



Regulations of the Remuneration Committee

15 December 2020

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TITLE I. NATURE, OBJECT AND APPROVAL

Article 1. Nature and Object

1. Pursuant to the Governance and Sustainability System of IBERDROLA, S.A. (the “**Company**”), the Board of Directors establishes the Remuneration Committee (the “**Committee**”), a permanent internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the *By-Laws*, in the *Regulations of the Board of Directors* and in these *Regulations of the Remuneration Committee* (the “**Regulations**”).
2. The object of these *Regulations* is to favour the independence of the Committee and to determine the principles of conduct and the rules of internal operation thereof, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “**Group**”).
3. These *Regulations* have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Governance and Sustainability System.

Article 2. Approval, Amendment and Priority

1. These *Regulations* must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
 2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
 3. These *Regulations* further develop and supplement the provisions of the *By-Laws* and of the *Regulations of the Board of Directors* applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.
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TITLE II. POWERS

Article 3. Powers

The Committee shall have the following main functions:

- a. Propose to the Board of Directors the policies on remuneration of the directors and members of senior management and periodically review them, proposing any amendment and update thereof to the Board of Directors.
If the services of an external advisor are used to prepare the *Director Remuneration Policy*, the Committee shall properly assess the independence of said advisor.
- b. Propose to the Board of Directors the system and amount of annual director remuneration, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any compensation or indemnification payable in the event of removal, in any event pursuant to the provisions of the Governance and Sustainability System and the director remuneration policy approved by the shareholders at the General Shareholders' Meeting.
In particular, the Committee shall ensure that the Board of Directors is able to approve in advance the application thereof and the objectives, standards and metrics of the various items of remuneration established for the current financial year, in accordance with the director remuneration policy approved by the shareholders at the General Shareholders' Meeting. The Committee shall also ensure that the Board of Directors is able to evaluate the achievement of the objectives, standards and metrics established the prior year that determine the variable remuneration accrued by the executive directors during said financial year. All sufficiently in advance of the date of publication of the *Annual Director Remuneration Report* in order for it to contain all necessary information with a sufficient level of detail.
- c. Know the remuneration established for the independent directors of the companies of the Group.
- d. Report on and submit to the Board of Directors the proposals of the Company's chief executive regarding the structure of the remuneration payable to the members of senior management and the basic terms of their contracts.
- e. Report on incentive plans and pension supplements for the Group's workforce, excluding those of the listed country subholding countries and those of the subsidiaries thereof.
- f. Each time that there are material changes in the contracts or that there will be changes in the policies, verify that the terms and conditions of the contracts of the executive directors and of senior management are consistent with current remuneration policies or with those proposed by the Board of Directors, as applicable.
- g. Conduct a periodic review of the general remuneration programmes for the Group's workforce, evaluating the adequacy and results thereof.
- h. Ensure compliance with the remuneration programmes of the Company and report on the documents to be approved by the Board of Directors for general dissemination regarding information on remuneration, including the *Annual Director Remuneration Report* and the applicable sections of the Company's *Annual Corporate Governance Report*.
- i. Verify each year that the remuneration policies of the directors and of the senior officers are properly applied, that no payments are made that are not provided for therein, whether circumstances have occurred justifying the application of the malus or claw-back clauses provided for in the contracts of the senior executives and members of senior management, and propose any appropriate measures to recover the amounts that might apply.
- j. Verify that the information published by the Company on its corporate website regarding remuneration is sufficient and appropriate and follows applicable good corporate governance recommendations.



TITLE III. COMPOSITION

Article 4. Composition

1. 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, and the majority thereof must be classified as independent.
2. 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.
3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.
4. Diversity shall be sought in the composition thereof, particularly as regards, gender, professional experience, competencies, industry knowledge and geographic origin.

Article 5. Positions

1. The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.
2. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

Article 6. Term of Office

1. Committee members 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.
2. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders' Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

Article 7. Withdrawal

Committee members shall cease to hold office:

- a. When they cease to be directors of the Company.
- b. When they cease to be non-executive directors, even if they continue as directors of the Company.
- c. Upon expiration of the maximum term for which they were appointed without being re-elected.
- d. By resolution of the Board of Directors.

TITLE IV. TRAINING

Article 8. Orientation Programme

In order for new members of the Committee to be able to actively perform their duties as from their appointment, the *Orientation Programme* provided for in the *Regulations of the Board of Directors* shall be made available to them on the directors' website.

