

5.1 Corporate Governance Model

Foundations of the corporate governance model

A. Corporate Governance System

Iberdrola is a multinational leader in the energy sector committed to ethics, zero tolerance for corruption and crime, transparency, the fight against climate change, and good governance, and which has integrated the Sustainable Development Goals into its strategy.

The purpose of the group, its *raison d'être*, is none other than “to continue building together each day a healthier, more accessible energy model, based on electricity”.

Position	Director	Status	Date of last appointment	Ending date
Chairman & CEO	José Ignacio Sánchez Galán (Salamanca, Spain, 1950)	Executive	29-03-2019	29-03-2023
Vice-chair	Inés Macho Stadler (Bilbao, Spain, 1959)	Other external	08-04-2016	08-04-2020
Director	Íñigo Víctor de Oriol Ibarra (Madrid, Spain, 1962)	Other external	08-04-2016	08-04-2020
Director	Samantha Barber (Dunfermline, Fife, Scotland, United Kingdom, 1969)	Independent	08-04-2016	08-04-2020
Director	María Helena Antolín Raybaud (Toulon, France, 1966)	Independent	29-03-2019	29-03-2023
Director	Georgina Kessel Martínez (Mexico City, Mexico, 1950)	Independent	13-04-2018	13-04-2022
Director	Denise Mary Holt (Vienna, Austria, 1949)	Independent	29-03-2019	29-03-2023
Director	José W. Fernández (Cienfuegos, Cuba, 1955)	Independent	29-03-2019	29-03-2023
Director	Manuel Moreu Munaiz (Pontevedra, Spain, 1953)	Independent	29-03-2019	29-03-2023
Director	Xabier Sagredo Ormaza (Portugaleta, Spain, 1972)	Independent	29-03-2019	29-03-2023
Lead independent director	Juan Manuel González Serna (Madrid, Spain, 1955)	Independent	31-03-2017	31-03-2021
Director / Business CEO	Francisco Martínez Córcoles (Alicante, Spain, 1956)	Executive	31-03-2017	31-03-2021
Director	Anthony L. Gardner (Washington, D.C., U.S.A., 1963)	Independent	13-04-2018	13-04-2022
Director	Sara de la Rica Goiricelaya (Bilbao, Spain, 1963)	Independent	29-03-2019	29-03-2023

B. Governance model

The model differentiates between the duties of strategy and supervision and those of guidance and effective management. It is based on a system of checks-and-balances that avoids the accumulation of powers:

- Iberdrola's Board of Directors, made up of a large majority of independent directors (one of whom is the lead independent director), focuses its activity on the determination, supervision and monitoring of the policies, strategies and general guidelines of the Iberdrola group.
- The chairman of the Board of Directors & chief executive officer and the rest of the management team are responsible for the organisation and strategic coordination of the group.
- In the principal countries in which the group operates, organisation and strategic coordination is implemented through country subholding

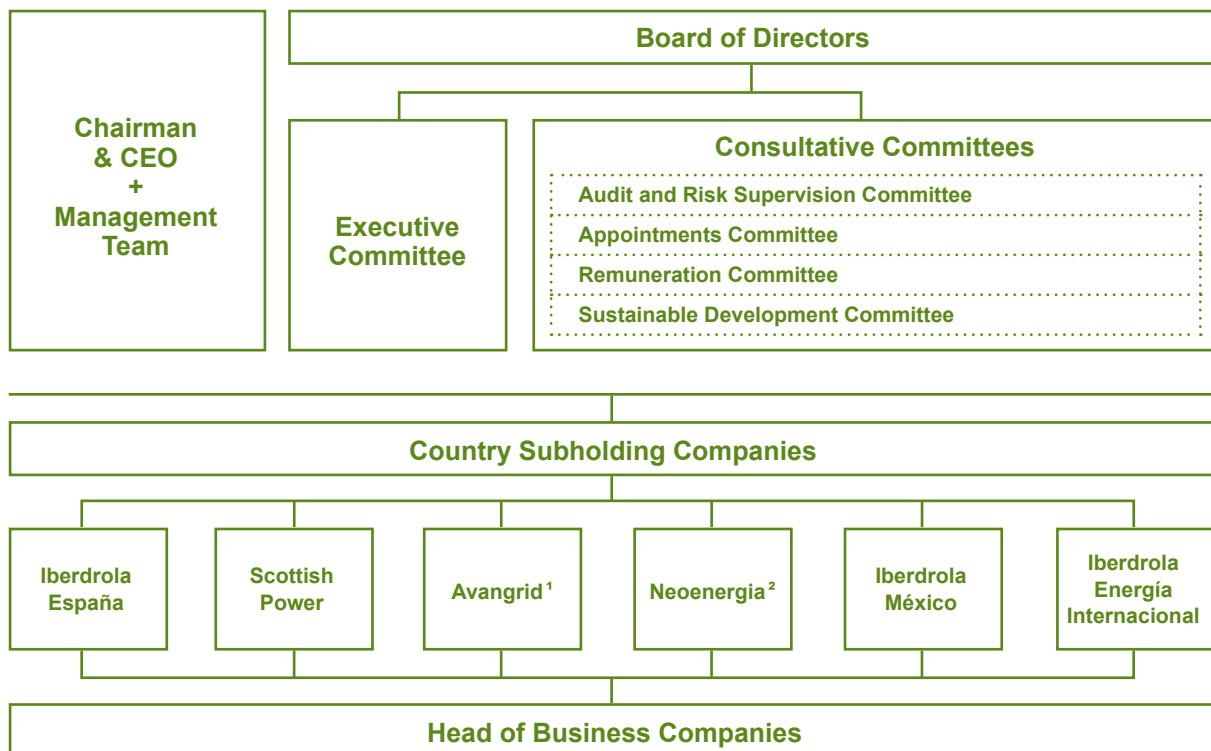
companies, which group together equity stakes in the head of business companies and centralise the provision of common services. Each of these companies has its own CEO.

