



5.1 Governance and Sustainability System

Always in the lead of international best practices, Iberdrola's former Corporate Governance System has evolved, based on ESG standards, with the contents being reordered to emphasis environmental performance, social commitment and best corporate governance practices. Particularly notable is the new pioneering Inclusion and Diversity Policy.

Board of Directors

Position	Director	Status	Date of last appointment	Expiry of mandate
Chairman & CEO	José Ignacio Sánchez Galán (Salamanca, Spain, 1950)	Executive	29-03-2019	29-03-2023
Vice-Chair and Lead Independent Director	Juan Manuel González Serna (Madrid, Spain, 1955)	Independent	31-03-2017	31-03-2021
Member	Íñigo Víctor de Oriol Ibarra (Madrid, Spain, 1962)	Other external	02-04-2020	02-04-2024
Member	Samantha Barber (Dunfermline, Fife, Scotland, United Kingdom, 1969)	Other external	02-04-2020	02-04-2024
Member	María Helena Antolín Raybaud (Toulon, France, 1966)	Independent	29-03-2019	29-03-2023
Member	José Walfredo Fernández (Cienfuegos, Cuba, 1955)	Independent	29-03-2019	29-03-2023
Member	Manuel Moreu Munaiz (Pontevedra, Spain, 1953)	Independent	29-03-2019	29-03-2023
Member	Xabier Sagredo Ormaza (Portugalete, Spain, 1972)	Independiente	29-03-2019	29-03-2023
Director – Business CEO	Francisco Martínez Córcoles (Alicante, Spain, 1956)	Executive	31-03-2017	31-03-2021
Member	Anthony L. Gardner (Washington, D.C., U.S.A., 1963)	Independent	13-04-2018	13-04-2022
Member	Sara de la Rica Goiricelaya (Bilbao, Spain, 1963)	Independent	29-03-2019	29-03-2023
Member	Nicola Mary Brewer (Taplow, United Kingdom, 1957)	Independent	02-04-2020	02-04-2024
Member	Regina Helena Jorge Nunes (São Paulo, Brazil, 1965)	Independent	02-04-2020	02-04-2024
Member	Ángel Acebes Paniagua (Ávila, Spain, 1958)	Independent	20-10-2020	2021 General Shareholders' Meeting

