



5. A Framework of Trust

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

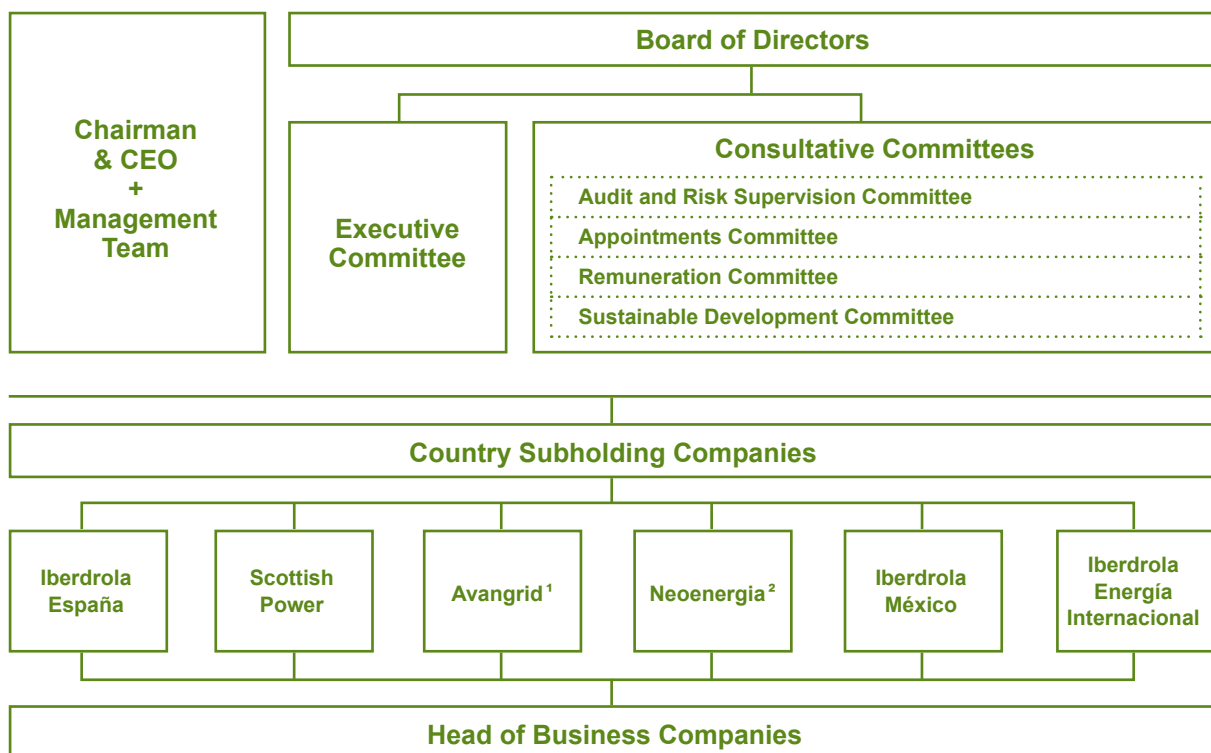
companies, which group together equity stakes in the head of business companies and centralise the provision of common services. Each of these companies has its own CEO.

- 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.



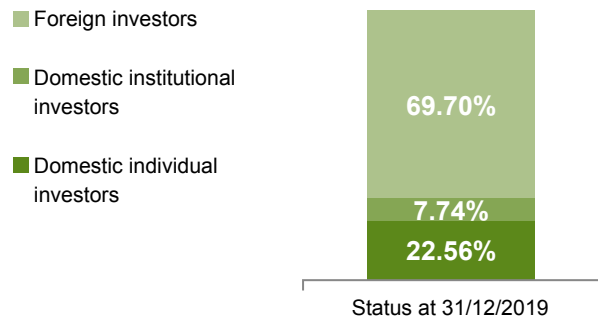
(1) Company listed on the New York Stock Exchange.

(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.