- Country subholding companies have boards of directors, including independent directors, and their own audit and compliance committees, internal audit divisions and compliance units or divisions.

Listed country subholding companies like Avangrid, Inc. and Neoenergia, S.A. have a framework of strengthened autonomy.

- The head of business companies are in charge of the day-to-day administration and effective management of each business. They also have boards of directors, which include independent directors, and specific management teams.

Corporate and governance structure of Iberdrola, S.A.



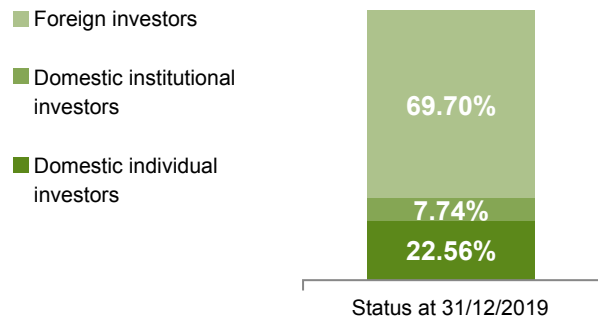
(1) Company listed on the New York Stock Exchange.

(2) Company listed on the New Market segment of BOVESPA (Brazil).

C. Equity structure

Iberdrola has approximately 600,000 shareholders throughout the world, and none of them has a controlling interest.

Investment funds, pension funds and other foreign institutional shareholders account for 69.7% of the capital.



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Iberdrola, at the forefront of corporate governance

A. Corporate governance strategy

The key elements defining Iberdrola’s corporate governance strategy are:

- Zero tolerance towards corruption and fraud
- Shareholder engagement
- Corporate structure and governance model
- Diverse and balanced composition of the Board of Directors
- Effective system of checks and balances.
- Social dividend and contribution to the Sustainable Development Goals
- Active listening to the legitimate interests of the Stakeholders
- Prudent and balanced management of risks

Remuneration policy

Director Remuneration Policy approved by the shareholders at the General Shareholders’ Meeting.

Executive directors’ variable remuneration tied to objectives.

Clause on cancellation and reimbursement of variable remuneration (*malus and claw-back clauses*)

Operation of the Board

71.4% of the directors are independent.

System of checks and balances, including a lead independent director.

Gender diversity: six women on the Board. A female vice-chair of the Board, and two female Committee chairs.

Diversity of skills, experience, nationality and origin.

Annual evaluation of the governance bodies by an independent expert..

Sustainable development and corporate reputation

Sustainable Development Committee

Sustainable development policies focused on the maximisation of the social dividend, promotion of the SDGs and Stakeholder engagement.

Climate Action Plan and adoption of the recommendations of the *Tax Force on Climate-related Financial Disclosures (TCFD)*.

General Shareholders’ Meeting conceived of and certified as a sustainable event.

B. Continuous improvement of its corporate governance rules and practices

- On corporate governance matters, the Company looks to the *Good Governance Code of Listed Companies* published by the CNMV and generally accepted practices in the international markets.

71.4% of the directors are independent.

