

ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR-END DATE

31.12.2020

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Company name: Company name: IBERDROLA, S.A.

Registered Office: Plaza Euskadi número 5, Bilbao 48009 Biscay, Spain

ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

A REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

Such specific determinations for the current year as the board may have made in accordance with the contracts signed with the executive directors and with the remuneration policy approved by the General Shareholders' Meeting must be described, as regards directors' remuneration both in their capacity as such and for executive functions carried out.

In any case, the following aspects must be reported, as a minimum:

- Description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.
- Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.
- Information on whether any external advisors took part in this process and, if so, their identity.

Pursuant to Article 48.1 of the By-Laws, the overall limit to the amounts allocated by Iberdrola, S.A. ("Iberdrola" or the "Company") to the directors each year as remuneration, including, in the case of executive directors, remuneration payable for performing executive duties, as well as the funding of a reserve to meet the liabilities assumed by the Company in connection with pensions, payment of life and casualty insurance premiums, payment of severance to former and current directors, and the operating expenses of the Board of Directors and of its committees, is a maximum of 2% of the consolidated group's profit for the financial year, after allocations to cover the legal and other mandatory reserves and after declaring a dividend to the shareholders of not less than 4% of the share capital. In 2020, said amount came to 17,000 thousand euros (in financial year 2019, it also came to 17,000 thousand euros).

For the purpose of establishing such limit, the quoted price of shares or options thereon or remuneration indexed to the listing price of the shares shall not be calculated, which remuneration shall in all cases require the approval of the shareholders at a General Shareholders' Meeting.

The Director Remuneration Policy must be submitted by the Board of Directors, upon a proposal of the Remuneration Committee, for the approval of the shareholders at the General Shareholders' Meeting. The current Policy was approved by the shareholders at the General Shareholders' Meeting held on 13 April 2018. The Board of Directors shall propose to the shareholders at the General Shareholders' Meeting to be held in 2021 the approval of a new policy.

The Policy considers talent, efforts, creativity and leadership to be the main differentiating elements in the energy industry, and thus seeks to retain, attract and reward the most competent professionals. All of the foregoing is in order to maximise the social dividend and shareholder return and to contribute to the achievement of the Company's strategic objectives.

As regards external directors, the Director Remuneration Policy seeks to remunerate the directors appropriately in recognition of their dedication and the responsibility they assume, while also being in line with the market remuneration paid at companies of a similar nature.

As far as executive directors are concerned, the Director Remuneration Policy follows the same standards as those of the Senior Management Remuneration Policy and shares the same principles and guidelines as those of the remuneration policy for all of the Company's professionals. The main principles governing the remuneration of the executive directors are: (i) ensure that the overall structure and amount of their remuneration complies with best practices and is competitive compared to the remuneration paid by comparable entities at the domestic and international levels; (ii) establish remuneration with objective standards in relation to individual performance and achievement of the business objectives; (iii) include a significant annual variable component linked to performance and to the achievement of specific, pre-determined, quantifiable objectives aligned with the company interest and its strategic objectives, taking into account economic/financial, operational/industrial and other parameters relating to the Sustainable Development Goals; (iv) strengthen and incentivise the achievement of the Company's strategic objectives through the use of long-term incentives; and (v) establish suitable limits on variable remuneration and mechanisms for the Company to be able to obtain the reimbursement of the variable components if the payment thereof does not conform to the conditions for payment.

No external advisor has participated in the preparation of the current Director Remuneration Policy.

- Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between the fixed and variable components of the remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, which will include, as the case may be, mention of the measures taken to ensure that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest.

Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any clause has been agreed reducing the deferred remuneration not yet vested or obliging the director to return remuneration received, when such remuneration has been based on figures that have since been clearly shown to be inaccurate.

The final structure of the “remuneration mix” of executive directors is based on an evaluation of the performance of said directors by the Board of Directors, upon a proposal of the Remuneration Committee, as well as the change in value of any shares to be delivered in payment of the multi-annual variable remuneration.

Annual and multi-annual variable remuneration is linked to the performance of the executive directors with respect to economic/financial, operational/industrial and other parameters relating to the Sustainable Development Goals. Performance is evaluated by the Board of Directors, upon a proposal of the Remuneration Committee. This Committee is in turn customarily advised by an independent firm that evaluates such performance.

Multi-annual variable remuneration in shares approved by the shareholders at the General Shareholders’ Meeting relates to the performance of the executive directors and of the Company itself over a three-year period, and does not accrue until the Board of Directors performs the corresponding evaluation at the end of said period. Any payment thereof is deferred over the next three years.

Prior to payment, all deferred variable remuneration requires a report from the Remuneration Committee confirming that the rationale supporting such deferred variable remuneration still applies. If there is a circumstance that subsequently requires a correction of the parameters taken into consideration during the initial evaluation, the Board of Directors will decide whether to cancel payment of the deferred variable remuneration in whole or in part (malus clause), and even to demand the total or partial return of amounts already paid (claw-back).

- Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.

For financial year 2021, the Board of Directors, upon a proposal of the Remuneration Committee, has unanimously resolved to maintain the fixed remuneration and the amounts set as attendance fees. These amounts have been frozen since 2008.

Fixed remuneration of the directors for belonging to the Board of Directors and to the committees thereof based on the position held in each case was as follows:

- Chairman of the Board of Directors: 567 thousand euros.
- Vice-chair of the Board of Directors and chairs of the consultative committees: 440 thousand euros.
- Members of the committees: 253 thousand euros.
- Members of the Board of Directors: 165 thousand euros.

Attendance fees received by the directors for attending the meetings of the Board of Directors and of the committees thereof, based on the position held in each case, were as follows:

- Chairman and vice-chair of the Board of Directors and chairs of the committees: 4 thousand euros.
- Members of the Board of Directors and of the committees: 2 thousand euros.

- Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

The Board of Directors has resolved to maintain the fixed remuneration for the performance of executive duties of the chairman & CEO for financial year 2021 at 2,250 thousand euros. It has also resolved to maintain the fixed remuneration of the Business CEO for said financial year at 1,000 thousand euros.

- Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The Company pays the premiums under insurance policies that it has taken with certain insurance companies for the coverage of the death or disability of directors caused by accidents, and the Company itself assumes coverage of benefits for the death or disability of directors due to natural causes. Other remuneration in kind is not significant and basically covers the electricity rate and health and casualty insurance. The estimated cost of all remuneration in kind will be similar to the cost reflected in section B.14 of this Report.

- Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.

Indicate the range, in monetary terms, of the different variable components according to the degree of fulfilment of the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

The only directors that receive variable remuneration are the executive directors. For 2021, the Board of Directors has resolved to maintain the maximum limit on the annual variable remuneration of the chairman & CEO at the same level as in 2020 (3,250 thousand euros), as well as the maximum limit on that of the Business CEO (1,000 thousand euros).

Set forth below are the parameters and objectives to which the annual variable remuneration is linked. Said parameters are in line with the 2020-2025 Outlook presented at the Capital Markets Day held on 5 November 2020.

The parameters for the chairman & CEO will include:

Economic/financial objectives:

- Exceed net profit for the preceding financial year.
- Increase shareholder remuneration in line with the growth in net profit.
- Maintain financial strength in the FFO/NET DEBT ratio at year-end 2020.

Sustainable development objectives:

- Continuous increase of female presence in significant positions.
- Presence on international indices (Dow Jones Sustainability Index, FTSE4Good, World's Most Ethical Company, etc.).
- Exceed ratio of training hours received per employee over that of comparable companies.

The Remuneration Committee may also consider other parameters for the evaluation of the chairman & CEO. The relative weight of the economic/financial objectives will be around 50%; the other 50% will correspond to parameters related to the Sustainable Development Goals.

For the Business CEO, approximately 50% of his benchmark parameters will be related to economic/financial objectives (including net profit and cost efficiencies). The other parameters will be related to objectives linked to growth (installed capacity and portfolio of projects).

The Remuneration Committee may also consider other parameters for the evaluation of the Business CEO.

The Board of Directors will evaluate performance in relation to the aforementioned parameters based on a proposal to be made thereto by the Remuneration Committee, which may be advised by an independent expert, which will take into account the individual performance of each of the executive directors. In any event, payment of said annual variable remuneration is made once the annual accounts have been prepared by the Board of Directors and subsequently audited.

In addition, at the General Shareholders' Meeting held on 2 April 2020 the shareholders approved the 2020-2022 Strategic Bonus as long-term incentive linked to the Company's performance in relation to certain parameters, to be paid by delivery of shares, in accordance with the following guidelines:

- Beneficiaries: a maximum of 300, including executive directors.
- Parameters: (i) substantial increase in net profit; (ii) comparative increase in total shareholder return; (iii) improvement in financial strength; and (iv) parameters related to the Sustainable Development Goals (average intensity of CO₂ emissions, suppliers subject to sustainable development policies and standards, and salary gap between women and men).
- Maximum number of shares to be delivered: 14,000,000, equal to 0.22% of the share capital at the time of approval of the resolution.
- Maximum number of shares to be delivered to all of the executive directors: 2,500,000 shares (a maximum of 1,900,000 shares in the case of the chairman & CEO and 300,000 shares in the case of the Business CEO).
- Duration: evaluation period 2020-2022 and payment period 2023-2025, in three equal instalments each year.
- Annual verification by the Remuneration Committee, prior to each of the payments, that the circumstances leading to the accrual thereof remain in effect. The first payment will be made after the annual accounts have been prepared by the Board of Directors, audited, and approved by the shareholders at the General Shareholders' Meeting. In any event, the evaluation of performance in relation to the aforementioned benchmark parameters will be carried out with the assistance of an independent expert.

- Possible cancellation of pending payments and reimbursement of the shares delivered (*malus* clause and claw-back).