Article 9. Training Programme

The Committee shall have a periodic training plan that ensures the refreshment of knowledge relating to new developments in the area of remuneration.

TITLE V. OPERATION

Article 10. Annual Work Plan

1. Before the beginning of each financial year, the Committee shall approve an annual work plan that contemplates at least the following aspects:
 - a. The specific goals established for the financial year relating to each of the powers of the Committee, especially those that might be new or relate to significant issues.
 - b. Issues that should be dealt with on a recurring or one-time basis during the financial year.
 - c. The planning of the training deemed appropriate for the proper performance of the duties thereof.
2. This planning shall take into account that the members of the Committee have responsibilities, mainly of supervision and advice, and should not intervene in the performance or management of matters within the authority of the Company's management.

Article 11. Schedule and Meetings

1. Once the annual meeting schedule of the Board of Directors has been approved, the chair and the secretary of the Committee shall prepare a proposed annual schedule for the meetings of the Committee during the first month of the financial year, ensuring that the number of meetings is not less than three and does not exceed seven per year and that they are held on days prior to the meetings of the Board of Directors.
2. Preparation of the proposed schedule must consider the time to be devoted to the various duties of the Committee and must take into account the meeting schedule of the Board of Directors and the date for holding the General Shareholders' Meeting,

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in order to prepare any reports or proposals to be submitted regarding the matters to be dealt with, as well as the report on the activities of the Committee referred to in article 22 below.

3. The proposed schedule shall include the tentative agendas and any appearances that may be deemed necessary. This proposal shall systematically reflect the tentative agenda for the meetings, planning fixed sections for issues that are dealt with on a recurring basis, and other sections for issues that are only dealt with at particular meetings.
4. The secretary of the Committee shall send the proposed schedule to the secretary of the Board of Directors for validation and subsequent preparation of the meeting schedule of the corporate decision-making bodies, pursuant to the provisions of article 29.7 of the *Regulations of the Board of Directors*. Once the proposed schedule is validated by the Office of the Secretary of the Board of Directors, the Committee shall approve the annual meeting schedule.
5. Where appropriate, the meeting schedule shall be supplemented with the scheduling of preparatory work sessions or meetings on specific issues.
6. Without prejudice to the provisions of the preceding sections, the Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto, as well as when requested by at least two of its members. Prior to sending a call to a meeting not provided for in the meeting schedule of the corporate decision-making bodies, the secretary of the Committee shall send to the secretary of the Board of Directors for validation the date, agenda and any appearances that may be deemed necessary.
7. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

Article 12. Call to Meeting

1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting and the documentation expected to be made available to the members of the Committee, which shall first be reviewed by the Office of the Secretary of the Board of Directors to ensure the consistency thereof with the meeting schedule of the corporate decision-making bodies and the Governance and Sustainability System.
3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

Article 13. Place of Meetings

1. Meetings of the Committee shall be held in person at the place designated in the call to meeting.
2. If so decided by the chair of the Committee on an exceptional basis, a meeting may be called to be held at several connected places or on-line by using remote communication systems that permit the recognition and identification of the attendees, permanent communication among them and participation in discussion and the casting of votes, all in real time, which meeting shall be deemed to be held at the registered office. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes.

Article 14. Establishment of a Quorum

1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.
2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.
3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.
4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 12 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in any conflict of interest situation.
5. On an exceptional basis, based on the circumstances in each case, the chair of the Committee may authorise the attendance at the meeting of one or more members by using remote connection systems that permit the recognition and identification thereof, permanent communication with the place where the meeting is held, and their participation therein and the casting of votes, all in real time. Members connected remotely shall be deemed for all purposes to have attended the meeting of the Committee.

Article 15. Resolutions

1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.
2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors and shall be entered in a book of minutes of the Committee.
3. The Committee shall consult the chairman of the Board of Directors and the chief executive of the Company prior to adopting resolutions on matters relating to the executive directors.

Article 16. Conflicts of Interest

When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and,

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in general, when such member is subject to a conflict of interest situation (upon the terms established in the *Regulations of the Board of Directors*), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

Article 17. Attendance

1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof.
2. By means of a reasoned request, the chair of the Committee may also request, through the secretary of the Board of Directors, the attendance of any director, member of senior management or professional of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the Committee, the identity of the person whose attendance is requested and the meeting schedules of the corporate decision-making bodies from time to time in effect.
3. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt with are outside the scope of the powers or duties of such persons.
4. The presence of members of management, professionals or other directors, whether executive or not, at meetings of the Committee shall be on an occasional basis and only when required, after an invitation from the chair of the Committee, shall be strictly limited to those items on the agenda for which they are called, and they shall not attend the decision-making portion of the Committee's meetings. The chair may authorise the remote attendance thereof using the communication systems described in article 14.5 above, if he so deems appropriate. The secretary shall record the entries and exits of guests at meetings in the minutes.

