquisition of systems infrastructure, the installation and testing of software, change management, management of service levels, management of third-party services, security of the systems and access thereto, incident management, transaction management, continuity of operations and the segregation of functions.

These guidelines and procedures (which in some cases are different based on geographic area or type of solution, and are in a process of progressive homogenisation) are applied to all IT systems that support the relevant process of generation of financial information, and to the infrastructure required for the operation thereof.

The Iberdrola group also has an Information Technologies (IT) Policy that contemplates the management of risks associated with the use, ownership, operation, participation, influence and adoption of specific information technology or the processes for the management and control thereof.

Thus, there is a model of general controls integrated within the risk management model that allows for a global evaluation of the risks related to information technology.

Both the risk model and the IT controls are based on and aligned with good market practices, like COBIT5 and COSO. The evolution thereof over the long term is maintained by including the new needs arising from the changing regulatory compliance framework that applies to the IT systems and services, as well as the recommendations and guidelines of auditors and relevant third parties.

As part of the general IT controls model, there is a regular evaluation of the effectiveness of the information technology controls in the area of financial systems, adopting the appropriate measures if any incident is detected.

On an annual basis, the heads of the IT systems of the Iberdrola group certify the effectiveness of the internal controls established regarding financial information. This certification covers all systems declared to be within the scope of the external financial auditing, as well as others deemed to be relevant, by the corresponding business organisations within the group.

For financial year 2019, the total number of systems covered by the IT controls system was 46, on which there was homogeneous application of 14 controls, most of which are evaluated and applied by the Systems Division, and in some cases by other business organisations. The frequency of the evaluation is annual or biannual, depending on the nature of the control, and it is performed using a principle of sampling of all of the relevant evidence in each case. The entire process of evaluating the IT controls is supported by a GRC system and is supervised annually by the Internal Audit Division.

F.3.3. Internal control policies and procedures intended to guide the management of activities subcontracted to third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

In general terms, the Iberdrola group does not have significant functions subcontracted to third parties with a direct impact on financial information. The evaluations, calculations or assessments entrusted to third parties that could materially affect the financial statements are considered to be activities relevant to the generation of financial information leading to the identification of any priority risks of error, which involves the design of associated internal controls. These controls cover the internal analysis and approval of fundamental assumptions to be used, as well as the review of the evaluations, calculations or assessments made by outside parties, by comparing them to the calculations made internally.

F.4. Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Accounting Practice Division, which reports directly to the Administration and Control director, is responsible for defining and updating the accounting policies, as well as for resolving questions or conflicts arising from the interpretation thereof. It maintains fluid communication with the heads of operation of the organisation, and particularly with the heads of the accounting functions.

It publishes a quarterly bulletin that is broadly distributed within the group regarding new accounting developments deriving from the IFRS, which includes updates on standards (standards that have entered into effect, drafts issued, standards issued, standards approved by the European Union, new standards and expected drafts, as well as existing standards) and accounting questions asked internally, together with the conclusions with respect thereto.

The Accounting Practice Division is also responsible for keeping the *Accounting Policies Handbook of the group* continuously updated and ensuring the appropriate dissemination thereof.

The accounting policies handbook is continuously updated. For this purpose, the Accounting Practice Division analyses whether the new developments or changes in the accounting area have an effect on the group's accounting policies, as well as the date of entry into force of each of the standards. When a new provision, or new interpretations thereof, are identified having an effect on the accounting policies of the group, it is included in the handbook, and also communicated to the parties responsible for preparing the financial information of the group through the quarterly bulletins mentioned above, and the application supporting the handbook is also updated.

The updated version of the handbook is available in an application on the internal network of the group. This application is also accessible by users via remote access and can be connected to e-mail. Any change or upload of a document of the handbook generates an e-mail notice to all users.

F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The mechanism for capturing and preparing the information supporting the main financial statements of the Iberdrola group is mainly based on the use of a unified management consolidation tool (called BPC), which is accessible from all geographic areas, that is currently deployed throughout the group.