The second delivery of shares corresponding to the payment of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting held on 31 March 2017 will take place during financial year 2021 upon the terms described in section B.3 of this Report.

- Main characteristics of long-term savings schemes. Among other information, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director.

Indicate whether the accrual or vesting of any of the long-term savings plans is linked to the attainment of certain objectives or parameters relating to the director's short- or long-term performance.

The Company has no commitment to any long-term defined-contribution, defined-benefit retirement or savings system for any director.

- Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.

External non-proprietary directors who cease to hold office prior to the expiration of the term to which they were appointed, if such cessation is not the consequence of a breach attributable thereto or exclusively due to the director's own decision, may not hold office in management decision-making bodies of companies within the energy industry or of other competitor companies or participate in any other way in the management thereof or in the provision of advice thereto for the remaining term of their appointment (with a maximum of two years).

Non-executive directors who cease to hold office due to the provisions of the succession plan included in the General Corporate Governance Policy shall not be subject to any non-compete commitment, nor shall they have the right to receive any compensation for the cessation from office. This right shall also not be held by directors who cease to hold office voluntarily or as a result of a breach of their duties. In other cases, the compensation to which external non-proprietary directors would be entitled for the non-compete commitment shall be equal to 90% of the fixed amount that the director would have received for the remainder of the director's term (assuming that the annual fixed amount that the director receives at the time of cessation from office is maintained), with a maximum equal to two times 90% of such annual fixed amount.

- Indicate the conditions that contracts of executive directors performing senior management functions as executive directors. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

Contracts with new executive directors and with the members of senior management include, as from 2011, maximum severance pay equal to two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This is the system applicable to the Business CEO, who was appointed as a director by the shareholders at the General Shareholders' Meeting held on 31 March 2017.

In 2000, the Company also included clauses in the contracts with its key officers providing for severance pay of up to five times annual salary in order to achieve an effective and sufficient level of loyalty. Subsequently, in 2001, when the current chairman & CEO joined the Company, he received the treatment in effect for such officers. In the case of the chairman & CEO, he is currently entitled to three times annual salary as severance pay.

The Board of Directors has analysed this situation and has found that, taking into account the average age of the affected group and the low likelihood of the guarantees being enforced, the amount of the contingency would gradually decrease over time, resulting in payments far smaller than any alternative consisting of a reduction in the agreed severance payments.

Furthermore, the contracts with executive directors in all cases establish a duty not to compete with respect to companies and activities that are similar in nature to those of the Company during the term of their relationship with the Company and for a maximum period of between one to two years thereafter. In consideration for this commitment, the executive directors are entitled to a severance payment equal to the remuneration for such periods.

Other basic conditions of contracts with executive directors are: (i) indefinite duration; (ii) strict compliance with the rules and provisions of the Company's Governance and Sustainability System; (iii) confidentiality and commitment to return documents in the event of termination of the contractual relationship; (iv) general advance notice period of three months before termination.

- The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered other than those inherent in their position.

There is no supplementary remuneration.

- Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.

None.

- The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.

The Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 13 April 2018 provides that executive directors and officers of the group who hold the position of director at companies that are not wholly owned either directly or indirectly by Iberdrola may receive remuneration corresponding to the position from said companies in accordance with their corporate governance rules on the same terms as the other directors.

Along these lines, it is estimated that during 2021 the chairman & CEO will receive an amount similar to the amount set forth in section C of this Report for his positions as chairman of the boards of directors of Neoenergia, S.A. and Avangrid, Inc.

A.2 Explain any significant change in the remuneration policy applicable in the current year resulting from:

- A new policy or an amendment to the policy already approved by the General Meeting.
- Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- Proposals that the Board of Directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and for which it is proposed that they be applicable to the current year.

There are no significant changes in the Director Remuneration Policy as compared to prior financial years. The current Policy was approved by the shareholders at the General Shareholders' Meeting held on 13 April 2018.

It is the responsibility of the Board of Directors to propose to the shareholders at the General Shareholders' Meeting to be held in 2021 the approval of a new Director Remuneration Policy.

A.3 Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.

<https://www.iberdrola.com/corporate-governance/governance-sustainability-system/corporate-governance-policies/director-remuneration-policy>

A.4 Explain, taking into account the data provided in Section B.4, how account has been taken of the voting of shareholders at the General Shareholders' Meeting to which the annual report on remuneration for the previous year was submitted on a consultative basis.

Iberdrola maintains continuous contact with both its individual and institutional shareholders. The Activities Report of the Board of Directors and of the Committees thereof reports on the practical development of the Shareholder Engagement Policy. The Annual Director Remuneration Report 2019 received the support of a broad majority in the consultative vote at the General Shareholders' Meeting held on 2 April

2020. The proposal of the Board of Directors regarding the Director Remuneration Policy was submitted to a binding vote of the shareholders at the General Shareholders' Meeting held on 13 April 2018 and also received widespread support at said meeting.

B OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR LAST ENDED

B.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last ended.

As provided in Iberdrola's Governance and Sustainability System, the Board of Directors, upon a proposal of the Remuneration Committee, is the body with power to set the remuneration of directors, except the remuneration consisting of the delivery of shares of the Company or of options thereon or which is indexed to the price of the shares of Iberdrola, which must be approved by the shareholders acting at a General Shareholders' Meeting.

The Remuneration Committee, which met on 11 occasions during financial year 2020, is comprised of the following as at the date of this report:

- Mr Juan Manuel González Serna (chair, independent)
- Mr Iñigo Víctor de Oriol Ibarra (member, other external)
- Mr Manuel Moreu Munaiz (member, independent)
- Mr Rafael Mateu de Ros Cerezo (secretary, non-member)

In all of their decision-making processes, the Remuneration Committee and the Board of Directors have received information and advice from the internal services of the Company and from expert external consultants in this area, taking into consideration the most demanding remuneration recommendations and policies at the international level. In particular, the advice of "PricewaterhouseCoopers Asesores de Negocios, S.L." ("**PwC Asesores**") was relied upon in 2020 to evaluate the performance of the executive directors during the financial year. A benchmark analysis of the remuneration paid by the Company compared to the remuneration paid to executive directors by other companies has also been performed internally. A summary thereof is included in section D of this Report.

The proposal determining the individual remuneration of each executive director was submitted by the Remuneration Committee to the Board of Directors at its meeting of 23 February 2021.

B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks and aligning it with the long-term objectives, values and interests of the company, including a reference to the measures adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued and that an appropriate balance has been attained between the fixed and variable components of the remuneration, the measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile and the measures in place to avoid any possible conflicts of interest.

Reference to section A.1 of this Report.

B.3 Explain how the remuneration accruing and vested during the year complies with the provisions of the current remuneration policy.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, if applicable, how variations in the company's performance have influenced changes in director's remuneration, including any accrued remuneration payment of which has been deferred, and how such remuneration contributes to the short- and long-term results of the company.

The remuneration accrued in financial year 2020 fully conforms to the current Director Remuneration Policy. In this regard: (i) it does not exceed the overall limit established by article 48.1 of the By-Laws; (ii) it has been formulated and approved by the competent decision-making bodies following the prescribed procedure; (iii) it respects the remuneration principles and structure provided by the Director Remuneration Policy; and (iv) the annual fixed remuneration to be paid to the directors does not exceed the limits set forth in the Policy.

The annual variable remuneration accrued by the executive directors for the performance of their executive duties during financial year 2020 has taken into account as a reference the parameters and objectives identified in the Annual Director Remuneration Report approved by the shareholders on a consultative basis at the General Shareholders' Meeting held on 2 April 2020. Furthermore, this remuneration is consistent with the parameters, indicators and objectives set out at the Capital Markets Day held on 5 November 2020. The Board of Directors, at the proposal of the Remuneration Committee, considers that the results for the financial year 2020 are fully satisfactory and have been achieved in extremely complex and adverse circumstances. Therefore, the annual variable remuneration of the chairman & CEO and the Business CEO has reached 100% of the maximum amount contemplated in the aforementioned Annual Director Remuneration Report.

The Company's performance is summarised below:

- The Company's net profit in financial year 2020 was 3,611 million euros, 4.2% over the last financial year.
- As regards shareholder remuneration, during the financial year 0.405 euro per share was distributed with a charge to 2019 profits, an increase of 13.8% over the prior financial year.
- The group's solvency level has been maintained for the three credit rating agencies, with a stable outlook in each of the three cases (Moody's (Baa1), Standard & Poor's (BBB+) and Fitch (BBB+)) and the FFO/Net Debt ratio at year-end 2020 was 23.5%. Recently, Standard & Poor's recognised that Iberdrola's business model, as a "leader in the energy transition", would make it worthy of a BBB+ credit rating, even with lower ratios than other electric utilities.
- Net Operating Expenses (NOE) of the group decreased to 4,314 million euros, lower than the amount budgeted for 2020 and recorded in 2019.
- Renewable energy projects already under construction or secured for placement into service between 2020 and 2025 exceed 17,400 MW.
- Total gross investment during the year was 9,246 thousand euros, an increase of 13% over the prior year. In particular, during 2020 there was gross investment of 3,614 million euros in the Networks Businesses, 4,760

million euros in the Renewables Business (an increase of 43% compared to the previous year), and 721 million euros in the Liberalised Business.

