

Board of Directors

24 / February / 2020

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



ACTIONS RELATING TO THE HIRING OF CENYT

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

1. OBJECT

Leadership in corporate governance and transparency are hallmarks of the Iberdrola group's identity: Its *Code of Ethics* sets forth its commitment to the principles of business ethics and transparency in all areas of its business activities.

For that reason, the Board of Directors of Iberdrola, S.A. ("**Iberdrola**") finds it appropriate to publish this note providing a detailed explanation of the actions performed in relation to the hiring by Iberdrola and Iberdrola Renovables Energía, S.A.U. ("**Iberdrola Renovables**") of CENYT, a company that, as subsequently became known, was linked to the former police commissioner José Manuel Villarejo Pérez. It particularly includes the conclusions reached in the various internal investigations conducted through the present date.

2. ACTIONS TAKEN IN RELATION TO THE HIRING OF ENTITIES CONNECTED TO THE FORMER POLICE COMMISSIONER JOSÉ MANUEL VILLAREJO PÉREZ

Since the day following the appearance of the first news reports in certain media, 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, as well as the Board of Directors of Iberdrola Renovables, in relation to the issues covered by this note.

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 (in the total amount of 114,200.00 euros), all as described in **Annex A**.

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.



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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 to 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, which investigation is still ongoing and which we will refer to below in more detail.

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.



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- (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.

3. CONCLUSION

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 events referred to in this note have also not had a negative effect on the Group's financial performance.



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ANNEX A
INVOICES ISSUED BY CENYT TO COMPANIES OF THE IBERDROLA GROUP

INVOICES ISSUED TO IBERDROLA, S.A.		
Invoice date	Amount with VAT (euros)	Item
18/10/2004	116,000.00	Security services at certain centres in 2004 to prevent sabotage and unauthorised access.
10/01/2005	93,438.46	Supervision of security measures and vulnerability checks of surroundings to prevent antisocial activities, conducted during the last quarter of 2004 at strategic work centres.
17/01/2005	60,282.88	Operational coordination of security for travel by Spanish executives during business trips to Brazil, Bolivia, Mexico and Guatemala in 2004.
25/01/2005	45,212.16	Work to ensure confidentiality and security at meetings held by senior management personnel in 2004 with VIPs in Portugal, France, Greece and the United States.
04/02/2005	102,480.90	Work for counter-surveillance services in 2005 and to support the personnel protection services for the travel of senior management personnel in Spain.
01/04/2005	110,200.00	Supervision of security measures and vulnerability checks to prevent antisocial activities, conducted during the first half of 2005 at strategic work centres.
Not available	52,200.00	The invoice to verify this item could not be found.
08/04/2005	29,000.00	Operational coordination of security for travel by Spanish executives on business trips to Brazil, Mexico, Guatemala and Bolivia during the first half of 2005.
12/04/2005	29,013.92	Prior analysis of existing situation in all areas in countries with potential of formalising strategic agreements in the energy business.
14/06/2005	110,200.00	Supervision of security measures and vulnerability checks of surroundings to prevent antisocial activities at strategic work centres, and ensuring security at meetings of the company's senior management in 2006.
01/09/2006	16,915.82	Analysis of environment and telephone lines in 03/2006.
03/10/2006	20,880.00	Operational coordination of security for travel by Spanish executives on business trips abroad during 2006.
27/02/2009	160,080.00	Operational coordination to ensure the security of its executives on business travel over the past financial year, to the following at-risk countries: Mexico, Guatemala, Venezuela, Bolivia, Brazil, Colombia, Algeria and Nigeria.
27/02/2009	71,920.00	Work to ensure confidentiality and security at meetings held by senior management personnel in 2008 in the United States, Belgium and Switzerland.



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INVOICES ISSUED TO IBERDROLA RENOVABLES ENERGÍA, S.A.U.		
Invoice date	Amount with VAT (euros)	Item
13/01/2017	48,400.00	Investigation of assets - enforcement of award - DOBROGEA Wind.
28/03/2017	36,300.00	Investigation of assets - enforcement of award - DOBROGEA Wind.
14/02/2012	29,500.00	Security support and logistics services for Romanian personnel.

