

Activities Report of the **Board of Directors and of the Committes** **thereof** / 2019



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1. Presentation



“The priority lines of action for the Board include the creation of value for our environment, improvements in corporate governance and the design of strategies regarding the energy transition”.

At Iberdrola we are fully aware of the importance of maintaining strong and permanent links with our stakeholders. And the basis sustaining the relation with them –shareholders, customers, suppliers, employees and society in general– is our total commitment to ethics and transparency.

Society increasingly demands more information regarding the performance of companies. Therefore, convinced that best practices in the dissemination of information generate confidence and are an essential value for responsible management, we once again publish this report providing a structured description of the principal activities carried out by the Board of Directors and its committees during financial year 2019.

The priority lines of action for the Board have been to continue on the path of profitable growth and the creation of value for our environment, a constant search for improvements in the Corporate Governance System, and the design of strategies to continue placing the Company at the vanguard in the transition towards a safe, competitive and decarbonised energy model.

Recognition of this work has once again been highlighted at the climate action summits this year, and particularly at the COP25 held in Madrid. Iberdrola has already spent two decades leading the energy transformation, and demonstrating that it is possible to make a successful business enterprise compatible with sustainable development. In fact, in December 2019, the Company received in New York the energy transition award from S&P Platts, the leading provider of information, benchmark prices and analytics for the energy markets, with customers in 190 countries.

True to Iberdrola’s overall commitment to society, the Board of Directors has spent years defining corporate strategy and policies around the achievement of the 17 Sustainable Development Goals of the 2030 Agenda of the United Nations. Due to the nature of its main business activity, the Company focuses its efforts on Goal 13 (Climate Action) and Goal 7 (Affordable and Clean Energy), although it also actively contributes to reaching all of the other goals.

This report also includes a detailed profile of the members of the Board, most of whom are independent, in accordance with the provisions of our By-Laws. At Iberdrola we firmly believe in the vibrancy provided by a variety of judgements, viewpoints and origins. Therefore, the highest governance body of the Company has directors from five different countries, and 50 % of the external members are women. This last fact, which makes us the Ibex-35 company with the highest percentage of women on its board of directors, shows our overall commitment to gender equality.

I conclude by thanking all of the members of the Board of Directors for their effort and for knowing how to respond to the challenges faced by the Company this year. At the same time, I would like to recognise the work of the 35,000 women and men making up the group's diverse and qualified workforce. Thanks to their commitment and professionalism, Iberdrola is already one of the largest electric companies in the world, not only in terms of capitalisation and assets, but also due to its commitment to a better and more sustainable world for all.



2. Board of Directors

The goal of Iberdrola's Board of Directors is to establish, supervise and implement the Company's strategy. In turn, it defines the management guidelines and decisions on strategic issues, maintaining a firm commitment to continuously update the Corporate Governance System.

2.A Composition and Attendance

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

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

The selection process takes into consideration the conclusions reached by the Appointments Committee within the framework of reviewing the Board structure that it performs each year and avoids any type of bias entailing any kind of discrimination, including for reasons of gender, ethnic origin, age or disability.

The result is a balanced composition, made up of a large majority of independent directors (71.4 %), with high professional qualification and experience, reflecting a commitment to diversity in terms of expertise, origin and gender.

According to the provisions of goal five of the Sustainable Development Goals (SDGs), any kind of discrimination that hinders the appointment of female directors is particularly avoided, thus achieving ahead of time the Company's 2020 goal of thirty per cent of the total members of the Board of Directors by already having reached 43 % female directors, with two committees chaired by women as well as a female vice chair.

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

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



José Ignacio Sánchez Galán

Chairman & CEO

Classification: executive

Year of Appointment: 2001

Attendance¹: 100 %



Íñigo Víctor de Oriol Ibarra

Classification: other external

Year of Appointment: 2006

Attendance¹: 100 %



María Helena Antolín Raybaud

Classification: independent

Year of Appointment: 2010

Attendance¹: 100 %



Denise Mary Holt

Classification: independent

Year of Appointment: 2014

Attendance¹: 100 %



Inés Macho Stadler

Vice-chair

Classification: other external

Year of Appointment: 2006

Attendance¹: 100 %



Samantha Barber

Classification: independent

Year of Appointment: 2008

Attendance¹: 100 %



Georgina Kessel Martínez

Classification: independent

Year of Appointment: 2013

Attendance¹: 100 %



José W. Fernández

Classification: independent

Year of Appointment: 2015

Attendance¹: 100 %

¹ The Board of Directors has met on eight occasions.



Manuel Moreu Munaiz

Classification: independent

Year of Appointment: 2015

Attendance¹: 100 %



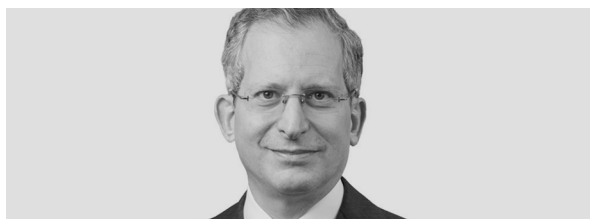
Juan Manuel González Serna

Lead independent director

Classification: independent

Year of Appointment: 2017

Attendance¹: 100 %



Anthony L. Gardner

Classification: independent

Year of Appointment: 2018

Attendance¹: 88 %



Xabier Sagredo Ormaza

Classification: independent

Year of Appointment: 2016

Attendance¹: 100 %



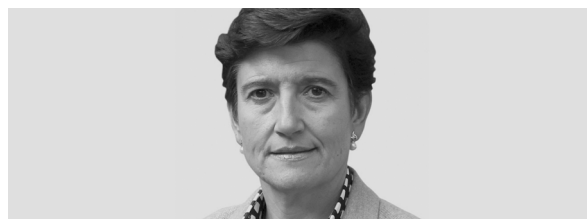
Francisco Martínez Córcoles

Business CEO

Classification: executive

Year of Appointment: 2017

Attendance¹: 100 %



Sara de la Rica Goiricelaya

Classification: independent

Year of Appointment: 2019

Attendance¹: 100 %



Julián Martínez-Simancas Sánchez

Secretary

Year of Appointment: 2007



Santiago Martínez Garrido

Deputy Secretary

Year of Appointment: 2015



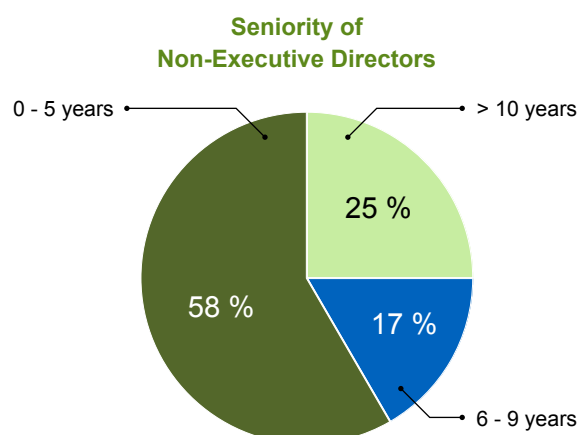
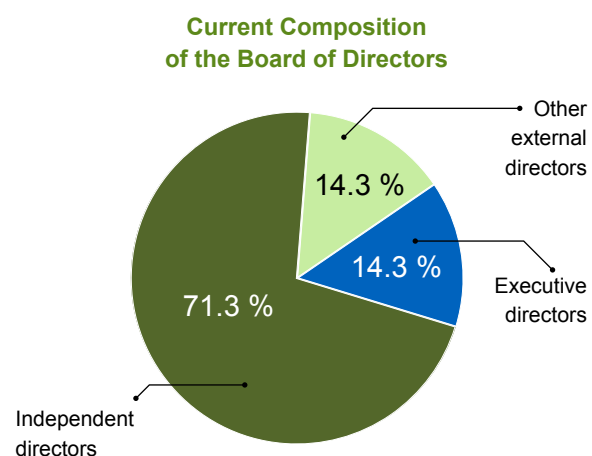
Rafael Mateu de Ros Cerezo