- Major corporate transactions were also approved during the year, including the agreement to integrate the U.S. company PNM Resources with Avangrid, the award of the purchase of the Brazilian distributor CEB-D by Neoenergia, and the acquisition of the Australian company Infigen. The Group has also expanded into other markets like Sweden and Japan with the acquisition of offshore wind portfolios.
- Significant positions in management held by women among the companies of the group continued to increase, representing 22.7% of the total by year-end 2020.
- In line with the trend in recent years, during financial year 2020 IBERDROLA kept its presence on the main sustainability indices (Dow Jones Sustainability Index, FTS4Good, World's Most Ethical Companies, Global 100, CDP Climate Change (Classification A-), RobecoSam Sustainability Awards (Silver Class), Bloomberg Gender Equality Index, MSCI Global Sustainability Index (AAA)). Iberdrola has also been included by Brand Finance among the 500 most valuable brands globally.
- 3,800 employees worldwide have joined the group.
- Training hours per employee provided in 2020 were approximately four times the hours provided at comparable companies.
- Other milestones include: i) the commencement of green hydrogen activities by the company, including the signing of an agreement with Fertiberia; ii) the startup of the 714 MW East Anglia One wind farm; iii) the signing of a power purchase agreement (PPA) for the 804 MW Park City Wind wind farm, in the United States; iv) more than 14,000 million euros in purchases from more than 22,000 suppliers, giving them the visibility required to maintain their business activities in the current economic context; v) the presentation of Outlook 2020-2025, with a record investment plan of 75,000 million euros, the objectives of which have already been achieved in advance; vi) issues of 5,500 million euros of financing underwritten during the year, of which 2,500 million euros correspond to green financing and 3,000 million euros to hybrid bonds; vii) the Company's public commitment to the fight against climate change and the energy transition, as shown by its significant presence in Climate Week; and viii) as a result of all of the foregoing, the 27.5% increase in the share price, more than 18 points above the Eurostoxx Utilities index and 40 points above the IBEX-35.

B.4 Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes against, if any:

| | Number | % of total |
|------------|---------------|------------|
| Votes cast | 4,971,540,894 | 77.04 |

| | Number | % of votes cast |
|-----------------|---------------|-----------------|
| Votes against | 382,780,396 | 7.70 |
| Votes in favour | 4,369,117,158 | 87.90 |
| Abstentions | 218,890,240 | 4.40 |

| Remarks |
|---------------------------------|
| There were 753,100 blank votes. |

B.5 Explain how the fixed components accrued and vested during the year by the directors in their capacity as such were determined and how they changed with respect to the previous year.

The remuneration of the directors in their capacity as such has been approved in accordance with the Director Remuneration Policy. Fixed remuneration as well as remuneration corresponding to membership on committees of the Board of Directors and attendance fees are established by the Board of Directors, upon a proposal of the Remuneration Committee, and are set forth in the Annual Director Remuneration Report. They have remained unchanged since 2008.

B.6 Explain how the salaries accrued and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.

The salaries accrued by each of the executive directors during 2020 are determined by the Board of Directors upon a proposal of the Remuneration Committee in accordance with the provisions of the Director Remuneration Policy and correspond to the provisions established in the Annual Director Remuneration Report approved by the shareholders on a consultative basis at the General Shareholders' Meeting held on 2 April 2020.

The fixed remuneration comes to 2,250 thousand euros in the case of the chairman & CEO and to 1,000 thousand euros in the case of the Business CEO. These amounts have not changed compared to the past year.

B.7 Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and vested in the year last ended.

In particular:

- Identify each of the remuneration plans that determined the different types of variable remuneration accrued by each of the directors in the year last ended, including information on their scope, date of approval, date of implementation, any vesting conditions that apply, periods of accrual and validity, criteria used to evaluate performance and how this affected the establishment of the variable amount accrued, as well as the measurement criteria used and the time needed to be able to adequately measure all the conditions and criteria stipulated, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.

- In the case of share options and other financial instruments, the general characteristics of each plan must include information on the conditions both for acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period.
- Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).
- Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

| Explain the short-term variable components of the remuneration systems |
|---|
| <p>The only directors that are entitled to short-term variable remuneration are the executive directors. In this regard, section B.3 above describes their annual variable remuneration, the relation thereof to the Company's performance, and the performance of each of them with respect to the objectives and parameters contained in the Annual Director Remuneration Report approved by the shareholders on a consultative basis at the General Shareholders' Meeting.</p> |

| Explain the long-term variable components of the remuneration systems |
|--|
| <p>The evaluation period for purposes of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting held on 31 March 2017 finished on 31 December 2019. At its meeting of 1 April 2020, the Board of Directors, upon a proposal from the Remuneration Committee, considered that the objectives to which said multi-annual variable remuneration was linked had been fully achieved, for which reason the maximum number of shares contemplated should be allocated to each of the executive directors. The Remuneration Committee relied on the advice of PWC Asesores for these purposes. The first of the three deliveries of shares took place on 3 April 2020 after the approval of the annual accounts by the shareholders at the General Shareholders' Meeting held on 2 April 2020, on the terms and conditions set forth in section C.1.a (ii) of this Report. A summary explaining the level of fulfilment of these objectives is available in section D.</p> <p>In this respect, it should be noted that the increase in multi-annual variable remuneration is mainly due to the increase in the price of the shares delivered compared to the price in previous years. In this regard, the Company's capitalisation increased during this period from 39,712 million euros to 58,404 million euros as at 31 December 2019, an increase of 47%. In short, this item of remuneration is consistent with its purpose: to align the interests of executive directors with those of shareholders.</p> <p>The Director Remuneration Policy provides that they may not transfer ownership of the shares received for a period of 3 years unless they are the direct or indirect holders of a number of shares equal to two times their annual fixed remuneration or unless the Board of Directors so approves under exceptional circumstances.</p> |

B.8 Indicate whether certain variable components have been reduced or clawed back when, in the former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the “malus” (reduction) or clawback clauses, why they were implemented and the years to which they refer.