A large part of the information supporting the breakdowns and notes is included in the consolidation tool, with the rest being captured by homogeneously formatted spreadsheets, called reporting packets, that are prepared for the half-yearly and yearly close.

F.5. Supervision of system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The activities for supervising the ICFR by the ARSC mainly include: (i) monitoring of compliance with the process of certification by the various parties responsible for the financial information; (ii) the review, with the support of the Management of the Internal Audit Area, of the design and operation of the internal control system, to evaluate the effectiveness thereof; and (iii) regular meetings with the external auditors, internal auditors and senior management to review, analyse and comment on the financial information, the boundary of companies that it covers and the accounting criteria applied, as well as any significant weaknesses in internal control that have been identified.

It should be mentioned that the parties responsible for preparing the financial information of each country subholding company, each head of business company and each corporate area must engage in an annual process, coordinated by the Internal Control Division, of reviewing the design and operation of the internal control system within their area of responsibility in order to evaluate the effectiveness thereof.

There is thus an analysis of whether, based on the changing circumstances in which the group acts (changes in organisation, systems, processes, products, regulation, etc.), changes in the risks identified and prioritised and/or new risks identified should be included. There is also an analysis of whether the design of the existing controls to mitigate or manage the risks that may have changed is appropriate, as well as whether they have operated satisfactorily in accordance with their design.

The conclusions from this annual review process, with respect to both the deficiencies identified (which are classified as serious, medium or mild, based precisely on their potential impact on the financial information) and the action plans to fix them, are presented at an annual specialised meeting chaired by the Administration and Control director, and at which the Management of the Internal Audit Area is also present. Conclusions are made at this meeting regarding the effectiveness of the internal control system within each of the different areas of responsibility, and globally for the entire group.

Thereafter, the most significant conclusions regarding the review are submitted to the ARSC within the framework of the regular meetings it holds with the Administration and Control director.

Apart from what is described in the preceding paragraphs, the Internal Audit Area, in support of the ARSC, undertakes an independent review of the design and operation of the internal control system, identifying deficiencies and preparing recommendations for improvement. The Internal Audit Area reports hierarchically to the chairman of Iberdrola's Board of Directors, and functionally to the ARSC, and pursuant to the Basic Internal Audit Regulations has the main duties of assisting this committee in the exercise of its powers and objectively and independently supervising the effectiveness of the group's internal control system, which is made up of a set of risk management and control mechanisms and systems.

Based thereon, the Management of the Internal Audit Area engages in ongoing monitoring of the action plans agreed to with the various organisations to correct the deficiencies detected and to implement the suggestions for improvement agreed to with the organisations.

The period that the Management of the Internal Audit Area plans for in-depth review of the entire internal control system is five years.

Specifically, 18 cycles were reviewed during financial year 2019. These are cycles corresponding to the companies Iberdrola México, S.A. de C.V., Scottish Power Ltd., Iberdrola España, S.A. (Sociedad Unipersonal), Neoenergía, S.A. and Iberdrola Inmobiliaria, S.A.U., as well as corporate cycles.

In addition, on a half-yearly basis, coinciding with the half-yearly and yearly close, the Management of the Internal Audit Area performs a review of the operation of the internal controls that are considered to

be most critical, to which there should be added the annual review of all the SOX Key Controls of Avangrid, Inc.

The combination of regular reviews, together with the half-yearly reviews of the most critical controls, allows the Management of the Internal Audit Area to perform an evaluation of the internal control system (both design and operation) and issue an opinion regarding the effectiveness of the internal controls established to ensure the reliability of the financial information, which it submits to the ARSC within the framework of their regular meetings.

F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - “Auditing Standards”), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weaknesses in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

In general terms, the procedure for discussion regarding significant internal control weaknesses that have been identified is based on regular meetings by the various agents.