Corporate Governance System

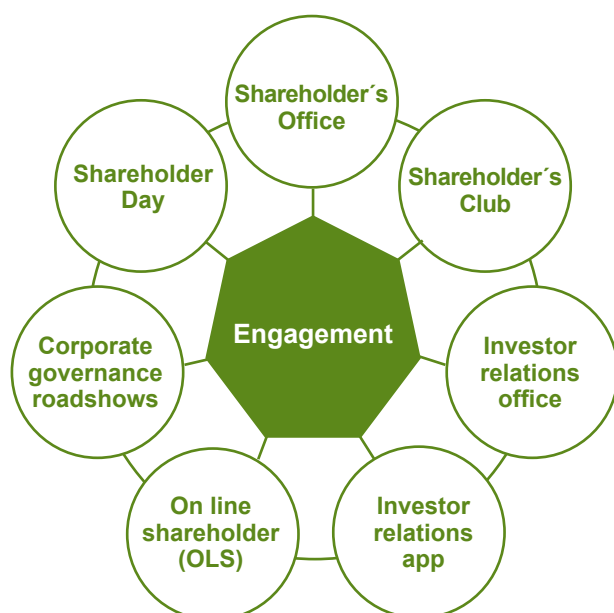
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C. Commitment to shareholders and investors

- The Iberdrola group has a strong industrial and financial model based on balanced growth, focused on the regulated networks businesses, renewables, and long-term contract assets, focused on the achievement of growing profits and an increase in shareholder remuneration.
- The *Shareholder Engagement Policy* is intended to understand the opinions and concerns of the shareholders in the areas of corporate governance and sustainable development, encourage their sense of belonging and align their interests with those of Iberdrola.
- Boost shareholders' participation throughout the year, especially at the General Shareholders' Meeting.

The quorum in attendance at the 2019 General Shareholders' Meeting was 74.12%. e asistencia del 74,12 %.



All blocks of shareholder resolutions for the 2019 General Shareholders' Meeting were approved with an affirmative vote above 98%

D. Remuneration policy

- The *Director Remuneration Policy* was approved by the shareholders at the General Shareholders' Meeting held on 13 April 2018.
- Director remuneration is aligned with strategic objectives and shareholder return.

Remuneration model for the Board

Type of remuneration	External (non-executive) directors	Executive directors
Fixed	According to their duties and on market terms	According to their duties and on market terms.
Short-term variable	Not applicable	Tied to financial and non-financial targets.
Long-term variable	Not applicable	Tied to multi-annual targets payable in shares (3-year accrual period and payment deferred over 3 years following accrual).

Parameters to which the annual variable remuneration of executive directors is tied in 2020

Operational / Financial	Net Profit.
	Shareholder remuneration.
	Financial strength.
	Efficiency in costs.
	Installed capacity.
	Project portfolio.
Sustainable Development.	Female presence in management positions.
	Presence on relevant sustainability indexes.
	Training.

Parameters to which the multi-annual variable remuneration of executive directors is tied (2020-2022)¹

Net profit.
Financial strength.
Total shareholder return.
Sustainable Development Goals (the Fight against Climate Change, the drive for Sustainability in the Supply Chain and Commitment to Salary Equality between Men and Women).

(1) Pending approval by the shareholders at the General Shareholders' Meeting to be held in 2020.

Principal activities of the Board of Directors.

Key topics in 2019

Balanced growth

Alignment of *Outlook 2018-2022* with challenges and trends in the sector

Review of results and level of achievement of *Outlook 2018-2022*

Approval of the **budgets** for financial year **2020**

Performance and **expectations** of each of the businesses of the group

IPO of **Neoenergia**

Potential opportunities for investment in **strategic markets**

Sustainable remuneration of shareholders

Shareholder remuneration in line with *Outlook 2018-2022*

Implementation of the *Iberdrola Flexible Remuneration* optional dividend system for 2019

Renewal of the *Iberdrola Flexible Remuneration* system for the coming financial year

Social dividend

Change in corporate philosophy: definition of **Purpose**, update of **corporate values** and update of the *General Sustainable Development Policy* and of the *Human Resources Framework Policy*.

Supervision of the group's activities having an impact on **Stakeholders**, and alignment with the **Sustainable Development Goals**.

Analysis of **Talent Management** trends and best practices.

Approval of the *Statement of Non-Financial Information. Sustainability Report 2018*

Publication of the *Fiscal Transparency Report*

Publication of the *Gender Equality Report*

Climate Action Plan, TCFD recommendations, participation in the UN Climate Action Summit 2019 and in COP25

Financial strength

Approval of **major financial transactions** of the group

Monitoring of the **financing policy** and principal transactions in the capital markets

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** as executive director, CEO and member of the Executive Committee

Appointment, re-election and classification of directors

Evaluation of candidates

Selection and composition of the governance bodies

Appointment of **independent directors** at the various country subholding companies

Analysis of the latest **corporate governance trends**

Continuous update of the **Corporate Governance System** to conform to internal rules, regulations and best practices

Review of corporate governance **policies**

Contacts between **directors** and **shareholders**

Acknowledgement of the **Annual Compliance System Effectiveness Report 2018** prepared by the Compliance Unit

The Board of Directors has focused its work on defining strategy, monitoring the implementation and control of risks and advancing best corporate governance practices.