External corporate governance awards/recognitions / page 39

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

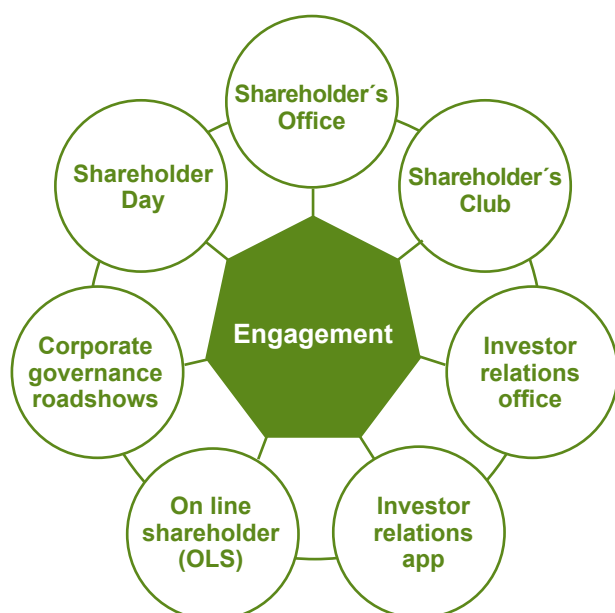
Ethics / page 86

Sustainable Development / page 87

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**

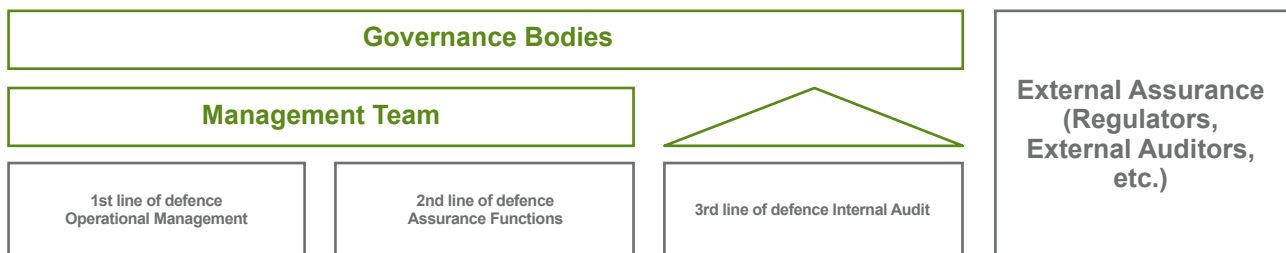
Acknowledgement of the **Annual Compliance System Effectiveness Report 2018** prepared by the Compliance Unit

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

5.2 Three Lines of Defence

Internal control model

The Internal Control System of Iberdrola and the companies of its group is configured by reference to international best practices. It is based on an assurance system combined around three lines of defence, providing a comprehensive view of how the different parts of the organisation interact in an effective and coordinated manner, increasing the efficiency of the processes for management and internal control of the entity's significant risks.



Based on the document "Guidance on the 8th EU Company Law Directive, article 41" ECIIA/FERMA, September 2010.

1st line of defence Operational Management

As the first line of defence, the management team and the professionals of Iberdrola and its group are the direct managers of the risks of the entity.

Thus, the company's Management is responsible for maintaining effective control and implementing procedures to control risks on a continuous basis.

📍 Significant Risks Facing Iberdrola's Primary Businesses/ pages 46, 50, 54

Internal Control Objectives (COSO. May 2013)

- Operations objectives- Pertain to the effectiveness and efficiency of the entity's operations, including operational and financial performance goals, and safeguarding assets against loss.
- Reporting objectives- Pertain to internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency or other terms as set forth by regulators, recognised standard setters or the entity's policies.
- Compliance objectives- Pertain to adherence to laws and regulations to which the entity is subject.

2nd line of defence Assurance Functions

As the second line of defence, certain functions provide the foundation for the entity's Internal Control System, proposing guidelines to the Board of Directors and monitoring how the first line of defence implements them.

The primary assurance functions within Iberdrola, within their respective areas of responsibility, are: (i) the group's Risk Division, within the framework of its functions within the Comprehensive Risk Control and Management System; (ii) the Cybersecurity Division within the Corporate Security Division, through the supervision, monitoring and reporting of cybersecurity risks; (iii) the Compliance Unit, which is responsible for proactively ensuring the effective operation of the Compliance System; and (iv) the Internal Control Division, which is part of the Administration and Control Division, within its duties relating to the internal control and risk management systems in relation to the preparation of financial information (ICFRS).

Iberdrola adopts the three lines of defence model to ensure effective and integrated management of its internal control system.