Thus, the ARSC holds meetings, both at the half-year and yearly close, with the external auditors, with the internal auditors, and with the management responsible for preparing the financial information, in order to discuss any relevant aspect of the preparation process and of the resulting financial information.

Specifically, as established in its Regulations (scope of powers), Iberdrola’s ARSC has, among other powers, that of obtaining information regarding any significant deficiency in internal control that the statutory auditor detects while carrying out its audit work. For these purposes, the statutory auditor appears before such Committee on an annual basis to present recommendations in connection with the internal control weaknesses identified during the review of the annual accounts. Any weaknesses noted by the statutory auditor are continuously monitored by the Committee with the support of the Management of the Internal Audit Area. Management responsible for preparing the consolidated accounts also holds meetings with the external auditors and with the internal auditors, at both the half-yearly and yearly close, in order to discuss any significant issues relating to the financial information.

F.6. Other relevant information.

Iberdrola has an Internal Control over Financial Reporting (ICFR) system or model that is intended to reasonably guarantee the reliability of the financial information. The development of the model, which began in 2006, was not the result of a legal requirement but rather the conviction, by both the Board of Directors and the Company’s senior management, that within a context of growth and internationalisation as was already forecast for the group, an explicit and auditable internal control system would contribute to maintaining and improving its control environment and the quality of the financial information, while at the same time increasing the confidence of investors due to its effects on the transparency, reputation and good governance of Iberdrola and of the companies making up the group.

The ICFR system has two main sides: certification, and internal control itself.

Certification is a process by which those responsible for financial information in the different areas of the Company certify that: (i) the financial information they deliver to Iberdrola for purposes of consolidation does not contain any material errors or omissions and provides a fair view of the results and the financial condition of the Company within their area of responsibility, and (ii) they are responsible for establishing the ICFR system within their area of responsibility and have found, upon evaluation, that the system is

effective. The text of these certifications is inspired by the form of certification established in section 302 of the U.S. Sarbanes-Oxley Act.

The culmination of the half-yearly process is a joint certification that the chairman & CEO and the Administration and Control director submit to the Board of Directors for purposes of approval of the Half-Yearly Financial Report or the formulation of the annual accounts.

The process is carried out by means of electronic signature in a software application which manages the areas of responsibility and time periods and which serves as a repository of all the documentation generated, allowing for periodic review by the supervision and control bodies of the group.

The other side of the model, that of internal control itself, is inspired by the leading framework described in the "Internal Control Integrated Framework" report of the "Committee of Sponsoring Organizations of the Treadway Commission (COSO)", and is mainly focused on providing a reasonable level of security in achieving the goal of reliability of financial information.

The methodology used by Iberdrola for the development and continuous update of internal control has the following stages or steps: (i) analysis and selection of significant financial information; (ii) the grouping thereof within cycles or large processes in which it is generated; (iii) the identification, evaluation and prioritisation of the risks of error in financial information within the selected cycles; (iv) the design and operation of controls to mitigate or manage the selected risks; and (v) the monitoring and update of the foregoing steps to continuously adapt the model to the circumstances of the business activity.

One of the main characteristics of the design of the model is that it attempts to ensure the quality of the financial information during each month of the year, and is not only limited to the periods corresponding to the annual or half-yearly close.

This characteristic is strengthened with the use of a specific software application internally developed by the group, which allows for the monitoring of the status of the controls at all times.

Another important characteristic of the model is that it extends the culture of internal control to all of the organisations, both corporate and business, that significantly contribute to the generation of financial information, by personally assigning responsibility in the implementation and documentation of controls.

All significant documentation regarding Iberdrola's ICFR system, including both the process of certification and the internal control itself, is stored in this software application.

The people responsible for implementing the controls input into the software application evidence showing the performance thereof, and evaluate the results obtained, classifying them as satisfactory or unsatisfactory. This allows for monitoring of the internal control situation in real-time, permitting quick action regarding any deficiencies detected.