This has not occurred.

B.9 Explain the main characteristics of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit, whether financed in whole or in part by the company or through internal or external contributions, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies covered, the conditions on which the economic rights vest in favour of the directors and their compatibility with any type of indemnification for early termination or cessation of the contractual relationship between the company and the director.

The company does not currently have any long-term savings scheme.

B.10 Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended.

There have been no severance pay or payments deriving from early cessation.

B.11 Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, if so, explain them. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

The terms and conditions of the chairman & CEO's contract have been extended for the duration of the mandate approved by the shareholders on occasion of his re-election (2019-2023).

B.12 Explain any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.

No supplementary remuneration has accrued.

B.13 Explain any remuneration deriving from advances, loans or guarantees granted, indicating the interest rate, their key characteristics and any amounts returned, as well as the obligations assumed on their behalf by way of guarantee.

None.

B.14 Itemise the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the various salary components.

Remuneration in kind for all members of the Board of Directors is not significant and has not exceeded 137 thousand euros (mainly the employee electricity rate and health and casualty insurance).

B.15 Explain the remuneration accrued by any director by virtue of payments made by the listed company to a third company in which the director provides services when these payments seek to remunerate the director's services to the company.

None.

B.16 Explain any item of remuneration other than the foregoing, whatever its nature or the group company paying it, especially when this is considered a related party transaction or its settlement distort the true and fair picture of the total remuneration accrued by the director.

The chairman of the Board of Directors has received remuneration as chairman of the Boards of Directors of Avangrid, Inc. and of Neoenergia S.A. The amount of said remuneration is reflected in section C of this Report.

C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

| Name | Type | Period of accrual in year 2020 |
|---------------------------------|-------------------------|---------------------------------------|
| Mr JOSÉ IGNACIO SÁNCHEZ GALÁN | Executive Chairman | From 01/01/2020 until 31/12/2020 |
| Ms INÉS MACHO STADLER | Other External Director | From 01/01/2020 until 02/04/2020 |
| Mr IÑIGO VÍCTOR DE ORIOL IBARRA | Other External Director | From 01/01/2020 until 31/12/2020 |
| Ms SAMANTHA BARBER | Other External Director | From 01/01/2020 until 31/12/2020 |
| Ms MARÍA HELENA ANTOLÍN RAYBAUD | Independent Director | From 01/01/2020 until 31/12/2020 |
| Ms GEORGINA KESSEL MARTÍNEZ | Independent Director | From 01/01/2020 until 20/10/2020 |
| Ms DENISE MARY HOLT | Independent Director | From 01/01/2020 until 02/04/2020 |
| Mr JOSÉ WALFREDO FERNÁNDEZ | Independent Director | From 01/01/2020 until 31/12/2020 |
| Mr MANUEL MOREU MUNAIZ | Independent Director | From 01/01/2020 until 31/12/2020 |
| Mr XABIER SAGREDO ORMAZA | Independent Director | From 01/01/2020 until 31/12/2020 |
| Mr JUAN MANUEL GONZÁLEZ SERNA | Independent Director | From 01/01/2020 until 31/12/2020 |
| Mr FRANCISCO MARTÍNEZ CÓRCOLES | Executive Director | From 01/01/2020 until 31/12/2020 |
| Mr ANTHONY L. GARDNER | Independent Director | From 01/01/2020 until 31/12/2020 |
| Ms SARA DE LA RICA GOIRICELAYA | Independent Director | From 01/01/2020 until 31/12/2020 |
| Ms NICOLA MARY BREWER | Independent Director | From 02/04/2020 until 31/12/2020 |
| Ms REGINA HELENA JORGE NUNES | Independent Director | From 02/04/2020 until 31/12/2020 |
| Mr ÁNGEL JESÚS ACEBES PANIAGUA | Independent Director | From 20/10/2020 until 31/12/2020 |

C.1 Complete the following tables regarding the individual remuneration of each director (including remuneration received for performing executive duties) accrued during the year.