Counsel to the Board

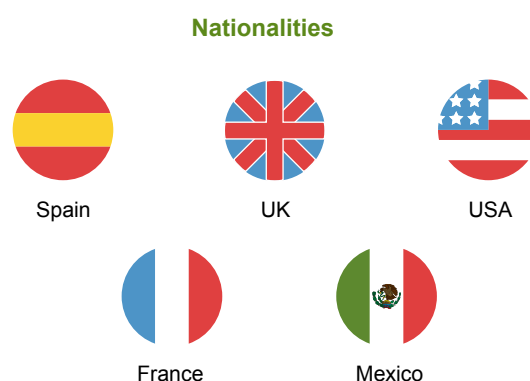
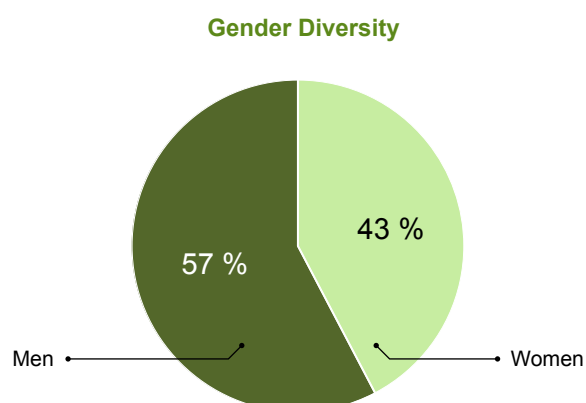
Year of Appointment: 2011

¹ The Board of Directors has met on eight occasions.

Seniority and Independence of the Directors



Gender and Nationality



Skills of the Directors

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

2.B Key Issues

Balanced growth:

- Alignment of *Outlook 2018-2022* with challenges and trends in the energy sector.
- Quarterly, half-yearly and annual results of the group and corresponding management reports: level of achievement of *Outlook 2018-2022*.
- Evolution and expectations of each of the group's businesses, as well as of the strategic issues that affect them: political situation in United Kingdom (Brexit), elections in countries where businesses are located, etc.
- Potential opportunities for investment in strategic markets.
- IPO of Neoenergia.
- Budgets for financial year 2020.

Sustainable remuneration of shareholders:

- Shareholder remuneration in line with *Outlook 2018-2022*.
- Implementation of the "Iberdrola Flexible Remuneration" Optional Dividend System for financial year 2019.
- Renewal of "Iberdrola Flexible Remuneration" for the coming financial year.

Social dividend:

- Changes in corporate philosophy: Definition of Purpose, update of corporate values and amendment of the *General Sustainable Development Policy* and of the *Human Resources Framework Policy*.
- *Statement of Non-Financial Information. Sustainability Report 2018*.
- Actions with an impact on stakeholders and alignment with the SDGs and with the requirements of the leading bodies in this field.
- Acknowledgement of the budgets of the various foundations of the group.
- Talent management: *Global labour climate survey 2019* and analysis of trends and best practices at the international level in the area of recruiting, retention, management and promotion of talent.
- Publication of the *Fiscal Transparency Report*.
- Publication of the *Gender Equality Report*.

Financial strength:

- Approval of major financial transactions of the group.
- Monitoring of the key financial indicators: interest rate structure, liquidity position and exchange rate operations.
- Divestments from non-strategic assets.

Control of corporate risks:

- Review and update of *Risk Policies* and approval of guidelines on risk limits for 2019.
- Monitoring of risk control and management systems and of level of compliance with the *Corporate Tax Policy*.

Corporate governance and compliance:

- Re-election of the chairman, Mr José Ignacio Sánchez Galán, as executive director, CEO and chairman of the Executive Committee.
- Appointment of Ms Sara de la Rica Goiricelaya as an independent director and member of the Sustainable Development Committee.
- Review of the classification of Mr Xabier Sagredo Ormaza and appointment as chair of the Audit and Risk Supervision Committee.
- Appointment of Mr Anthony L. Gardner as member of the Appointments Committee.
- Re-election of Ms María Helena Antolín Raybaud, Ms Denise Mary Holt, Mr José W. Fernández and Mr Manuel Moreu Munaiz as independent directors.
- Re-election of Ms Inés Macho Stadler as member of the Remuneration Committee, of Ms María Helena Antolín Raybaud and of Mr Íñigo Víctor de Oriol Ibarra as members of the Appointments Committee, of Mr Manuel Moreu Munaiz as member of the Executive Committee and of Mr José W. Fernández as member of the Audit and Risk Supervision Committee.
- Approval of proposed appointments of independent directors at the country subholding companies.
- Remuneration of the members of the Board of Directors and of senior management and definition of objectives linked to annual variable remuneration 2019.
- Reforms of the Corporate Governance System relating to the CNMV's *Technical Guide 1/2019 on Nomination and Remuneration Committees*.
- Amendment of the Corporate Governance System relating to strategic guidelines on quality and cyber-resilience.
- Technical improvements in the *Code of Ethics*, in the *Regulations of the Compliance Unit*, in the *General Corporate Governance Policy*, in the *Internal Regulations for Conduct in the Securities Markets*, in the *Regulations of the Board of Directors* and in the regulations of the consultative committees of the Board of Directors.
- Update of the text of the *Innovation Policy* and of the *Internal Rules for the Processing of Inside Information*.
- Guidelines for evaluation of the operation of the corporate decision-making bodies 2019.
- Contacts between directors and shareholders.
- Acknowledgement of the *Annual Compliance System Effectiveness Report 2018* prepared by the Compliance Unit.

Priorities for 2020

- Industry and other (climate, cybersecurity and other) significant challenges and risks and potential factors that might affect the Company.
- Analysis and monitoring of the opportunities arising from the energy transition within the framework of the short-, medium- and long-term outlook of the Company.
- Monitoring of activities relating to the Company's social dividend. Monitoring of key financial indicators.
- Re-election / appointment of the statutory auditor at the 2020 General Shareholders' Meeting.
- Refreshment of the Board of Directors with the appointment and/or re-election of directors.

2.C Appearances

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

The CFO and the heads of Legal Services and of the businesses of the group (Liberalised, Networks and Renewables) also appear, and the heads of the following areas and/or companies of the group have been invited on particular occasions:

- Innovation, Sustainability and Quality
- Procurement and Insurance
- Human Resources and General Services
- Executive and Talent Management
- Finance and Treasury
- Cybersecurity
- Regulatory Planning, Management and Positioning
- Development of Transport
- Renewables Business - Spain
- Iberdrola México, S.A. de C.V.

The Company's data protection officer, the statutory auditor and various external advisors have also appeared.

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



3. Executive Committee

The Executive Committee supports the Board of Directors in ongoing supervision of the group's *Outlook 2018-2022* and the development of its organisational model, meeting with greater frequency and flexibility.

3.A Composition and Attendance

Name	Position	Attendance ²	Appointment
José Ignacio Sánchez Galán	Chair	100 %	2001
Inés Macho Stadler	Member	100 %	2010
Manuel Moreu Munaiz	Member	100 %	2016
Samantha Barber	Member	100 %	2017
Julián Martínez-Simancas Sánchez	Non-member secretary		

3.B Key Issues

Balanced growth:

- Update of the *Outlook 2018-2022* and monitoring the investment plan.
- Monitoring of the operating indicators by business and by geographic area.
- Basis for the group's budget for financial year 2020 and monitoring of the implementation of the budget for 2019.
- Monitoring of the *Iberdrola group's Sales Plan*.
- Monitoring of the financial results of the companies of the group.
- Electric mobility plan and residential solar solutions.
- Main regulatory and tariff updates of the Networks subsidiaries of the Group.
- Monitoring of the investment projects in the Networks, Liberalised and Renewable businesses.

Social dividend:

- Participation in the UN Climate Action Summit 2019 and in COP25.
- Analysis of questions raised by shareholders and proxy advisors.
- Monitoring of Iberdrola's presence on sustainability indices.

² The Executive Committee met on fifteen occasions.

Financial strength:

- Change in share price, credit rating and opinion of financial analysts.
- Major financial transactions of the Iberdrola group.
- IPO process of Neoenergia.
- Change in composition of the shareholders of the Company.
- Implementation of the *Divestment Plan*.
- Issue of green bonds.