Additionally, on an annual basis, the various heads of control at the country subholding and head of business companies, as well as the heads of the corporate areas, review the design and operation of the ICFR system, as a systematic process for the update thereof to the changing circumstances of the business activity.

The annual review is coordinated by the Internal Control Division, which is also tasked with administering the software application and with coordinating the development of the ICFR system within the various businesses and corporate areas of the group, as well as maintaining the homogeneity of the ICFR system throughout the group.

Furthermore, the Management of the Internal Audit Area, which is responsible for supervising internal control in support of the ARSC, undertakes an independent review of the design and operation of the ICFR system, identifying deficiencies and preparing recommendations for improvement. This review is performed applying a mixed model of selecting cycles based on risk and a minimum rotation of five years.

In addition, on a half-yearly basis, the Management of the Internal Audit Area undertakes an independent review of the effectiveness of the internal controls established to ensure the reliability of the financial information. It also reviews the process of certification of the financial information on a half-yearly basis. The conclusions from these reviews are submitted to the ARSC, which, if applicable, makes them its own and forwards them to the Board of Directors.

Based on materiality standards, the current scope of the ICFR system covers the entire Iberdrola group. More than 1,750 people from the group use the software application, both to document the evidence showing the implementation of more than 3,000 controls —which mitigate or manage more than 1,180

risks of error in the financial information deemed priority— and to monitor, analyse, adjust and evaluate the ICFR system.

In addition, the approximately 110 department heads who participate in the process of certifying the correctness of the information for which they are responsible do so using an electronic signature directly within the software application.

All of the above allows for the final result of the certification process, which is supported by the situation of internal control itself, to be reviewed by Iberdrola's Board of Directors as one of the major guarantees of reliability in connection with the formulation of the annual and interim financial information of the group.

F.7. External auditor's report

Report on:

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

The information on the ICFR system sent to the markets has not been subject to review by the external auditor consistent with the fact that the other information contained in the Annual Corporate Governance Report is only subject to review by the external auditor in relation to the accounting information contained in said Report. Furthermore, it is believed that externally reviewing the information on the ICFR system sent to the markets would in a certain way be redundant, taking into account the review of internal control that the external auditor must perform in accordance with technical auditing standards within the context of the statutory audit of accounts.

G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies | Explanation | X

Article 29.2 of the By-Laws provides that "No shareholder may cast a number of votes greater than those corresponding to shares representing ten (10%) per cent of share capital, even if the number of shares held exceeds such percentage of the share capital. This limitation does not affect votes corresponding to shares with respect to which a shareholder is holding a proxy as a result of the provisions of article 23 above, provided, however, that with respect to the number of votes corresponding to the shares of each shareholder represented by proxy, the limitation set forth above shall apply".

Section 3 of such article adds: "The limitation set forth in the preceding section shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholders that are entities or companies belonging to the same group. Such limitation shall also apply to the number of votes that may be cast collectively or individually by an individual and the shareholder entity, entities, or companies controlled by such individual. A group shall be deemed to exist under the circumstances provided by law, and also when a person controls one or more entities or companies".

Iberdrola believes that the limitation on the maximum number of votes that may be cast by a single shareholder, or by several shareholders belonging to the same group or, if applicable, acting in concert, is a measure to protect shareholders at companies with dispersed share ownership, whose investment is thus guarded from any transaction that is contrary to the corporate interest. In this regard, most shareholders, especially including but not limited to small retail investors, who represent approximately one-fourth of Iberdrola's capital, have little room to manoeuvre and respond to a potential shareholder owning a non-controlling interest and not reaching the threshold requiring a takeover bid but seeking influence over the Company and whose own interest is not totally in line with the corporate interest.