📍 Comprehensive Risk Control and Management Service / page 82

📍 Compliance Unit / Page 86

3rd line of defence Internal Audit

The function of the Internal Audit area, as the third line of defence, is to proactively ensure the proper functioning of the internal control, risk management, and governance systems, systematically auditing the first and second lines in the performance of their respective duties of management and control.

To ensure its independence, the director of the Internal Audit Area reports hierarchically to the chairman of the Board of Directors and functionally to the Audit and Risk Supervision Committee.

The Internal Audit divisions of the various country subholding companies have this same positioning, and are coordinated under the framework of the *Basic Internal Audit Regulations* of Iberdrola and its group, which forms part of Iberdrola's Corporate Governance System.

The 2019 annual activities plans of the Internal Audit Area Division of Iberdrola and of the Internal Audit divisions of the group, with a risk-based focus looking to support the achievement of the company's goals, responded to the requirements established by the Audit and Risk Supervision Committee of Iberdrola and the respective Audit and Compliance Committees of the country subholding companies, and included work for the senior management and the rest of the organisation, including:

- Half-yearly reviews of the operation of the most critical controls of the Internal Control Over Financial Reporting (ICFR) System, as well as reviews of the various cycles of preparation of the financial information of Iberdrola, S.A. and the various companies of the group, within the framework of the general goal of reviewing the entire ICFR over a period of 5 years.
- Audits of key corporate and business process and risks, based on the Risk Policies approved by the Board of Directors on an annual basis.
- Audits of compliance programmes and frameworks established by the group in the various areas of application, such as the crime prevention programme.

Continuing with the commitment made in 2005, the Internal Audit area submits to an exhaustive review

every five years of compliance with internal audit rules (called a *Quality Assessment*) by the Global Institute of Internal Auditors. During the last review in 2015, the certification of Iberdrola, S.A. and of ScottishPower was renewed and the scope of the certification was expanded to include Iberdrola España and Avangrid.

Furthermore, the Internal Audit has had ISO 9001 certification since 1999, updated to version 9001:2015. This ensures that all of the group's internal auditors perform duties under the same framework and that such framework is aligned with the international professional rules of the function.

Basic Internal Audit Regulations of Iberdrola, S.A. and its group

- Approved by the Board of Directors of Iberdrola upon a proposal of its Audit and Risk Supervision Committee (updated on 28-Mar-2019)
- Defines its nature as an independent internal unit, and establishes the regulation, competencies, powers and duties of Internal Audit, among other things.
- Establishes the framework of relations with: i) the Board of Directors, its Chairman and Committees; ii) the Internal Audit divisions of the other companies of the group; and iii) the rest of the organisation.
- Disseminates the knowledge of the Internal Audit function among the professionals of the group.
- Serves as a reference for the management model and the quality system of the Internal Audit Area of the company and the Internal Audit divisions of the other companies of the group.

External assurance

Regulatory bodies and other entities external to the organisation play a significant role in the general structure of governance, internal control and risks of Iberdrola, especially in the regulated businesses. The regulators establish requirements intended to strengthen the controls of an organisation and perform a function of independent and separate monitoring, and the auditors provide assurance regarding the true and fair view of the entity's financial information. In this regard, the powers of the Audit and Risk Supervision Committee of Iberdrola and the Audit and Compliance Committees of the country subholding companies include ensuring the preservation of the independence of the auditors in the performance of their duties.

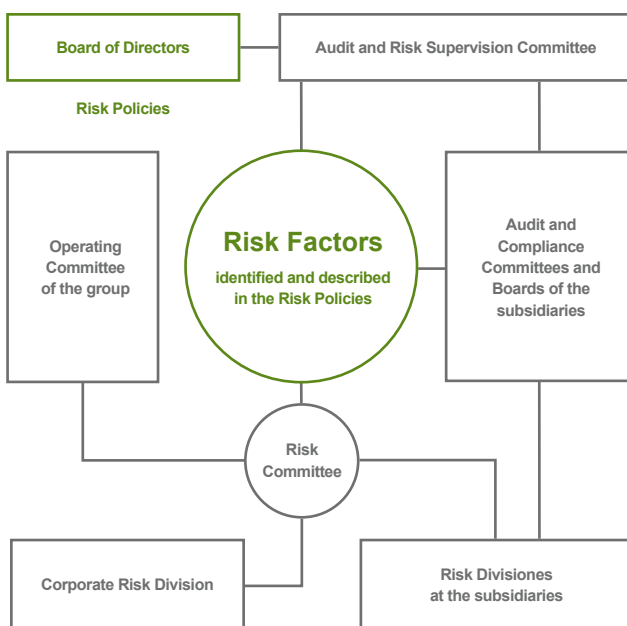
5.3 Risks

Risk management within the Iberdrola group is based on foresight, independence, commitment to the group’s business objectives and the engagement of senior management and the Board.