Review of risk:

- Impacts on the group from potential political scenarios in the countries in which it is present; evolution of the process of the United Kingdom's exit from the European Union.
- Changes in energy regulatory environment with an impact on the group.
- Evaluation of the risks arising from the climate change.

Priorities for 2020

- Monitoring of risks related to the sector, to the country and to regulatory changes.
- Energy transition roadmap.
- Update of the medium- and long-term outlook and monitoring of the investment plan.
- Monitoring of the operating indicators by business and by geographic area.
- Change in share price, credit rating and opinion of financial analysts, investors and proxy advisors.
- Monitoring of activities relating to the Company's social dividend.

3.C Appearances

The Business CEO has regularly appeared before the Committee.

The heads of Administration and Control, Legal Services and the Liberalised Business, as well as the heads of the following areas and/or companies of the group have been invited on particular occasions:

- Iberdrola España, S.A. (Sociedad Unipersonal)
- Human Resources and General Services
- Smart Solutions and Global Marketing

Various external advisors have also appeared.



4. Audit and Risk Supervision Committee

“The Committee has continued with an integrated review of the risks, with particular attention on the risks arising from climate change and those relating to sustainable development”. – Xabier Sagredo Ormaza
(Chair of the Audit and Risk Supervision Committee)

4.A Composition and Attendance

Name	Position	Attendance ³	Appointment
Xabier Sagredo Ormaza	Chair	100 %	2016
Georgina Kessel Martínez	Member	100 %	2013
Denise Mary Holt	Member	100 %	2014
José W. Fernández	Member	100 %	2015
Rafael Sebastián Quetglas	Non-member secretary		

Mr Xabier Sagredo Ormaza was appointed as chair of the Audit and Risk Supervision Committee in 2019. The selection of its members (who are independent directors) is based on the qualifications and experience described in their respective profiles.

4.B Key Issues

Financial and non-financial information and internal control:

- Report to the Board of Directors on the individual and consolidated annual accounts for financial year 2018, as well as the quarterly accounts and for the first half-year of 2019, after any appearance by the statutory auditor.
- Reports to the Sustainable Development Committee regarding the sections on risks and Internal Control over Financial Information (“ICFR”) system of the *Annual Corporate Governance Report 2018*.
- *Memorandum of recommendations on internal control* resulting from the audit of the financial information for financial year 2018 and implementation of said recommendations (this work was carried out with the assistance of the external auditor).
- Review of the answer to the request for information from the National Securities Market Commission.

³ The Audit and Risk Supervision Committee has met on twelve occasions.

- Verification that the published financial information coincides with the information approved by the Board of Directors and analysis of alternative performance measures used in the annual accounts and in the management report.
- Evaluation of the **ICFR** system: activities by the Administration and Control Division and by the Internal Audit Area.

Risk management and control:

- Report of the Board of Directors on the risk control and management systems during financial year 2018 and quarterly and half-yearly analysis of risks.
- Continuous review of the Internal Control System.
- Amendment of the *Risk Policies* and proposed risk limits and indicators for 2019.
- Information regarding the risks of the group's businesses, the risks arising from climate change, technological and cybersecurity risks and risks relating to the Finance and Resources Division.
- Monitoring of reputational risks and analysis of alert mechanisms.
- Analysis of alternatives to supervise the risks on a comprehensive basis (an external professional assisted with this work).

Internal Audit Area:

- Activities plan, budget and objectives for 2020. Review of activities plan.
- Evaluation of the performance of the director of the Internal Audit Area.
- Monitoring of the activities of the Internal Audit Area and of its recommendations.
- Communication plan of the Internal Audit Area and needs of the area.

Statutory audit:

- Monitoring of new accounting developments (the external auditor assisted with this work).
- Approval of the provision of audit-related services by the auditor.
- Terms for hiring the statutory auditor.
- Evaluation of the statutory auditor by completing evaluation surveys.
- Analysis of the independence of the statutory auditor during financial year 2018.
- Meeting with external auditor to report on the work performed and evaluation of the accounting and risk situation of the Company.
- Compliance with the prohibitions after completion of the audit work by the previous statutory auditor.

Other activities:

- Monitoring of the Company's treasury shares.
- Review of special purpose entities.
- Report on the level of compliance with the *Corporate Tax Policy* and the tax standards applied.
- Review of the accounting statement relating to the distribution of an interim dividend for financial year 2019 within the framework of the "Iberdrola Flexible Remuneration" system.
- Strategic cybersecurity plan, cyber-resilience capacity and plans for continuity of the businesses of the Iberdrola group.
- Supervision of ethics mailboxes and investigations regarding financial and accounting improprieties.
- Approval of meeting agendas, appearances and training, as well as the annual work plan. Half-yearly review of the annual work plan 2019.
- Performance of the duties of the audit committee of "Iberdrola Finanzas, S.A." (Sociedad Unipersonal), "Iberdrola International, B.V." and "Iberdrola Finance Ireland DAC" (the external auditor assisted with this work).

Changes in work performed during financial year 2019:

- The Committee monitored investigations performed by the Compliance Unit regarding potentially significant financial and non-financial improprieties, of the results thereof and of proposals for action.
- Apart from supervising cybersecurity risks, the Committee analysed the cyber-resilience capacity of the Iberdrola group.

Priorities for 2020

- Submit to the Board of Directors the proposed appointment of the statutory auditor for the auditing of at least financial year 2020, for submission to the shareholders at the next General Shareholders' Meeting.
- Comprehensive review of risks.
- Implementation of any internal control recommendations identified by the statutory auditor.
- Continue to delve into the systems for control and management of business, reputational, IT, cybersecurity and climate change risks.
- Emphasise the analysis of the cybersecurity strategy and the group's cyber-resilience capacity.

4.C Appearances

The director of the Internal Audit Area⁴, the director of Risk Management, the director of Administration and Control and representatives of the statutory auditor⁵ regularly appear before the Audit and Risk Supervision Committee.

The CFO and the heads of Legal Services and the directors of the Legal Services, Compliance and business of the group (Liberalised, Networks and Renewables), as well as the heads of the following areas, have also been invited to meetings of the Audit and Risk Supervision Committee on particular occasions:

- Energy Policies and Climate Change
- Internal Audit of Iberdrola Corporación
- Internal Control
- Planning and Control
- Accounting Practice
- Comprehensive Risk System
- Human Resources and General Services
- Finance and Treasury
- Cybersecurity
- Information Technology Organisation and Systems
- Global Finance and Resources Planning
- Global Tax

Various external advisors have also appeared, with verification of their independence and the absence of conflicts of interest in all cases where so required.

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

⁴ The director of the Internal Audit Area has appeared at all meetings of the Committee.

⁵ The representatives of the statutory auditor have appeared at 8 meetings of the Committee.



5. Appointments Committee

“The Appointments Committee has worked on the implementation of the recommendations contained in Technical Guide 1/2019 on Nominating and Remuneration Committees since the publication thereof by the CNMV in February 2019”. – María Helena Antolín Raybaud
(Chair of the Appointments Committee)

5.A Composition and Attendance

Name	Position	Attendance ⁶	Appointment
María Helena Antolín Raybaud	Chair	100 %	2015
Íñigo Víctor de Oriol Ibarra	Member	100 %	2015
Anthony L. Gardner	Member	100 %	2019
Íñigo Gómez-Jordana Moya	Non-member secretary		

Mr Anthony L. Gardner was appointed as a member of the Appointments Committee in 2019. The selection of its members is based on the qualifications and experience described in their respective profiles.

5.B Key Issues

Selection, composition and evaluation of the governance bodies:

- Re-election of the chairman, Mr José Ignacio Sánchez Galán, as executive director, CEO and chairman of the Executive Committee.
- Appointment of Ms Sara de la Rica Goiricelaya as an independent director and as a member of the Sustainable Development Committee.
- Review of qualification of Mr Xabier Sagredo Ormaza and appointment thereof as chair of the Audit and Risk Supervision Committee.
- Appointment of Mr Anthony L. Gardner as member of the Appointments Committee.
- Re-election of Ms María Helena Antolín Raybaud, Ms Denise Mary Holt, Mr José W. Fernández and Mr Manuel Moreu Munaiz as independent directors.
- Re-election of Ms Inés Macho Stadler as a member of the Remuneration Committee, and of Ms María Helena Antolín Raybaud and Mr Íñigo Víctor de Oriol Ibarra as members of the Appointments Committee, of Mr Manuel Moreu Munaiz as a member of the Executive Committee and of Mr José W. Fernández as a member of the Audit and Risk Supervision Committee.