It should also be noted that such voting limitation has been in effect since 16 June 1990, the date on which the General Shareholders' Meeting was held at which it was resolved, by unanimous vote of the attendees, to bring the By-Laws of the Company (then doing business as Iberduero, S.A.) into line with the consolidated text of the Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December. This shows the level of corporate consensus that has existed on such voting limitation from the very beginning, which has been confirmed by the fact that such limitation has remained unchanged through various by-law amendments passed by the shareholders at General Shareholders' Meetings. In turn, it reflects the will of the shareholders to increase their bargaining power in the event of hostile offers or transactions.

In any event, article 50 of the current By-Laws establishes the instances of removal of such voting limitation in the event that the Company is the target of a takeover bid that receives the required shareholder approval, in which case the provisions of section 527 of the Companies Act prevail. Pursuant to the foregoing, it cannot be deemed that the limitation on the maximum number of votes that may be cast by a shareholder constitutes an obstacle to a takeover bid.

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.**
- b) The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies		X	Complies Partially		Explanation		Not Applicable

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.**

- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies | X Complies Partially | Explanation |

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies | X Complies Partially | Explanation |

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies | X Complies Partially | Explanation |

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- a) Report regarding the auditor's independence.
- b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
- c) Report by the audit committee regarding related-party transactions.
- d) Report on the corporate social responsibility policy.

Complies | X Complies Partially | Explanation |

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies | X Explanation |

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies | X Complies Partially | Explanation |

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies | **X** | Complies Partially | Explanation |

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies | **X** | Complies Partially | Explanation | Not Applicable |

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies | **X** | Complies Partially | Explanation | Not Applicable |

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies | **X** | Complies Partially | Explanation |

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies | **X** | Explanation |

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.**
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.**
- c) Favours diversity in knowledge, experience and gender.**

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call to the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies | **X** | Complies Partially | Explanation |

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies | **X** | Complies Partially | Explanation |

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.**
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.**

Complies | **X** | Explanation |

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies | **X** | Explanation |

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.**

- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies | **X** | Complies Partially | Explanation |

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies | Complies Partially | Explanation | Not Applicable | **X**

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies | Complies Partially | Explanation | Not Applicable | **X**

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies | **X** | Explanation |

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible

and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies | **X** | Complies Partially | Explanation |

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies | Complies Partially | Explanation | Not Applicable | **X**

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies **X** | Complies Partially | Explanation | Not Applicable |

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies | **X** | Complies Partially | Explanation |

26. That the Board of Directors meets frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items that do not originally appear on the agenda.

Complies | **X** | Complies Partially | Explanation |

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies | **X** | Complies Partially | Explanation |

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies | Complies Partially | Explanation | Not Applicable | **X**

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies | **X** | Complies Partially | | Explanation |

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies | **X** | Explanation | | Not Applicable |

31. That the agenda for meetings clearly states those matters about which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies | **X** | Complies Partially | | Explanation |

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies | **X** | Complies Partially | | Explanation |

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies | **X** | Complies Partially | | Explanation |

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chair of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies | **X** | Complies Partially | | Explanation | | Not Applicable |

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies | **X** | Explanation |

36. That the Board of Directors meets in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies | **X** | Complies Partially | | Explanation |

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies | | Complies Partially | **X** | Explanation | | Not Applicable |

The Executive Committee is made up of the chairman & CEO, the vice chair of the Board of Directors, who is classified as other external director, and two independent directors, one of whom is a woman. Iberdrola believes that the various types of directors are duly represented and that the composition of said Committee is sufficiently diverse.