Commitment of the Board of Directors and of senior management

Iberdrola’s Board of Directors and senior management is strongly committed to and engaged in the management of the group’s risks:

- **Ex-ante:** acceptable levels of risk tolerance are reviewed and approved on an annual basis through risk policies and limits that establish the qualitative and quantitative risk appetite at the group level and at each of the main businesses and corporate functions.
- **Ex-post:** periodic monitoring of significant risks (key risk maps) and threats and the various exposures of the group, as well as of compliance with the approved risk policies, limits and indicators.



By way of supplement, the group has a Compliance System, linked to the Board’s Sustainable Development Committee, with elements that include the Code of Ethics and the Compliance Unit.

Comprehensive Risk Control and Management System

The *General Risk Control and Management Policy* of the group approved by the Board of Directors establishes the mechanisms and basic principles for appropriate management of the risk/opportunity ratio, at a risk level that makes it possible to:

- Attain strategic goals with controlled volatility.
- Provide the maximum level of assurance to the shareholders.
- Protect the results and reputation of the group.
- Defend the interests of the Stakeholders and guarantee the business stability and financial strength of the group.
- Contribute to meeting the SDGs, with a special focus on goals seven and thirteen.

At the operational level, the Comprehensive Risk Control and Management System is structured around a Risk Committee and an independent specialised Risk Division that analyses and quantifies the risks within the main businesses and corporate functions of the group.

Duties of the Risk Division

Active management

Credit risk

- Analysis and approval of counterparties and limits, establishment of approval criteria, and monitoring of exposures in order to minimise credit losses.

Market risk

- Analysis and approval of detailed limits and monitoring of exposures in order to delimit the effects of volatility in the markets in which the group operates.

Enterprise Risk Management (ERM) focus

Ensure that there are mechanisms for all significant risks of the group to be adequately identified, measured, managed and controlled at all times and that they are regulated reported to the various committees.

Instruments and reports:

- Risk policies and risk limits and indicators.
- Quarterly report on key risks.
- Continuous monitoring and detection of emerging risks and other non-financial risks, including risks relating to the environment, society and governance of the group (ESG).

Operational risk is centrally managed through the group’s corporate Insurance, Information Technology, Security and Cybersecurity, and Occupational Safety and Health units.

Risk policies and limits of the Iberdrola group

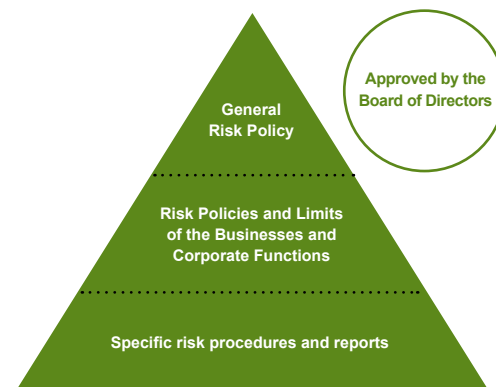
The *General Risk Control and Management Policy* is further developed and supplemented with the following specific policies established in relation to certain risks, corporate functions or businesses of the group, which are also annually approved by the Board of Directors at the head of the group, and which include limits and indicators that are subsequently monitored:

Specific risk policies of the businesses:

- *Liberalised Businesses of the Iberdrola group.*
- *Renewable Energy Businesses of the Iberdrola group.*
- *Networks Businesses of the Iberdrola group.*
- *Real Estate Business.*

Corporate risk policies:

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



ERM management system

- Strategic positioning towards risk.
- Responsibilities to manage risk.
- Proactive and preventive actions.
- Quantitative and qualitative limits.
- Quarterly report on key risks and monitoring of risk limits and indicators.