⁶ The Appointments Committee has met on nine occasions.

- Update of the skills matrix and planning of the refreshment of the Board of Directors in the *Annual Report on the Suitability of the Composition of the Board of Directors 2018*.
- Update of the *Board of Directors Diversity and Member Selection Policy* and verification of compliance therewith.
- Reports on proposed appointments of independent directors at the country subholding companies.
- Reports on qualification of the directors.
- Guidelines for evaluation of the operation of the corporate decision-making bodies 2019.

Talent management and promotion:

- Report to the Board of Directors regarding the chairman & CEO's proposed appointment of the members of senior management of the Company.
- Analysis of trends and best practices at the international level in the area of recruiting, retention, management and promotion of talent.

Conflicts of interest and related-party transactions:

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

New duties:

- Meetings of the chair of the Committee or one of the members with each of the candidates for director.
- Inform the candidates for director of what is expected of them.
- Coordinate the evaluation of the operation of the Board of Directors and of the committees thereof.
- Assess the information contained in the directors' letters of resignation and endeavour to ensure that there is appropriate publication thereof.
- Review of corporate website in the areas within its purview.

Priorities for 2020

- Progress with the implementation of the recommendations of the CNMV's *Technical Guide 1/2019 on Nomination and Remuneration Committees*.
- Coordination of the evaluation of the corporate decision-making of the parent company.
- Planning the refreshment of the Board of Directors and of the committees thereof.

5.C **Appearances**

The head of Executive and Talent Management and external advisors have appeared before the Appointments Committee, with verification of their independence and the absence of conflicts of interest in all cases where so required.

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



6. Remuneration Committee

“The Remuneration Committee has verified that its practice is aligned with the recommendations contained in Technical Guide 1/2019 on Nominating and Remuneration Committees published by the CNMV”.

– Juan Manuel González Serna
(Chair of the Remuneration Committee)

6.A Composition and Attendance

Name	Position	Attendance ⁷	Appointment
Juan Manuel González Serna	Chair	100 %	2017
Inés Macho Stadler	Member	100 %	2015
Manuel Moreu Munaiz	Member	100 %	2018
Rafael Mateu de Ros Cerezo	Non-member secretary		

There were no changes during 2019 in the composition of the Remuneration Committee, the members of which have been selected considering the qualifications and experience described in their respective profiles.

6.B Key Issues

Director remuneration:

- Payment of the executive directors' annual variable remuneration for their performance during financial year 2018 after a report on evaluation of achievement of objectives prepared by an independent external adviser.
- Maintenance in 2019 of the fixed remuneration of executive and non-executive directors.
- Parameters for calculation of the annual variable remuneration of the executive directors for their performance in 2019.
- Report on the remuneration of the directors and senior management set out in the half-yearly and annual financial statements.
- *Annual Director Remuneration Report 2018.*

⁷ The Remuneration Committee has met on seven occasions.

Remuneration of senior officers:

- Verification of compliance with the objectives for financial year 2018 and calculation of the variable remuneration of the members of senior management.
- Confirmation of performance in relation to the Strategic Bonus 2014-2016, and proposed calculation of the third payment.
- Report on fixed remuneration of senior management for 2019.
- Report on benchmark objectives for variable remuneration for financial year 2019.

Other activities:

- Analysis of the latest international trends in the area of remuneration transparency.
- Verification of information on remuneration published on the corporate website (recommendation of the CNMV's *Technical Guide 1/2019 on Nomination and Remuneration Committees*).
- Analysis of the results of the voting on matters relating to the Remuneration Committee at the General Shareholders' Meeting.
- Analysis of gender remuneration gap at the Iberdrola group.
- Evolution of general remuneration schemes, as well as incentive plans and pension supplements for the group's workforce.

New duties:

- Evaluate the independence of the external advisors.
- Endeavour to ensure that the Board of Directors is able to approve and ensure that it is able to evaluate the various concepts of remuneration.
- Verify that the terms and conditions of the contracts of the executive directors and of senior management are consistent with current remuneration policies.
- Verify that the remuneration policies of the directors and of the senior officers are properly applied.
- Review of corporate website in the areas within its purview.

Priorities for 2020

- Evaluation of achievement of the objectives of the 2017-2019 Strategic Bonus prior to payment thereof.
- Proposed 2020-2022 Strategic Bonus.
- Monitoring of the latest remuneration trends and best practices.

6.C **Appearances**

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

- Human Resources and General Services
- Financial Analysis and Capital Management
- Digital Channels
- Corporate Governance
- Administrative Management Unit of the Office of the Secretary of the Board of Directors

Various external advisors have also appeared, with verification of their independence and the absence of conflicts of interest in all cases where so required.

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



7. Sustainable Development Committee

“The Committee endeavours to ensure compliance with the commitments made by the Iberdrola group with respect to the Sustainable Development Goals of the United Nations, monitoring the indicators thereof”.

- Samantha Barber

(Chair of the Sustainable Development Committee).

7.A Composition and Attendance

Name	Position	Attendance ⁸	Appointment
Samantha Barber	Chair	100 %	2010
Íñigo Víctor de Oriol Ibarra	Member	100 %	2018
Sara de la Rica Goiricelaya	Member	100 %	2019
Fernando Bautista Sagüés	Non-member secretary		

Ms Sara de la Rica Goiricelaya was appointed as a member of the Sustainable Development Committee in 2019. The selection of its members is based on the qualifications and experience described in their respective profiles.

7.B Key Issues

Sustainable development:

- *Statement of Non-Financial Information. Sustainability Report 2018.*
- *Integrated Report* February 2019.
- Iberdrola group's contribution to the achievement of the Sustainable Development Goals.
- Action plan against climate change, risks and opportunities.
- Elements of systematic measurement regarding corporate social responsibility.
- Activities in the area of responsible innovation.
- Internal studies on sustainable economy and climate governance.
- Proposed *Purpose and Values of the Iberdrola group*.
- Model for relations with various stakeholders.
- Monitoring of activities in the areas of employment, satisfaction, diversity, integrity, reconciliation, accessibility and mobility.

⁸ The Sustainable Development Committee has met on nine occasions.

Corporate reputation:

- Analysis of activities with an impact on reputation, brand and other intangible assets.
- Procedures to avoid, or punish, instances of harassment.
- Procedure for reputational crisis events.
- Monitoring of corporate social responsibility activities by the foundations.
- Monitoring of reputational risks and analysis of alert mechanisms.

Corporate governance and compliance:

- Activities of the Compliance Unit and annual evaluation of the crime prevention programmes.
- Annual Compliance System Effectiveness Report 2018 prepared by the Compliance Unit.
- Budget for financial year 2020 and annual activities plan of the Compliance Unit.
- *Annual Corporate Governance Report 2018*.
- Monitoring and confirmation of compliance with the Corporate Governance System. And of the performance of the duties of the Compliance Unit, reporting when required to the Board of Directors.

New duties:

- Review of corporate website in the areas within its purview.

Priorities for 2020

- Monitoring of reputational risks and analysis of alert mechanisms.
- Alignment of the strategy with the Purpose of the group, reviewing the contribution to building a healthier, more accessible energy model, based on electricity.
- Monitoring of long-term relationships with stakeholders: workforce, customers, suppliers, investors, media, regulatory agencies and society in general.

7.C **Appearances**

The director of the Compliance Unit has appeared on a recurring basis.

The director of Legal Services, as well as the heads of the following areas have been invited on particular occasions:

- Innovation, Sustainability and Quality
- Energy Policies and Climate Change
- Human Resources and General Services
- Investor Relations and Communication
- Corporate Social Responsibility and Reputation
- Stakeholders
- Corporate Governance

The director of Fundación Iberdrola España and the secretary of the Board of Directors have also appeared.