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies | **X** | Complies Partially | | Explanation | | Not Applicable |

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies | **X** | Complies Partially | | Explanation |

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

	Complies	X	Complies Partially	Explanation
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41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

	Complies	X	Complies Partially	Explanation	Not Applicable
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42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

	Complies	X	Complies Partially	Explanation
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43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies | **X** Complies Partially | Explanation |

- 44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies | **X** Complies Partially | Explanation | Not Applicable |

- 45. That the risk management and control policy identify, at a minimum:**
- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.**
 - b) Fixing of the level of risk the company considers acceptable.**
 - c) Means identified in order to minimise identified risks in the event they transpire.**
 - d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies | **X** Complies Partially | Explanation |

- 46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:**
- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
 - b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
 - c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies | **X** Complies Partially | Explanation |

- 47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.**

Complies | **X** Complies Partially | Explanation |

- 48. That high market capitalisation companies have formed separate appointments and remuneration committees.**

Complies | **X** Explanation | Not Applicable |

- 49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies | **X** | Complies Partially | Explanation |

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies | **X** | Complies Partially | Explanation |

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies | **X** | Complies Partially | Explanation |

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

Complies | **X** | Complies Partially | Explanation | Not Applicable |

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to

its powers of self-organisation, to which at least the following responsibilities shall be specifically assigned:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of corporate social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies | **X** Complies Partially | Explanation |

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, at a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies | **X** Complies Partially | Explanation |

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies X	Complies Partially	Explanation
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56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies X	Explanation
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57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies X	Complies Partially	Explanation
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58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and is not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies X	Complies Partially	Explanation	Not Applicable
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59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies X	Complies Partially	Explanation	Not Applicable
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60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies X	Complies Partially	Explanation	Not Applicable
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61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies		X	Complies Partially		Explanation		Not Applicable
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- 62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.**

The foregoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies		X	Complies Partially		Explanation		Not Applicable
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- 63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.**

Complies		X	Complies Partially		Explanation		Not Applicable
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- 64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.**

Complies			Complies Partially		X	Explanation		Not Applicable
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Contracts with executive directors and senior officers signed as from 2011 provide severance pay for contractual termination equal to a maximum of two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This is the case of the Business CEO.

The Company included guarantee clauses of up to five years in contracts with its key officers in the year 2000. Subsequently, in 2001, when the current chairman & CEO joined Iberdrola, he received the treatment in effect for such officers, in order to achieve an effective and sufficient level of loyalty. As chairman & CEO, he is currently entitled to three times his annual salary.

The Board of Directors has analysed this situation, the treatment of which is necessarily collective in nature. Any reduction in the salary multiples would carry high costs for the Company, for which reason the Board of Directors believes that it is most appropriate not to change the status quo. Any proposed reduction in the salary multiples would have a higher cost for the Company, as the amount of the contingency will gradually decrease due to the passage of time, resulting in payments far smaller than any possible reduction in the agreed severance payment, taking into account the average age of the affected group and the low likelihood of the guarantees being enforced. In this regard, it should be pointed out that at year-end 2014, there were 62 officers with a right to severance pay greater than two years in case of termination. At year-end 2019, the number has decreased again to 26, without the enforcement of any guarantee clause.

[H] FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which is necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe it briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

On 20 July 2010 the Company acceded to the Code of Good Tax Practices, a document approved by the full Forum of Large Businesses (*Foro de Grandes Empresas*) established by the National Tax Administration Agency (*Agencia Estatal de Administración Tributaria*) and certain large companies and held on that date.

Pursuant to the provisions of section 2 of the annex of accession to the Code of Good Tax Practices and section 4.a) of the Corporate Tax Policy, the Company reports that it has complied with the text of said Code as from the time of approval thereof.

In particular, it is reported that during financial year 2019, the Company's tax director appeared before Iberdrola's Audit and Risk Supervision Committee on 18 February 2019 and 22 July 2019 to report on compliance with the Corporate Tax Policy, which includes the good tax practices contained in said Code, all of which has been reported to the Board of Directors.

The annex contains a description of the attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2019. Proxies granted with specific voting instructions are considered to be attendances.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 24/02/2020.

State whether any directors voted against or abstained from voting on this report.

Yes ☐

No ☒

Annex to ACGR 2019:

SECTION C.1.26

Below is the data on attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2019. Proxies granted with specific voting instructions are considered to be attendances.