**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.**



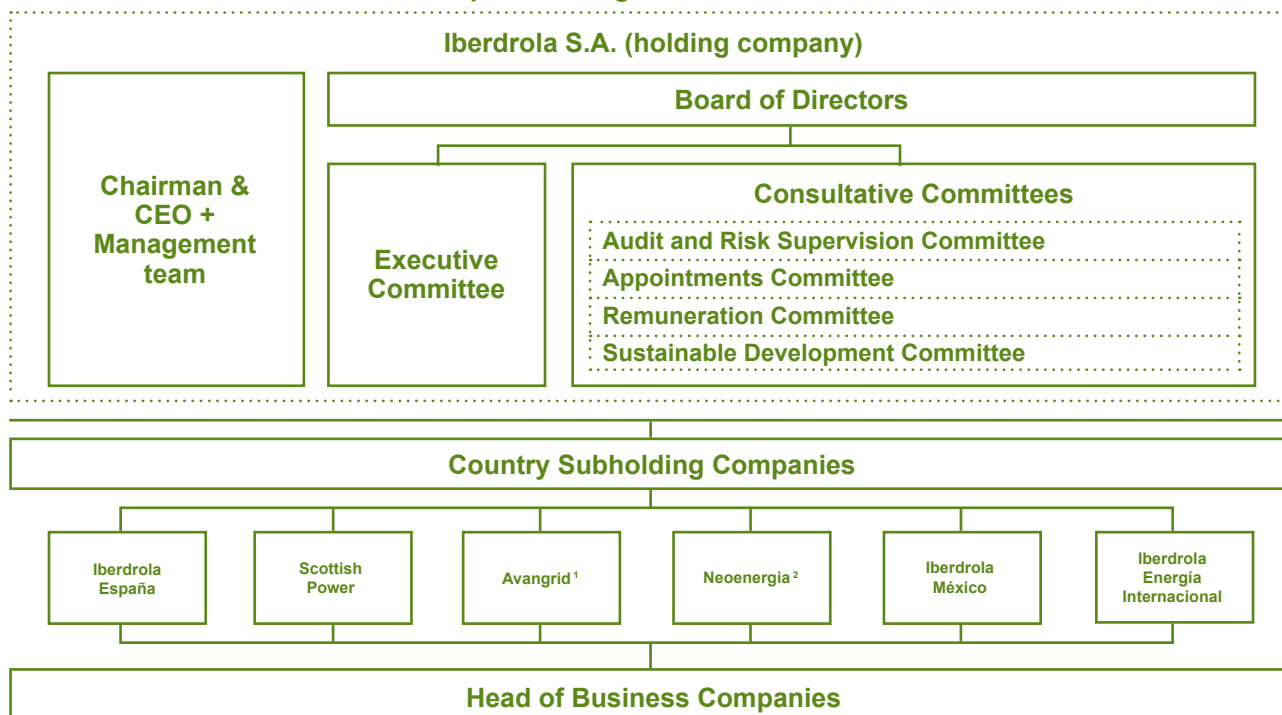
Corporate and governance structure

The Iberdrola group is structured on three levels that differentiate the functions of strategy, supervision and control of the group as a whole (attributed to the holding company), those of organization and coordination with regard to the countries (corresponding to the country subholding companies) and those of the administration and effective management of each of the businesses (within the purview of the head of business companies).

It is based on a system of checks-and-balances that avoids an accumulation of power:

- Iberdrola's Board of Directors, made up of a large majority of independent directors (one of whom is the vice-chairman and lead independent director), focuses its activity on the determination, supervision and monitoring of the policies, strategies and general guidelines of the Iberdrola group. Especially important is the supervision of the development and application by the group companies of the new Governance and Sustainability System.
- 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 to the head of business companies.
- 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 of the businesses. They also have boards of directors, which include independent directors, and specific management teams.

Corporate and governance structure



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

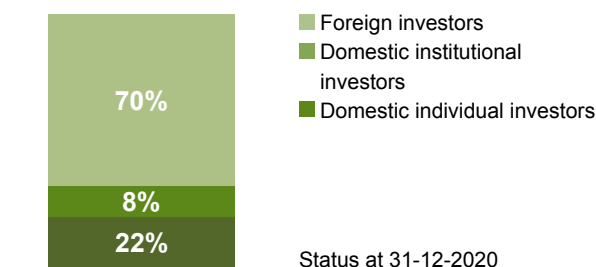
(2) Company listed on the New Market segment of BOVESPA (Brazil).



Ownership 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 70% of the capital.



Iberdrola in the vanguard of governance and sustainability

Strategy

The key elements defining Iberdrola's governance and sustainability strategy are:

- Environmental performance.
- The promotion of diversity, inclusion, equal opportunity and excellence at all levels.
- Shareholder engagement.
- Active listening to the legitimate interests of the Stakeholders.
- Social dividend and contribution to the Sustainable Development Goals.
- Zero tolerance towards corruption and fraud.
- Prudent and balanced management of risks.

Continuous improvement of its corporate governance rules and practices

On corporate governance matters, the Company looks to the *Good Governance Code of Listed Companies*, updated by the CNMV in June 2020, and generally accepted practices in the international markets.

The aim of the Diversity and Inclusion Policy is to achieve a favourable environment that facilitates and enhances diversity and inclusion among the group's professionals.

Remuneration policy

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

Executive directors' variable remuneration tied to financial and non-financial targets.

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

Operation of the Board

71.4% of the directors are independent.

System of checks and balances, including the vice-chairman and lead independent director.

Gender diversity: five women on the Board, two of whom chair board committees.