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



8. Training and Orientation Programme

8.A Training and Information Sessions

Training and information sessions for financial year 2019	
Board of Directors	Guide to cyber-resilience in the electricity industry.
	Growth projects in the transport of electricity.
	Green financing.
	The renewables business in Spain.
	European institutions after the European Parliament elections.
	Renewable fuels.
	Plans for investment in "Iberdrola México, S.A. de C.V."
	Macroeconomic situation ⁹ .
Audit and Risk Supervision Committee	Analysis of alternatives for implementation of the comprehensive insurance of risks ⁹ .
	Information regarding plans for continuity of the businesses of the Iberdrola group.
	Main changes made by <i>Law 11/2018, of 28 December</i> , regarding the non-financial information to be approved and published by Iberdrola.
	Analysis of the risks of corruption and alert mechanisms for these types of risks.
	Report of the CNMV regarding the financial information of Ibex-35 companies for financial year 2017.
	Review of the current risks of the Renewables business.
	Review of the technological risks of the businesses of the Iberdrola group.
	Review of the risks arising from climate change.
	Supervision of reputational risks and alert mechanisms for these types of risks.
	Information regarding the strategic cybersecurity plan and risks of this kind faced by the group.
	Review of the current risks of the Liberalised business.
	Review of the current risks of the Networks business.
	Supervision of the risks associated with the Finance and Resources Division and pension commitments.
	Analysis of critical assets of the Iberdrola group.
	Analysis of the cyber-resilience capacity of the Iberdrola group.
	Aspects regarding the audit committees from the annual CNMV report on corporate governance.
	Training on new accounting developments ⁹ .

⁹ Sessions provided by an external party.

Appointments Committee	CNMV Technical Guide on Nominating and Remuneration Committees ⁹ .
	Best talent retention practices.
Remuneration Committee	Trends and best practices in remuneration transparency ⁹ .
	CNMV Technical Guide on Nominating and Remuneration Committees ⁹ .
	International recommendations on director remuneration ⁹ .
	Remuneration of directors of non-listed companies after the SC decision of 26 February 2018 ⁹ .
Sustainable Development Committee	Examination of relevant principles and matters.
Training documents on the Directors' Website	Analysis of the results of the Katowice Climate Change Conference (COP24) within the framework of the Climate Agenda 2018.
	<i>Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 as regards the encouragement of long-term shareholder engagement in the area of listed companies.</i>
	Impact of Spanish taxation of the exit of the United Kingdom from the European Union.
	Respect for human rights within the Iberdrola group and its contribution to the Sustainable Development Goals (SDGs).
	Business secrets law.
	Recharging of electric vehicles.
	Climate commitments in the area of adaptation and mitigation.
	Reform of the corporate governance code for private companies in the United Kingdom.

⁹ Sessions provided by an external party.

8.B Orientation Programme

Iberdrola makes available to the directors through the directors' website a digital orientation programme intended to provide new directors or committee members the support required to become rapidly and adequately acquainted with the Company and its group, such that they can actively perform their duties as such as from time they are appointed.

In particular, this section of said website provides an overall view of the business and organisational model of the Iberdrola group, its corporate, governance and ownership structure, and the Corporate Governance System.



9. Evaluation

The evaluation for financial year 2019 was performed pursuant to the provisions of article 5 of the *Regulations of the Appointments Committee*, which includes the guidelines described in the CNMV's *Technical Guide 1/2019 on Nomination and Remuneration Committees*. The Appointments Committee led and coordinated the process with the support of PricewaterhouseCoopers Asesores de Negocios, S.L. The lead independent director also assisted, especially in the evaluation regarding the chairman of the Board of Directors.

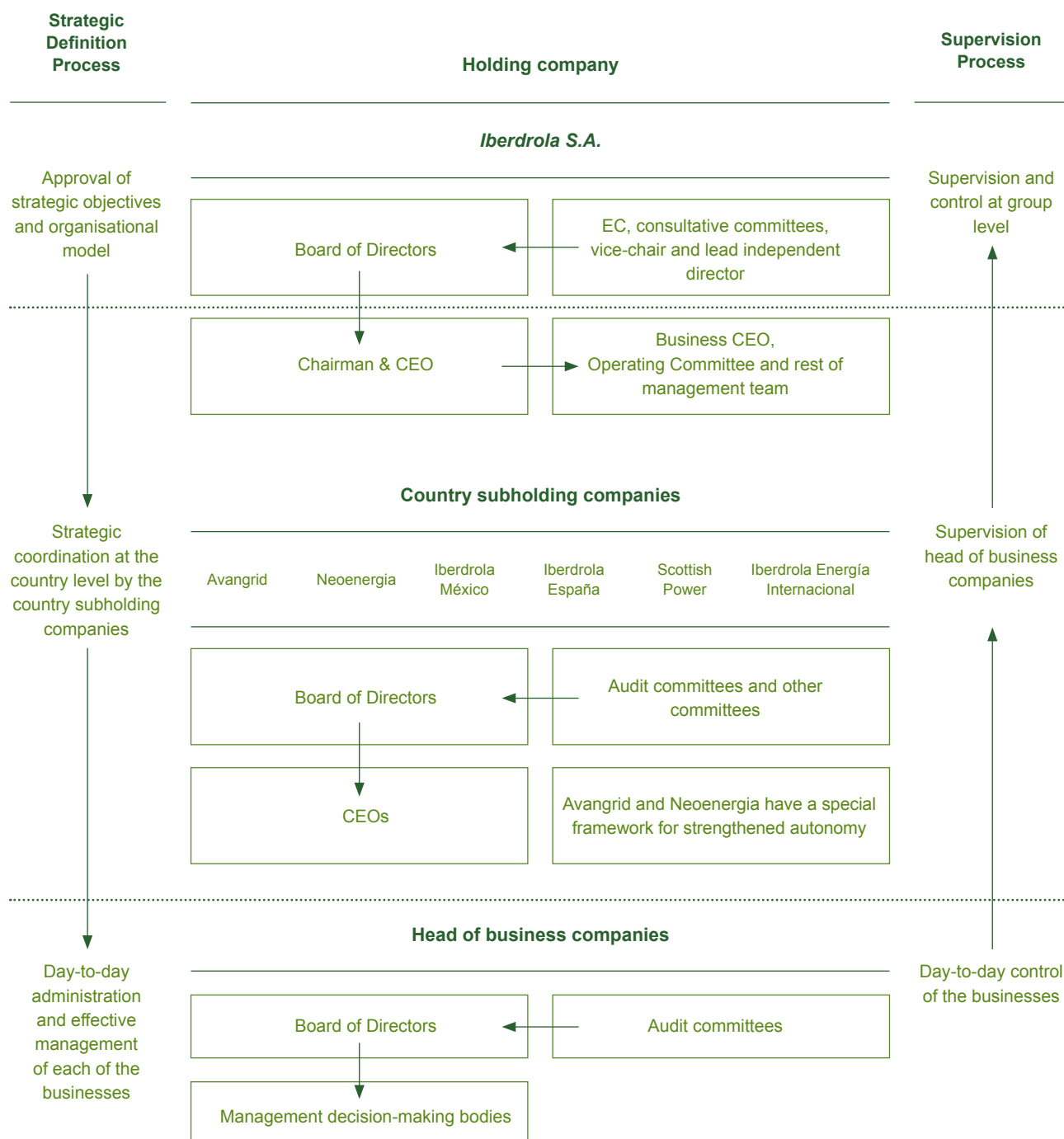
The scope of the process included the evaluation of the Board of Directors, of its committees, of the chairman & CEO and of each of the other directors of the Company from the viewpoint of the following dimensions of the study: (i) compliance with internal rules and with the *Good Governance Code of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

As a result of the evaluation process, the various evaluation reports and the Continuous Improvement Plan were prepared and sent to the Appointments Committee in order to inform the Board of Directors.