The country subholding companies adopt the group's risk policies and specify the application thereof, approving the guidelines on specific risk limits, based on the nature and particularities of the businesses in each country. The listed country subholding companies or companies with significant stakes of other partners, under their own special framework of strengthened autonomy, approve their own policies.

Principal risk factors of the Iberdrola group

The group is exposed to various risks inherent in the different countries, industries and markets in which it operates, and which may prevent it from achieving its objectives and implementing its strategies. These risks are grouped into:

Corporate governance risks: those that endanger the corporate interest and the strategy of the company.

Market risks: exposure to volatility in variables like prices of electricity and other energy commodities, emission rights, exchange rate, interest rate, etc.

Credit risks: possibility of contractual breach by a counterparty, causing economic or financial losses.

Business risks: deriving from the uncertainty as to the behaviour of variables intrinsic to the business (characteristics of demand, weather conditions, etc.).

Regulatory and political risks: coming from regulatory changes made by the regulators that can affect remuneration of the regulated businesses, environmental or tax provisions, etc.

Operational, technological, environmental, social and legal risks: losses resulting from external events, inadequate internal procedures, technical failures, human error, climate change, etc.

Reputational risks: potential negative impacts on the company's reputation arising from situations or events that fail to meet the expectations of its Stakeholders.

Risk factors and mitigation measures

● < 15 €M ● 15 - 50 €M ● > 50 €M of annual impact

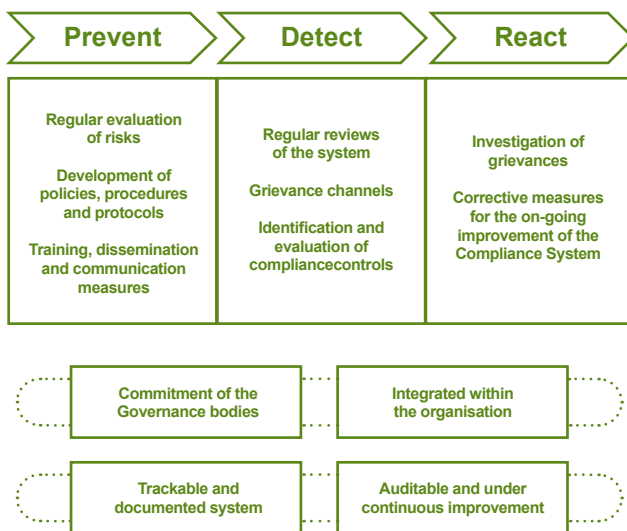
Price and demand risks			
Changes in the price of electricity	The main variable affecting the results of the group's Wholesale and Retail Businesses as regards market prices is the price of electricity, which relatively corresponds to the price of fuel and applicable emission rights, required to produce such electricity.		
	The group's Renewables Businesses preferentially sell their energy at: i) regulated tariff; or ii) fixed price via PPAs. The remaining market exposure of the Renewables Businesses of Spain, the United Kingdom, Brazil and Mexico is transferred to the Wholesale and Retail Business of such countries to be managed.		
	Offsetting at-risk positions between wholesale and retail activities allows for a large reduction in the group's market risk; the remaining risk is mitigated via diversification of purchase/sale agreements and the specific clauses thereof, and by trading in derivatives.		
	<i>Possible impact of a 5% change in the price of electricity and/or of energy commodities and CO₂</i>	Spain	● Integrated Wholesale, Renewables and Retail risk
		United Kingdom	● Integrated Retail and Renewables (power from wind farms with ROCs) risk
	Mexico	● The PPAs with the CFE do not have a market risk	
	Brazil	● Integrated Wholesale, Renewables and Retail risk	
	United States	● For windfarms exposed to the market	
Change in demand	Wholesale, Retail and Renewables: moderate short-term impact, given the characteristics of the group's generation facilities and the structure of the long-term power purchase agreements.		● Possible impact of 1% reduction in demand for each country
	Networks: no impact, except for the Brazilian subsidiaries in between tariff periods.		
Resource risks			
Change in hydroelectric resources - Spain	<ul style="list-style-type: none"> In the medium-to-long term, humid years are offset by dry years. The storage capacity of multi-year reservoirs and the group's portfolio of power plants mitigate the level of volatility during the year 	<i>Lower hydroelectric production - Spain</i>	● Renewables Business - Spain
	<ul style="list-style-type: none"> Mitigated thanks to the high number of facilities in operation and the geographic dispersion thereof. In the medium-to-long term, years with more wind are offset by years with less wind 	<i>Lower wind output - group</i>	● Renewables Business - group
Financial risks			
Change in interest rate	The Iberdrola group maintains a fixed-rate and variable-rate debt structure, based on the structure of its revenues and the sensitivity thereof to changes in interest rates.	<i>Possible impact on financial cost of +25 bps increase</i>	● Group financial cost
Change in exchange rate	This risk is mitigated by taking on debt and carrying out all its financial flows in the functional currency corresponding to each company, whenever possible and economically efficient, and managing its open positions with derivatives. The risk associated with the translation of results from subsidiaries is closed out annually.	<i>Possible impact on financial cost of 5% increase in currency</i>	● Group financial cost
Other risks			
Credit risk	<ul style="list-style-type: none"> Main sources: amounts outstanding (customers, suppliers, banks, partners, etc.) and cost of replacement. Retail: cost of late payments/defaults has been kept to moderate levels, close to 1% of global invoicing. Networks: In Spain and in the United Kingdom there is no retail sale of energy, in the United States and Brazil late payments are generally recovered through the tariffs. 		
Operational risk	These risks are mitigated by making the necessary investments, applying operation and maintenance procedures and programmes (supported by quality systems), planning appropriate training and skills development for staff, and finally by obtaining appropriate casualty and civil liability insurance.		
Regulatory and political risk	The group is subject to laws and regulations on tariffs and other regulatory aspects of its activities in the countries in which it does business. The introduction of new laws/regulations or amendments to existing ones could adversely affect operations, annual results and the financial value of the businesses of the group (including risks relating to commercial trade between the EU and the United Kingdom).		
Climate change risk	<p>Includes the risks of transition (regulatory or market associated with emissions reduction goals) and physical risks (deriving from potential impacts of an increase in extreme climate phenomena, increase in temperatures, increase in sea level, changes in rain patterns, etc.).</p> <p>Iberdrola believes that it is well positioned with respect to this risk, given the nature of its current businesses and its main goals for growth.</p>		