TITLE VI. POWERS OF THE COMMITTEE, PARTICIPATION AND RIGHTS TO RECEIVE INFORMATION OF THE MEMBERS THEREOF, DUTIES AND EVALUATION OF THE OPERATION THEREOF

Article 18. Powers and Advice

1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee's area of authority and that it deems necessary to perform its duties.
2. The Committee may also seek, at the Company's expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the Committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

Article 19. Participation and Rights to Receive Information

1. In order to promote a diversity of opinions that enriches the analysis and proposals of the Committee, the chair of the Committee shall ensure that all of the members freely participate in the deliberations, without being affected by internal or third-party pressures, and shall encourage constructive dialogue among them, promoting free expression and a critical attitude.
2. The chair of the Committee shall channel and provide the information and documentation required to the other members of the Committee sufficiently in advance of each meeting so that they can properly analyse it and prepare for the meeting.

Article 20. Duties of Committee Members

1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence. In particular, attendance at meetings of the Committee shall be preceded by the sufficient dedication of its members to analyse and evaluate the information received.
2. In exercising their powers, the members of the Committee shall comply with the provisions of these Regulations and applicable law on professional scepticism and critical attitude regarding the conclusions reached by the executive directors and members of senior management of the Company, acknowledging the arguments for and against, and with each of the members, and the Committee as a whole, forming their and its own position.
3. Committee members are subject as such to all of the duties of a director set forth in the Regulations of the Board of Directors, to the extent they are applicable to the responsibilities discharged by the Committee.

Article 21. Information to the Board of Directors

The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings.

Article 22. Information to the Shareholders at the General Shareholders' Meeting

1. Pursuant to the provisions of the *Regulations of the Board of Directors*, the *Activities Report of the Board of Directors and of the Committees thereof*, which shall include information regarding the operation and the activities of the Committee during the preceding financial year, shall be made available to the shareholders and the other Stakeholders for purposes of the call to the General Shareholders' Meeting.
2. In particular, the section of the *Activities Report of the Board of Directors and of the Committees thereof* regarding the Committee must allow the shareholders and other interested parties to understand the activities performed by the Committee during the financial year in question, for which reason the publication must contain at least the following aspects:
 - a. Description of the regulation of the Committee.

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- b. Composition of the Committee during the financial year, including the classification and seniority of each of the members thereof, as well as the significant abilities in terms of knowledge and experience contributed by each member.
- c. The standards used to determine and the rationale explaining the composition of the Committee, particularly in relation to the appointment of members who are not independent directors.
- d. Duties and work performed during the financial year by the Committee, changes therein during the fiscal year and reference to these Regulations.
- e. Meetings held during the financial year and number of attendees, including whether non-members of the Committee have been invited.
- f. Significant activities during the period (reporting those that have been performed with the assistance of external experts).
- g. Evaluation of the operation and performance of the Committee, as well as of the methods used to assess the effectiveness thereof.
- h. Independence and conflicts of interest of external advisors, experts and consultants.
- i. Information regarding which domestic or international practical guides on remuneration committees are being followed, if any, and to what extent.
- j. Significant deviations from the procedures adopted or improprieties of which the Board of Directors has been notified in writing in areas within the purview of the Committee.

Article 23. Evaluation

1. Within the framework of the annual evaluation provided for in the *Regulations of the Board of Directors*, the Appointments Committee shall coordinate the evaluation of the Committee's performance in order to strengthen the operation thereof and improve planning for the next financial year, for which purpose it shall ask the opinion of its members and of the other directors.
2. In the interest of greater transparency, the *Activities Report of the Board of Directors and of the Committees thereof* shall state the extent to which the evaluation has caused significant changes in the organisation and procedures of the Committee.

TITLE VII. COMPLIANCE, DISSEMINATION AND INTERPRETATION

Article 24. Compliance and Dissemination

1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these *Regulations*, for which purpose the secretary of the Board of Directors shall post them on the directors' website and on the Company's corporate website.
2. In addition, the Committee shall have the obligation to ensure compliance with these *Regulations* and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 25. Interpretation

1. These Regulations shall be interpreted in accordance with law and the Governance and Sustainability System.
2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.
3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.