a) **Remuneration from the reporting company:**

i) **Remuneration accruing in cash (thousands of euros)**

| Name | Fixed remuneration | Per diem allowances | Remuneration for membership of board committees | Salary | Short-term variable remuneration | Long-term variable remuneration | Indemnification | Other items | Total in year 2020 | Total in year 2019 |
|---------------------------------|--------------------|---------------------|---|--------|----------------------------------|---------------------------------|-----------------|-------------|--------------------|--------------------|
| Mr JOSÉ IGNACIO SÁNCHEZ GALÁN | 567 | 100 | | 2,250 | 3,250 | | | 75 | 6,242 | 6,231 |
| Ms INÉS MACHO STADLER | 42 | 28 | 70 | | | | | 1 | 141 | 519 |
| Mr IÑIGO VÍCTOR DE ORIOL IBARRA | 165 | 56 | 88 | | | | | 5 | 314 | 310 |
| Ms SAMANTHA BARBER | 165 | 88 | 192 | | | | | 1 | 446 | 524 |
| Ms MARÍA HELENA ANTOLÍN RAYBAUD | 165 | 50 | 275 | | | | | 6 | 496 | 499 |
| Ms GEORGINA KESSEL MARTÍNEZ | 132 | 34 | 71 | | | | | 1 | 238 | 326 |
| Ms DENISE MARY HOLT | 42 | 14 | 22 | | | | | | 78 | 294 |
| Mr JOSÉ WOLFREDO FERNÁNDEZ | 165 | 40 | 88 | | | | | 1 | 294 | 294 |
| Mr MANUEL MOREU MUNAIZ | 165 | 70 | 88 | | | | | 2 | 325 | 315 |
| Mr XABIER SAGREDO ORMAZA | 165 | 62 | 275 | | | | | 3 | 505 | 474 |
| Mr JUAN MANUEL GONZÁLEZ SERNA | 165 | 94 | 275 | | | | | 2 | 536 | 486 |
| Mr FRANCISCO MARTÍNEZ CÓRCOLES | 165 | 18 | | 1,000 | 1,000 | | | 33 | 2,216 | 2,215 |
| Mr ANTHONY L. GARDNER | 165 | 34 | 88 | | | | | 1 | 288 | 284 |
| Ms SARA DE LA RICA GOIRICELAYA | 165 | 46 | 171 | | | | | 3 | 385 | 218 |
| Ms NICOLA MARY BREWER | 123 | 22 | 66 | | | | | 1 | 212 | |
| Ms REGINA HELENA JORGE NUNES | 123 | 26 | 66 | | | | | 1 | 216 | |
| Mr ÁNGEL JESÚS ACEBES PANIAGUA | 32 | 10 | 18 | | | | | 1 | 61 | 73 |

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

| Name | Name of Plan | Financial instruments at start of year 2020 | | Financial instruments granted during year 2020 | | Financial instruments vested during the year | | | | Instruments matured but not exercised | Financial instruments at end of year 2020 | |
|--------------------------------|-----------------------|---|--------------------------|--|--------------------------|--|-----------------------------------|------------------------|---|---------------------------------------|---|--------------------|
| | | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent / vested shares | Price of vested shares | Gross profit from vested shares or financial instruments (thousands of euros) | | No. of instruments | No. of instruments |
| Mr JOSÉ IGNACIO SÁNCHEZ GALÁN | 17-19 Strategic Bonus | 0 | 1,900,000 | 0 | 0 | 0 | 633,333 | €8.92 | 5,652 | 0 | 0 | 1,266,667 |
| | 20-22 Strategic Bonus | 0 | 1,900,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,900,000 |
| Mr FRANCISCO MARTÍNEZ CÓRCOLES | 17-19 Strategic Bonus | 0 | 300,000 | 0 | 0 | 0 | 100,000 | €8.79 | 879 | 0 | 0 | 200,000 |
| | 20-22 Strategic Bonus | 0 | 300,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 300,000 |

| Remarks |
|--|
| <p>The chairman & CEO received the first delivery of shares (633,333 in 2020) corresponding to the payment of the 2017-2019 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 31 March 2017. Each of the deliveries of said shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect.</p> <p>Pursuant to the provisions of the 2020-2022 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the evaluation of performance during the 2020-2022 period, to be paid, if appropriate, in three equal parts in 2023, 2024 and 2025.</p> <p>For his part, the Business CEO received the first delivery of shares (100,000 in 2020) corresponding to the payment of the 2017-2019 Strategic Bonus. Each of the deliveries of said shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect.</p> <p>Pursuant to the provisions of the 2020-2022 Strategic Bonus, the Business CEO may receive up to a maximum of 300,000 shares based on the evaluation of performance during the 2020-2022 period, to be paid, if appropriate, in three equal parts in 2023, 2024 and 2025.</p> |

iii) Long-term savings schemes

| | Remuneration from vesting of rights to savings schemes |
|------------|--|
| Director 1 | |

| Name | Contribution for the year by the company (thousands of euros) | | | | Amount of accrued funds (thousands of euros) | | | |
|------------|---|-----------|---|-----------|--|---|-------------------------------------|---|
| | Savings schemes with vested economic rights | | Savings schemes with non-vested economic rights | | Year 2020 | | Year 2019 | |
| | Year 2020 | Year 2019 | Year 2020 | Year 2019 | Schemes with vested economic rights | Schemes with non-vested economic rights | Schemes with vested economic rights | Schemes with non-vested economic rights |
| Director 1 | | | | | | | | |