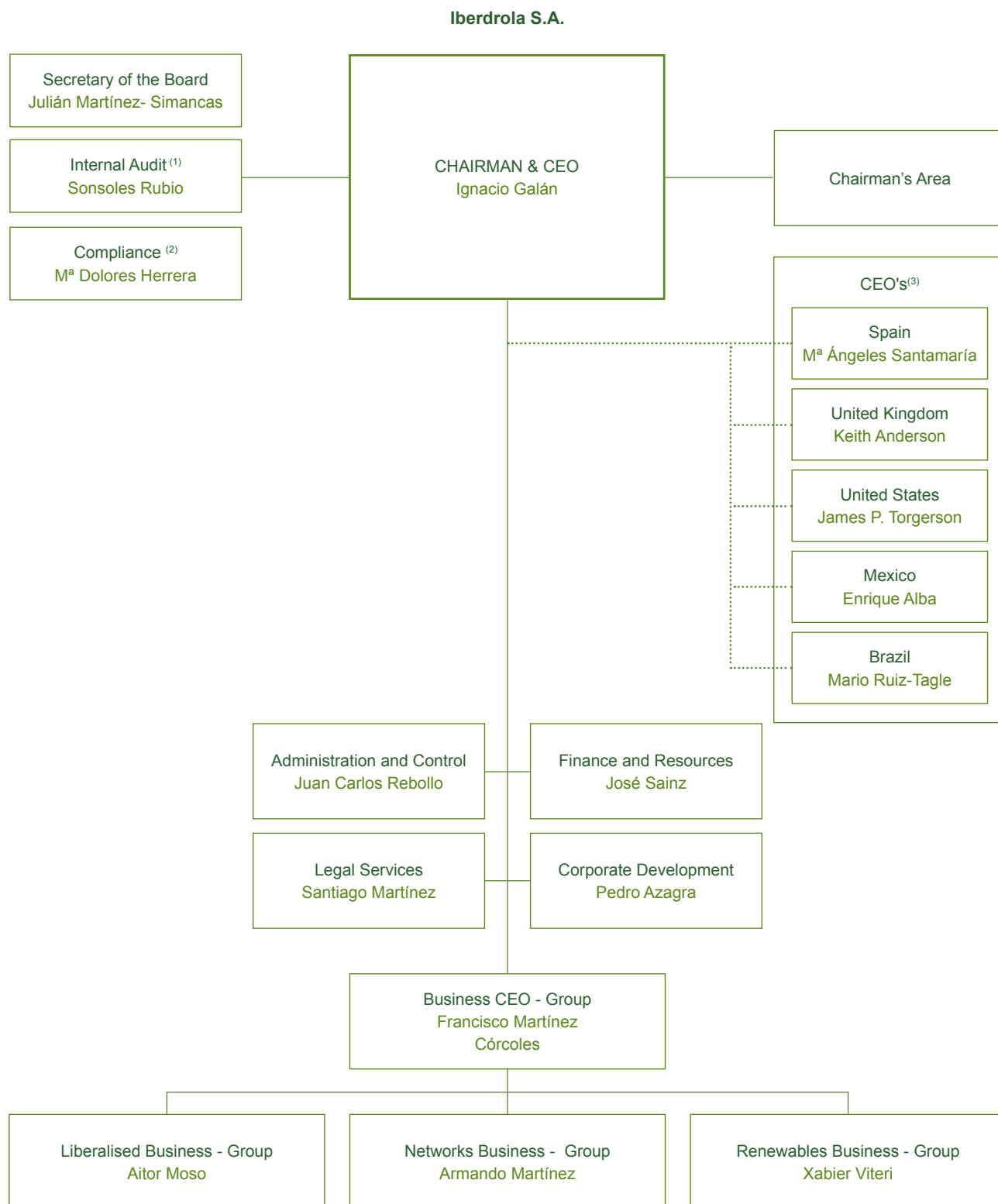
10. Annexes

10.A Corporate and Governance Structure Management team

Iberdrola group corporate structure



Management team



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

(2) Reports to the Sustainable Development Committee.

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

10.B Shareholder Engagement Report

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

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

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

Shareholder Day (General Shareholders' Meeting)	
Quorum and results	The General Shareholders' Meeting, held on 29 March 2019, had the participation of a total of 4,832,991,044 shares present in person and by proxy, reaching a quorum of 74.12 % of the share capital (12.72 % present in person and 61.40 % represented by proxy), with all proposals being approved by a wide majority.
Mechanisms for participation	<p>For the first time, shareholders attending the Meeting registered on the list of attendees using an auto check-in system, scanning their national identity document at digital kiosks installed at the entrance, which considerably sped up the authentication process.</p> <p>Multiple channels were also provided to grant a proxy or cast an absentee vote:</p> <ul style="list-style-type: none"> • Shareholder information desks open for the Meeting at various locations. • Internet (multi-device application). • Telephone. • Post. • Through the depositaries of the shares.
Sustainable meeting	Since 2016, the Basque Government (through its state-owned company Ihobe) and AENOR have certified that the management of Iberdrola's General Shareholders' Meeting complies with the standards on the environmental sustainability of events in the Basque Country (Erronka Garbia) and with the ISO 20121 standard for sustainable event management, respectively.
Incentives	Pursuant to Iberdrola's policy to encourage participation at the Meeting, a bonus of 0.005 euro (gross) per share was paid to all shareholders attending in person or by proxy or casting an absentee vote, and a symbolic gift was delivered to those coming to pick it up at the shareholder information desks or at the Meeting itself.

Engagement of Institutional Investors

Presentation of results	An average of 870 people were connected online to the publication of its results through live and recorded presentations on the website.
Capital Markets Day	Held in London with more than 103 attendees and approximately 1,500 streaming connections.
Meetings at facilities	There were 360 in-person and 85 telephonic meetings with all kinds of market players in 2019. There was also a visit with analysts, investors and rating agencies at Iberdrola's facilities.
Roadshows and equity, fixed-income and sustainable investment presentations	The main financial centres in Europe, North America, Asia and Australia were visited and more than 300 meetings were held at quarterly roadshows and attendance at 20 conferences in 2019.
Corporate governance roadshows	<p>Roadshows in Belgium, France, the United Kingdom, Germany and the United States, among others, to explain new developments in corporate governance, contacting institutional investors holding more than 25 % of the share capital as a group.</p> <p>The main topics addressed at these meetings were: (i) the role of Iberdrola's Board in defining strategy and supervising the implementation thereof, (ii) management of the Company's risks, (iii) commitments and scenarios in connection with climate change, (iv) composition, independence, diversity, renewal and remuneration of the Board of Directors, (v) cybersecurity, (vi) relationship with the main stakeholders, and (vii) equity transactions and shareholder remuneration.</p>

Engagement of Minority Shareholders

Shareholders' Club (Club del Accionista)	More than 1,900 shareholders participated in on-site activities organised by the Shareholders' Club and hundreds of telephone calls were received.
Office of the Shareholder	The shareholder telephone line received more than 17,200 calls during 2019.
Corporate website	The shareholders and investors section of the corporate website had 475,000 visits (9.7 % of the total received by the website) by more than 100,000 users.
Investor Relations App	Since it began operating in 2013, the APP has had more than 27,000 users, with more than 36,000 visits during 2019.
On-Line Shareholders	At year-end 2019, OLS had a total of 14,602 registered shareholders (an 8.4 % increase over 2018). In 2019, there were almost 31,298 visits to the pages of this section and 80 questions from shareholders.

10.C Statutory Auditor Independence Report

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

A. Introduction

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

This power is also provided for in the Corporate Governance System of “Iberdrola, S.A.” (“**Iberdrola**” or the “**Company**”), and particularly in the *Statutory Auditor Contracting and Relations Policy*, which incorporates the recommendations of *Technical Guide 3/2017 on audit committees at public-interest entities* of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

Furthermore, Recommendation 6.a) of the *Good Governance Code of Listed Companies* advises that these companies publish said independence report on their website sufficiently in advance of the ordinary general meeting.

The shareholders acting at the General Shareholders’ Meeting held on 31 March 2017, at the request of the Board of Directors and after a proposal of the Audit and Risk Supervision Committee (the “**Committee**”), resolved to appoint “KPMG Auditores, S.L.” (“**KPMG**” or the “**Statutory Auditor**”) as statutory auditor of the annual accounts of the Company and its consolidated group for financial years 2017, 2018 and 2019.