Directors	Board	Committees				
		EC	ARSC	AC	RC	SDC
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	8/8	15/15	-	-	-	-
MR ÍÑIGO VÍCTOR DE ORIOL IBARRA	8/8	-	-	9/9	-	9/9
MS INÉS MACHO STADLER	8/8	15/15	-	-	7/7	-
MS SAMANTHA BARBER	8/8	15/15	-	-	-	9/9
MS MARÍA HELENA ANTOLÍN RAYBAUD	8/8	-	-	9/9	-	-
MR ÁNGEL JESÚS ACEBES PANIAGUA	2/2	3/3	-	2/2	-	-
MS GEORGINA KESSEL MARTÍNEZ	8/8	-	12/12	-	-	-
MS DENISE MARY HOLT	8/8	-	12/12	-	-	-
MR JOSÉ W. FERNÁNDEZ	8/8	-	12/12	-	-	-
MR MANUEL MOREU MUNAIZ	8/8	15/15	-	-	7/7	-
MR XABIER SAGREDO ORMAZA	8/8	-	12/12	-	-	-
MR JUAN MANUEL GONZÁLEZ SERNA	8/8	-	-	-	7/7	-
MR FRANCISCO MARTÍNEZ CÓRCOLES	8/8	-	-	-	-	-
MR ANTHONY L. GARDNER	8/8	-	-	6/6	-	2/3
MS SARA DE LA RICA GOIRICELAYA	5/5	-	-	1/1	-	6/6

Notes:

The denominator indicates the number of meetings held during the period of the year in which the director served as such or as a member of the respective Committee.

EC: Executive Committee.

ARSC: Audit and Risk Supervision Committee.

AC: Appointments Committee.

RC: Remuneration Committee.

SDC: Sustainable Development Committee (previously the Corporate Social Responsibility Committee).

SECTION E.3.

ACTIONS OF IBERDROLA, S.A. AND IBERDROLA RENOVABLES ENERGIA, S.A.U. RELATING TO THE HIRING OF CLUB EXCLUSIVO DE NEGOCIOS Y TRANSACCIONES, S.L. (CENYT)

Since the day following the appearance of the first news reports in certain media regarding the hiring of “Club Exclusivo de Negocios y Transacciones, S.L.” (“**CENYT**”), Iberdrola, S.A. (Iberdrola) has conducted various investigations described below in accordance with the provisions of its Corporate Governance System and its Compliance System.

Both systems define and describe the powers assigned to the various companies of the group and their corresponding governance bodies, and particularly the Audit and Risk Supervision Committee, the Sustainable Development Committee, the Executive Committee and the Board of Directors of Iberdrola, and the Board of Directors of Iberdrola Renovables, in relation to the facts referred to in said news reports.

The first news about the hiring of CENYT by Iberdrola appeared on 11 June 2018. Four days later, on 15 June 2018, the Compliance Unit (which, pursuant to the provisions of the *Regulations of the Compliance Unit*, is the body authorised since its creation in 2012 to investigate facts like those referred to above) prepared a first report identifying 14 invoices issued by CENYT to Iberdrola between 2004 and 2009 (in the total amount of 1,017,824.14 euros) and another 3 invoices issued between 2012 and 2017 to Iberdrola Renovables, S.A.U. (Iberdrola Renovables) (in the total amount of 114,200.00 euros).

In relation to the same news reports, the Audit and Risk Supervision Committee requested a report from the Internal Audit Area regarding invoices issued to the Iberdrola group on 19 November 2018 by companies connected to the former police commissioner Villarejo. Said report concluded (i) that the only company linked to Mr Villarejo Pérez (through his spouse and son) that invoiced the Iberdrola group was CENYT; and (ii) that the invoices paid corresponded to services purchased by the Corporate Security Division, which, according to statements thereby, were actually provided by CENYT within the context of Iberdrola’s international expansion process, in order to ensure the integrity of its officers in their travels to at-risk countries, ensure the confidentiality of communications and of significant meetings of the management team, and strengthen the security of vital sites for the group’s power generation activities.