5.4 Ethics

Compliance System

Iberdrola's Compliance System is made up of all of the rules, formal procedures and significant actions intended to ensure the company's conduct in accordance with ethical principles and applicable law and to prevent improper conduct or conduct that is contrary to ethics, the law or the Corporate Governance System that might be committed by the professionals thereof within the organisation.



The Code of Ethics, which forms part of Iberdrola's Corporate Governance System, was approved by the Board of Directors in 2002 and is regularly updated. In its last review, in April 2019, the Code of Ethics strengthened the obligation of the group's professionals to report to Compliance the commission of any illegal act or any impropriety. The obligation of suppliers to comply with the Code of Ethics and with the Corporate Anti-Corruption Policies is also included.

Compliance Unit

The Code of Ethics, which forms part of Iberdrola's Corporate Governance System, was approved by the Board of Directors in 2002 and is regularly updated. In its last review, in April 2019, the Code of Ethics strengthened the obligation of the group's professionals to report to Compliance the commission of any illegal act or any impropriety. The obligation of suppliers to comply with the Code of Ethics and with the Corporate Anti-Corruption Policies is also included.

Powers of the Unit

The Compliance Unit has powers related to the *Code of Ethics*, the *Anti-Corruption and Anti-Fraud Policy*, the *Crime Prevention Policy*, the *Internal Regulations for Conduct in the Securities Markets*, legal provisions regarding the separation of activities, and all other powers that may be entrusted thereto by the Sustainable Development Committee or the Board of Directors of the company or that are established in Iberdrola's Corporate Governance System.

Main areas of the Compliance System

The main activities and areas of activity within the framework of the group's Compliance System are: (i) the crime prevention programmes, which are developed within the scope of the provisions of the Spanish Criminal Code (without prejudice to additional actions required by the laws of any other jurisdiction in which the group does business), (ii) measures for compliance with the *Code of Ethics*, which include specific training and communication plans for all professionals of the group, (iii) the development and implementation of specific rules and measures regarding fraud and corruption, (iv) actions to ensure compliance with the rules on market abuse and separation of activities, and (v) management of the ethics mailboxes.