Diversity of skills, experience, nationality and origin.

Annual evaluation of the governance bodies with the participation of an independent expert.

Sustainable Development and Corporate Reputation

Sustainable Development Committee.

Monitoring of the group's strategy and performance on sustainable development and ESG objectives.

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

Value creation for Stakeholders and reputation of the Company.



Commitment to shareholders and investors

- The Iberdrola group has a industrial and financial model based on balanced growth, focused on the networks businesses, renewables and long-term contracted assets, focused on the achievement of targets that combine financial, environmental and social results.
- 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.
- The company encourages shareholders' participation throughout the year, especially at the General Shareholders' Meeting.



All the resolutions of the 2020 General Shareholders' Meeting were approved with a majority vote in favour of the Board of Director's proposals.

Remuneration policy

- The current Director Remuneration Policy was approved by the shareholders at the General Shareholders' Meeting.
- Director remuneration is aligned with strategic objectives and shareholder return.

Remuneration model for the Board of Directors

Type of remuneration	External (non-executive) directors	Executive directors
Fixed.	According to their duties.	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 2021

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

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

- Net profit.
- Financial strength.
- Total shareholder return.
- Sustainable Development Goals (fight against climate change, boost sustainability in the supply chain and commitment to salary equality between men and women).



Main activities of the Board of Directors

Key topics in 2020

Balanced growth	Review and presentation of results: level of achievement of the Outlook.
	Approval of the budgets for financial year 2021 .
	Performance and expectations of each of the businesses of the group.
	Analysis of the impacts of the measures taken to fight the COVID-19 pandemic .
	Opportunities for investment in strategic markets: PNM Resources (United States), Infigen Energy (Australia), Aalto Power (France), Acacia Renewables (Japan), Svea Vind Offshore (Sweden).
Sustainable remuneration of shareholders	Shareholder remuneration in line with <i>Outlook 2018-2022</i> .
	Implementation of the <i>Iberdrola Flexible Remuneration</i> optional dividend system and renewal for the next year.
Sustainability	Review of the risks and opportunities deriving from Climate Change .
	Publication of the Statement of Non-Financial Information. Sustainability Report .
	Monitoring of the targets for the reduction of greenhouse gas emissions .
	Supervision of the group's activities having an impact on Stakeholders , and alignment with the Sustainable Development Goals .
	Approval of the new <i>Diversity and Inclusion Policy</i> .
	Modification of the <i>General Sustainable Development Policy</i> and of the <i>Human Resources Framework Policy</i> .
	Publication of the <i>Fiscal Transparency Report</i> .
	Publication of the <i>Diversity and Inclusion Report</i> .
Financial strength	Approval of major financial transactions , prioritising the issuance of green bonds .
	Monitoring of key financial indicators .
	Disposal of non-strategic assets: sale of the equity interest in Siemens Gamesa Renewable Energy S.A.



Control of corporate risks	Review and update of Risk Policies and approval of guidelines on risk limits.
	Monitoring of risk control and management systems and of level of compliance with the Corporate Tax Policy .
	Proposal to re-elect the statutory auditor and appointment of the provider assuring the Statement of Non-Financial Information .
Corporate governance and compliance	Reordering of the Corporate Governance System and transition to the Governance and Sustainability System , based on environmental, social and corporate governance standards (ESGs).
	Holding of a fully remote General Shareholders' Meeting .
	Appointment and re-election of directors .
	Selection and composition of the governance bodies .
	Proposals for the appointment of independent directors at the various country subholding companies.
	Adaptation of the Corporate Governance System (now the Governance and Sustainability System) to the update of the CNMV's Good Governance Code of Listed Companies .
	Remuneration of the Board of Directors and of senior management.
	Monitoring of contacts with shareholders .

The main objective of Iberdrola's Board of Directors is to establish, supervise and implement the strategy of the company and its group; and to continuously review and update its **Governance and Sustainability System**, and particularly its corporate policies.