In consideration of the foregoing, the Committee issues this report, in which it expresses its opinion on the independence of the Statutory Auditor of the Company and of its consolidated group during financial year 2019.

B. Scope and Work Performed

The Committee has analysed the following information to prepare this report:

I. Written statement of the Statutory Auditor confirming the independence thereof

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

In compliance with the foregoing, on 19 February 2020 the Statutory Auditor of the Company and its consolidated group sent a letter to the Committee (the “**Statement of Independence of KPMG**”) in which it states the following:

“The team in charge of audit, KPMG Auditores, S.L. and any other persons belonging to the audit firm and, if appropriate, other firms of the network, with the coverage applicable thereto, have complied with applicable independence requirements in accordance with the provisions of the Statutory Audit Act and Regulation (EU) no 537/2014 of 16 April.”

II. Relationship with the Statutory Auditor

During financial year 2019, KPMG appeared before the Committee on 15 occasions in order to report on the items set out below:

1. At the meeting of the Committee held on 13 February 2019 it submitted the preliminary results of the review of the financial statements for financial year 2018.
2. At the meeting held on 18 February 2019: (i) it delivered and explained to the committee the draft audit reports on the individual annual accounts of Iberdrola and of the annual accounts consolidated with those of its subsidiaries; (ii) it reported the additional information that the auditor must provide to the Committee pursuant to article 11 of *Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC* (the “**Additional Report of the Auditor**” and “**Regulation (EU) 537/2014**”, respectively) section 36 of *Law 22/2015, of 20 July, on Statutory Auditing* (the “**Statutory Audit Act**”); and reported on the presentation that KPMG would give the next day to the Board of Directors regarding the audit opinion and significant issues occurring during financial year 2018.
3. As a result of the assumption by the Committee of the duties of the audit committee of “Iberdrola Finanzas, S.A.” (Sociedad Unipersonal) (“**Iberdrola Finanzas**”) and of “Iberdrola International, B.V.” (“**Iberdrola International**”) at the meeting held on 3 April 2019, KPMG: (i) reported the results of the audit of the economic/financial information of said companies; and (ii) submitted the additional reports that KPMG must deliver to the Audit and Risk Supervision Committee pursuant to article 11 of *Regulation 537/2014* and the national law applicable to each of them.

4. At the meeting of 10 June 2019: (i) it explained the internal control recommendations resulting from the audit of the Company's accounts for financial year 2018; and (ii) reported on recent accounting developments.
5. At the meeting of the Committee held on 16 July 2019: (i) it submitted the preliminary results of the limited review of the financial statements for the first half of the financial year; and (ii) as a result of the assumption by the Committee of the duties of the audit committee of "Iberdrola Finance Ireland DAC", reported the results of the audit of the annual accounts of this company for financial year 2018 and delivered to the Audit and Risk Supervision Committee the report required pursuant to article 11 of *Regulation 537/2014*.
6. At the meeting of 22 July 2019 it explained its analysis of the limited review of the individual and consolidated financial statements of Iberdrola for the first half of 2019.
7. At the meeting of 18 November 2019: (i) it submitted its work and strategy plan for the statutory audit of Iberdrola and its group for financial year 2019; and (ii) reported on certain new accounting developments, in addition to those reported at the meeting of 10 June.
8. Finally, at the meeting of 16 December 2019: (i) it submitted the preliminary results of the review of the financial statements for financial year 2019; and (ii) provided updated information regarding the level of progress in improvements to significant internal control deficiencies reported to the Committee at its meeting of 10 June.

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

In addition, pursuant to recommendation 42.2 d) of the *Good Governance Code of Listed Companies*, it is expected that KPMG will appear at the meeting of the Company's Board of Directors to be held on the date hereof in order to report on: (i) the audit opinion; (ii) the report on independence of the statutory auditor; (iii) the audit work performed; and (iv) the draft audit report; all with respect to the annual accounts of the Company for financial year 2019.

III. Protective measures to detect threats to independence

In KPMG's Statement of Independence, the Statutory Auditor states the following:

"Our Firm has implemented internal policies and procedures designed, as described in section 4 of the Transparency Report for financial year 2019 of KPMG Auditores, S.L. to give you reasonable assurance that KPMG Auditores, S.L. and its personnel and any other persons subject to independence requirements (including personnel of firms of the network) maintain independence when so required by applicable legal provisions. The procedures include those intended to identify and evaluate threats that might arise from circumstances relating to audited entities, including those that might entail grounds for disqualification and/or that might require the application of protective measures needed to reduce threats to an acceptable low level.

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

IV. Other non-audit services provided and fees

Pursuant to the provisions of subsection 4.f) of section 529 *quaterdecies* of the *Companies Act*, in KPMG's Statement of Independence, the Statutory Auditor reports the following fees billed to the Company and its group in 2019¹:

In thousands of euros	Audit services	Audit-related services	Other services	TOTAL
Iberdrola, S.A.	3.028	1.359	0	4.387
Subsidiaries	20.026	1.835	0	21.861
Iberdrola, S.A. and consolidated group	23.054	3.194	0	26.248

V. Audit services

Fees for audit services are 23,054 thousand euros, and include the statutory audit of the financial statements of Iberdrola and of its group for financial year 2019.

KPMG's engagement was approved prior to the commencement of its duties as Statutory Auditor, for the entire period during which they were performed, and was previously reported upon by the Committee at its meeting of 14 December 2015, on which date the initial amount of the Statutory Auditor's fees was proposed.

At the meeting of the Committee held on 10 June 2019, the amount of the fees proposed to the Board of Directors for the provision of audit services was 22,773 thousand euros. However, the final fees to be received by KPMG come to the amount indicated above, i.e. 23,054 thousand euros. This increase was due to the need to increase the scope of the audit work beyond what was initially expected.

In compliance with section 24.1 of the *Statutory Audit Act*, it is noted for the record that these fees are not influenced or determined by the provision of additional services to the Iberdrola group, nor are they contingent or based on conditions other than changes in the circumstances on which the determination of the fees are based.

¹ In addition to the services indicated in the following table, the Statutory Auditor provided non-audit services during financial year 2019 to entities related to the Company but over which it does not maintain a control relationship. The amount of these services were 1,409 thousand euros and, as stated by the Statutory Auditor in KPMG's Statement of Independence, "*they were subject to the corresponding analysis to detect and identify threats to our independence, and if assessed to be significant, suitable and sufficient protection measures were applied to eliminate or reduce them to an acceptably low level that does not compromise our independence*".

VI. Audit-related services

Fees for the provision of services relating to the audit of the Iberdrola group come to 3,194 thousand euros. A description of these fees, which is included as an annex to KPMG's Statement of Independence, is provided below:

1. 1,199 thousand euros derive from the limited review of the financial statements of the Iberdrola group for the first half of financial year 2019.
2. 9 thousand euros are for the preparation of a report on procedures approved with respect to the solvency of the Iberdrola group required by the German regulator as a result of the decommissioning of the *Wikinger* offshore wind project.
3. 6 thousand euros are for the preparation of a report on procedures approved for Iberdrola in relation to compliance with the requirements set forth in the *Order of 28 July 1995 further developing section 4 of additional provision eight of Law 40/1994, of 30 December, governing the National Electric System, establishing the standards and procedures for approving programmes for the maintenance, decommissioning and closing of facilities and the approval of divestments*.
4. 80 thousand euros derive from the preparation of a comfort letter within the framework of a hybrid bond issued by Iberdrola International in the month of February 2019, in which the Company acted as guarantor.
5. 65 thousand euros are due to the preparation of a comfort letter in relation to an issue of debt under the "EMTN Programme", in which the Company acted as guarantor.
6. 130, 100 and 80 thousand euros are for the performance of regulatory audits at "Iberdrola Distribución Eléctrica, S.A." (Sociedad Unipersonal) regarding, respectively: (i) the inventory of facilities placed into operation prior to 1 January 2019; (ii) the facilities placed into service in 2018; and (iii) the forms required by *Informational Circular 4/2015, of 22 July, of the National Markets and Competition Commission, on requests for information from electric power distribution companies for the supervision and calculation of remuneration for the activity*.
7. 10, 8 and 8 thousand euros arise from the performance of the regulatory audits indicated in the preceding paragraph 5 at "Conquense Distribución Eléctrica, S.A." (Sociedad Unipersonal).
8. 8, 7 and 7 thousand euros arise from the performance of the regulatory audits indicated in the preceding paragraph 5 at "Anselmo León Distribución, S.A." (Sociedad Unipersonal).
9. 14 thousand euros are related to the issuance of a report on approved procedures regarding corporate services re-invoiced to subsidiaries of "Iberdrola Renovables Energía, S.A." (Sociedad Unipersonal).
10. 80 thousand euros derive from the preparation of an audit report for "Iberdrola Energía Internacional, S.A." (Sociedad Unipersonal) regarding special purpose financial statements.
11. 25 thousand euros correspond to the preparation of a comfort letter within the framework of an issue of debt by Iberdrola Finanzas.
12. 35 thousand euros are related to the preparation of a comfort letter within the framework of a hybrid bond issued by Iberdrola International in the month of February 2019.
13. 1 thousand euros derive from the implementation for "Iberdrola Re, S.A." of the procedures established in a circular of the Insurance Commission.