On 25 September 2019 Iberdrola’s Internal Audit Area prepared a second report on the internal control of third parties, which was intended to describe the main controls implemented in recent years in relation with the process of hiring third party creditors and analyse how the internal controls worked in the hiring of CENYT. The Internal Audit Area concluded that the process followed conformed to the internal control procedures in effect at that time.

Beginning on 8 October 2019, additional news referring to alleged specific assignments by Iberdrola to CENYT were published in the media, on this occasion describing allegedly illegal content or purposes.

On that same 8 October, the Compliance Unit, under the supervision of the Sustainable Development Committee and in coordination with Iberdrola Renewable’s Compliance Division, commenced an internal investigation to clarify this additional news.

The content of the 24 meetings of Iberdrola’s governance bodies between the months of October 2019 and February 2020 reflects the impetus given to all of the investigations performed, the supervision of the performance thereof without any limitation in scope, and the guarantee that all internal areas responsible for performing them had the required human and material resources at all times and acted free of any type of internal or external interference.

The internal investigations performed at both companies covered all available documentary evidence, in whatever media they may have been stored. However, it should be noted that in certain cases, whether due to the nature of the services provided, the time since they were provided (which well exceeded the six-year period legally provided for maintaining business documentations) or the lack of cooperation of certain former employees, complete documentation was not available.

The Compliance Unit also directly hired the services of “Pricewaterhousecoopers Asesores de Negocio, S.L.” (“PwC”) to perform an independent investigation, with neither supervision nor control of internal bodies or outside lawyers, and which made a commitment to make its findings immediately available to the judicial authorities, whatever those findings may be. PwC dedicated more than 3,000 hours of work to this investigation, processing 4.67 TB of information (4.4 million files) and reviewing more than 300,000 files and more than 3,000 invoices.

As arises from the internal investigations conducted by the respective Internal Audit Areas and the Compliance divisions:

- (i) After the investigations and based on the results of PwC’s collaboration on the terms and with the intensity described above, no payments to companies directly or indirectly linked to Mr Villarejo have been identified other than those corresponding to the 17 invoices issued by CENYT to the group: 14 to Iberdrola and 3 to Iberdrola Renovables.
- (ii) All of the payments made to CENYT correspond to invoices received for which the information has been entered into the Iberdrola group’s internal records, as the Management System (SAP) does not allow for the making of payments that do not correspond to the entry of the respective invoice.
- (iii) Specifically, the payments to CENYT were made in accordance with the internal procedures at all times in effect within the group, which require that the service be requested and the corresponding invoice be approved by a person duly authorised to do so by reason of the subject matter, and approved by a controller other than the requesting party.
- (iv) No evidence or indications have been detected that would warrant a suspicion that the services set forth in the invoices reviewed were not provided.
- (v) In particular, based on the information available to Iberdrola and Iberdrola Renovables, no illegal conduct or conduct contrary to the rules making up the Corporate Governance System has been identified as a result of the internal investigations being conducted.
- (vi) All relevant information available and the full findings from the forensic work performed by PwC have been made available to Central Investigation Court number 6.

As of the date hereof, based on both the internal information and the external events of which the Company has become aware, the facts cannot be considered legally relevant for the Company, such that the impact thereof, if any, would be limited to the reputational area.

Along these lines, Iberdrola’s Sustainable Development Committee and Board of Directors have been monitoring changes in corporate reputation and no impairment in the general reputation of the group or negative impact in relation to its professionals, customers, shareholders or suppliers has been detected. The aforementioned news reports have also not had a negative effect on the group’s financial performance.

To ensure maximum dissemination in accordance with the Company’s commitment to transparency, the information set out in the preceding paragraphs in connection with the hiring of CENYT reproduces the text of the memorandum of the Board of Directors regarding this issue published on the corporate website on occasion of the call to the General Shareholders’ Meeting.