Principal awards/recognitions

In 2019, Iberdrola renewed the Compliance Leader Verification certification provided by the Ethisphere Institute to those companies that show they have an ethical culture implemented within all of their businesses and activities as well as a robust and effective compliance system.

In 2019 it also renewed the UNE-ISO 37001 and UNE 19601 certifications provided by AENOR in 2017. Furthermore, the companies of the Spain subgroup also renewed these certifications in 2019.

Iberdrola has been chosen for the sixth consecutive year as one of the most ethical companies in the world, according to the *World's Most Ethical Companies 2019* ranking prepared by the *Ethisphere Institute*, thus recognising the ethical leadership and conduct of the organisation.



5.5 Sustainable Development

Organisation of sustainable development and social responsibility within the group

Iberdrola’s commitment to sustainable development is carried out by integrating the UN 2030 Agenda into the strategy and operations of the Iberdrola group.

The group’s Social Responsibility is thus developed generically for all of the Areas and Businesses, in all countries.

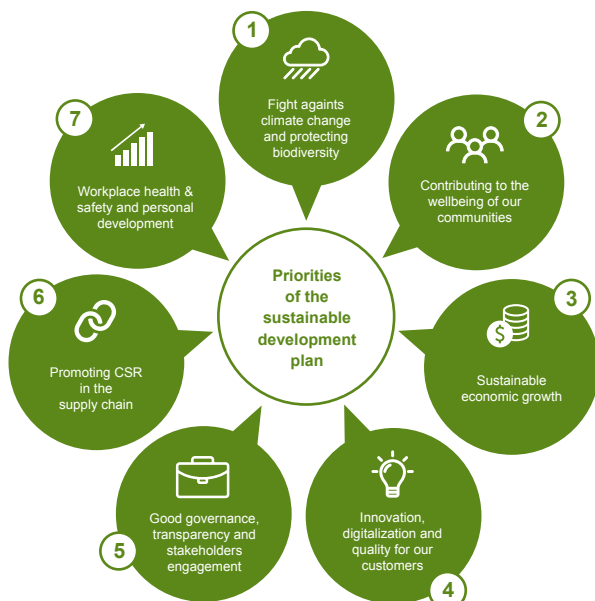
The corporate Sustainable Development Committee and the Sustainable Development Committees of the country subholding companies coordinate social responsibility within the Iberdrola group. The Board of Directors’ Sustainable Development Committee performs the work of supervision within its purview.

“Responsible Energy for People” Plan

The most significant contributions towards achieving the SDGs are focused around two major foundations that inspire our actions:

- **We care for the planet**, putting ourselves in the lead of the process of transition in the energy sector.
- **We contribute to the well-being and progress of the societies** of all the territories in which we are present.

Iberdrola’s commitment has taken shape through various lines of work that cover more than 300 environmental, social and economic activities, thus responding to the expectations and needs of our Stakeholders, encompassed within 7 priorities.



External awards/recognitions

Only European electric utility included for the past 20 years	Dow Jones Sustainability Indices 20 th Anniversary In collaboration with SAM
Only Spanish electric company selected in 2020 as one of the 100 most sustainable companies in the world.	GLOBAL100
A rating in CDP Climate Change.	CDP DRIVING SUSTAINABLE ECONOMIES
Iberdrola chosen as CDP Supplier Engagement Leader	CDP SUPPLIER LEADER 2020
Iberdrola selected AAA	MSCI
Iberdrola selected in various Euronext Vigeo Eiris indices.	Euronext vigeo eiris
Classified as “Silver Class” in the electricity sector.	SAM Sustainability Award Silver Class 2019
Leader among Spanish utilities in various reports: electricity, gas and water.	merco
Iberdrola classified as Prime.	Corporate Responsibility Prime ISS Eekom
Iberdrola classified as the top utility in the world in report on status of sustainability reporting 2019.	eCoact
Iberdrola among top 25 scoring companies.	IM InfluenceMap
Iberdrola among the top four utilities.	EI NEW ENERGY GREEN UTILITIES REPORT
Only Spanish electrical utility included in all editions	ENI Sustainability Award
Iberdrola selected in various sustainability indices.	ECPI Sense in sustainability
Iberdrola selected for the Emission Transparency Index.	ET ENGAGED TRACKING