14. 17 thousand euros accrued as a result of the issue of a solvency report for “Iberdrola Re, S.A.”.
15. 95 thousand euros accrued as a result of the issue for five subsidiaries of “C. Rokas, S.A.” of tax compliance reports required by the Greek tax authorities.
16. 68 thousand euros are for the verification of certain tax information of “Iberdrola México, S.A. de C.V.” and its subsidiaries.
17. 144 thousand euros derive from the regulatory audit of the electric distribution assets of “Scottish Power Distribution plc.”, “Scottish Power Transmission plc.” and “Scottish Power Manweb plc.” required by the British regulator, the Office of the Gas and Electricity Markets (“**Ofgem**”) (48 thousand euros for the regulatory audit of the assets of each of said companies).
18. 13 thousand euros are due to the regulatory audit of “ScottishPower Energy Management Ltd.”, required by Ofgem.
19. 28 thousand euros are for the performance of an audit of the segmented consolidated statements of “Scottish Power UK, plc” required by Ofgem.
20. 34 thousand euros derive from the preparation of a comfort letter addressed to various placement banks in relation to the issue by “SP Transmission, Plc.” of a bond in the maximum amount of 350 million British pounds.
21. 152 thousand euros accrued as a result of the review of the interim financial statements and the issue of a comfort letter and a consent letter within the framework of an issue of debt for the “Rochester Gas and Electric Corporation” and the “New York State Electric & Gas Corporation”.
22. 146 thousand euros are due to the preparation for “Avangrid, Inc.” of two comfort letters in relation to the issue of debt.
23. 61 thousand euros are for the provision to “Avangrid, Inc.” of services relating to the review of certain documents regarding audit work performed by a third party.
24. 80 thousand euros arise from the limited review of the quarterly financial statements of “Neoenergia, S.A.” (“**Neoenergia**”) and its subsidiaries required by the Brazilian National Electric Energy Agency (*Agência Nacional de Energia Elétrica*) (“**Aneel**”).
25. 7 thousand euros are due to the issuance for Neoenergia and its subsidiaries of reports on procedures approved in accordance with the provisions of the technical guides developed in the *Relatório de Controle Patrimonial* (the “**RCP**”) of the *Superintendência de Fiscalização Econômica e Financeira* of Aneel for financial year 2018.
26. 1 thousand euros correspond to the preparation of reports on procedures approved for the subsidiaries of Neoenergia in relation to the inclusion of certain items in the statement of cash flows for the distribution of dividends.
27. 11 thousand euros relate to the audit of the regulatory financial statements of the subsidiaries of Neoenergia for financial year 2018 required by Aneel.
28. 13 thousand euros derive from the issue for “Consorcio Empreendedor Baixo Iguaçu” of a report on asset control within the framework of the procedure approved in this area for financial year 2019, at the request of the Brazilian regulator Aneel.

- 29. 6 thousand euros correspond to the issue for “Elektro Redes, S.A.” (“**Elektro Redes**”) of reports on procedures approved in relation to a request for funds within the framework of a loan agreement.
- 30. 17 thousand euros arise from the audit of the regulatory financial statements of Elektro Redes required by Aneel.
- 31. 6 thousand euros are for the issue for Elektro Redes of reports on procedures approved in accordance with the provisions of the technical guides developed in the RCP for financial year 2018.
- 32. 159 and 264 thousand euros arise from the issue of comfort letters for Neoenergia.

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

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

Finally, in KPMG’s Statement of Independence, the Statutory Auditor states the following in relation to the provision of said audit-related services: (i) *“These are not services prohibited by article 5.1 or by article 5.5 of the RUE (depending on whether they are provided to entities inside or outside of the European Union, respectively)”*; *“We do not participate in the decision-making processes of the entity purchasing the service.”*; and *“Based on the content and regulation of the services, no threat to the independence of the auditors is identified.”*

VII. Other services

During financial year 2019 the Statutory Auditor has not provided services other than the above to the Iberdrola group or non-audit services that were unrelated thereto.

In this regard, it is reported that, pursuant to articles 56.5 of the *Regulations of the Board of Directors* and 27.3 of the *Regulations of the Audit and Risk Supervision Committee*, these bodies may not propose an entity to be the Company’s statutory auditor if they have evidence that the fees that Company intends to pay it for any and all services are greater than five per cent of its total domestic income during the last financial year.

In KPMG’s Statement of Independence, the Statutory Auditor states the following in this regard:

“we confirm that the fees paid by the Company to KPMG Auditores, S.L. during the annual financial period ended 31 December 2019 for all items do not exceed five per cent of its total income during the annual financial period ended 30 September 2019.”

VIII. Term and rotation

By application of the provisions of the *Statutory Audit Act* as regards the appointment, rotation and engagement of statutory auditors, the Board of Directors of the Company, at its meeting of 15 December 2015, after a tender led by the Audit and Risk Supervision Committee, resolved to propose to the shareholders at the Company's General Shareholders' Meeting held on 31 March 2017 the appointment of KPMG as the statutory auditor of the annual accounts of the Company and its consolidated group for financial years 2017 to 2019. The shareholders acting at this General Shareholders' Meeting of the Company approved such appointment for the period indicated.

As regards the audit of the annual accounts of the Company and its consolidated group for financial year 2019, the audit report will be signed by Enrique Asla García, a partner of KPMG, who has also signed the statement by the Statutory Auditor confirming its independence and will sign the Additional Statutory Auditor Report that KPMG will deliver to the Committee pursuant to section 36 of the *Statutory Audit Act* and article 11 of *Regulation 537/2014*.

IX. Audit teams

In compliance with article 27.7 of the *Regulations of the Audit and Risk Supervision Committee*, in KPMG's Statement of Independence the Statutory Auditor states that two professionals of this entity had joined the Iberdrola group, specifically the Company and "Iberdrola Renovables Offshore Deutschland, GmbH".

However, in KPMG's Statement of Independence, the Statutory Auditor states the following in relation to these hirings:

"In this regard we inform you that none of the professionals hired was the lead auditor responsible for the work of auditing the Group's accounts, had the status of statutory auditor, or participated in or had the ability to influence the final results of KPMG's audit work at Iberdrola, S.A. or at Iberdrola Renovables Offshore Deutschland, GmbH. We therefore believe that said hiring does violate any of the absolute prohibitions of the Statutory Audit Act or has given rise to a threat that has compromised our independence as auditors. We also inform you that we are not aware of the hiring of other professionals by significant components, which are understood as those stated in our audit plan submitted to the Audit and Risk Supervision Committee on 18 November 2019".

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

C. Conclusion

In light of the foregoing, the Committee finds that during financial year 2019 KPMG has performed its audit work with independence from Iberdrola and its consolidated group.

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

10.D Report on Related-Party Transactions with Directors and Significant Shareholders

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

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

On these terms, income during financial year 2019 from treasury placements made with Qatar National Bank by Scottish Power Ltd was 248 thousand euros.

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