iv) Details of other items

| Name | Item | Amount of remuneration |
|------------|------|------------------------|
| Director 1 | | |

| Remarks |
|---------|
| |

b) Remuneration of company directors for seats on the boards of other group companies:

i) Remuneration accruing in cash (thousands of euros)

| Name | Fixed remuneration | Per diem allowances | Remuneration for membership of board committees | Salary | Short-term variable remuneration | Long-term variable remuneration | Indemnification | Other items | Total in year 2020 | Total in year 2019 |
|-------------------------------|--------------------|---------------------|---|--------|----------------------------------|---------------------------------|-----------------|-------------|--------------------|--------------------|
| Mr JOSÉ IGNACIO SÁNCHEZ GALÁN | 307 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 307 | 302 |

| Remarks |
|--|
| 130 thousand euros correspond to his remuneration as chairman of the Board of Directors of Neoenergia, S.A. 177 thousand euros correspond to his remuneration as chairman of the Board of Directors of Avangrid, Inc. |

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

| Name | Name of Plan | Financial instruments at start of year 2020 | | Financial instruments granted during year 2020 | | Financial instruments vested during the year | | | | Instruments matured but not exercised | Financial instruments at end of year 2020 | | |
|------------|--------------|---|--------------------------|--|--------------------------|--|-----------------------------------|------------------------|---|---------------------------------------|---|--------------------------|--|
| | | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent shares | No. of instruments | No. of equivalent / vested shares | Price of vested shares | Gross profit from vested shares or financial instruments (thousands of euros) | No. of instruments | No. of instruments | No. of equivalent shares | |
| Director 1 | Plan 1 | | | | | | | | | | | | |
| | Plan 2 | | | | | | | | | | | | |

| Remarks |
|---------|
| |

iii) Long-term savings schemes

| | |
|-------------------|---|
| | Remuneration from vesting of rights to savings schemes |
| Director 1 | |

| Name | Contribution for the year by the company (thousands of euros) | | | | Amount of accrued funds (thousands of euros) | | | |
|------|--|-----------|---|-----------|---|---|-------------------------------------|---|
| | Savings schemes with vested economic rights | | Savings schemes with non-vested economic rights | | Year 2020 | | Year 2019 | |
| | Year 2020 | Year 2019 | Year 2020 | Year 2019 | Schemes with vested economic rights | Schemes with non-vested economic rights | Schemes with vested economic rights | Schemes with non-vested economic rights |
| | Director 1 | | | | | | | |

| |
|----------------|
| Remarks |
| |

iv) Details of other items

| Name | Item | Amount of remuneration |
|-------------------|------|------------------------|
| Director 1 | | |

| |
|----------------|
| Remarks |
| |

c) Summary of remuneration (thousands of euros):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (thousand €).

| Name | Remuneration accruing in the Company | | | | | Remuneration accruing in group companies | | | | | Total in year 2020 +group |
|-----------------------------------|--------------------------------------|--|-----------------------------------|-----------------------------|----------------------------|--|--|-----------------------------------|-----------------------------|--------------------------|---------------------------|
| | Total cash remuneration | Gross profit from vested shares or financial instruments | Remuneration from savings schemes | Other items of remuneration | Total in year 2020 company | Total cash remuneration | Gross profit from vested shares or financial instruments | Remuneration from savings schemes | Other items of remuneration | Total in year 2020 group | |
| Don JOSÉ IGNACIO SÁNCHEZ GALÁN | 6,242 | 5,652 | | | 11,894 | 307 | | | | 307 | 12,201 |
| Doña INÉS MACHO STADLER | 141 | | | | 141 | | | | | | 141 |
| Don IÑIGO VÍCTOR DE ORIOL IBARRA | 314 | | | | 314 | | | | | | 314 |
| Doña SAMANTHA BARBER | 446 | | | | 446 | | | | | | 446 |
| Doña MARÍA HELENA ANTOLÍN RAYBAUD | 496 | | | | 496 | | | | | | 496 |
| Doña GEORGINA KESSEL MARTÍNEZ | 238 | | | | 238 | | | | | | 238 |
| Doña DENISE MARY HOLT | 78 | | | | 78 | | | | | | 78 |
| Don JOSÉ WALFREDO FERNÁNDEZ | 294 | | | | 294 | | | | | | 294 |
| Don MANUEL MOREU MUNAIZ | 325 | | | | 325 | | | | | | 325 |
| Don XABIER SAGREDO ORMAZA | 505 | | | | 505 | | | | | | 505 |
| Don JUAN MANUEL GONZÁLEZ SERNA | 536 | | | | 536 | | | | | | 536 |
| Don FRANCISCO MARTÍNEZ CÓRCOLES | 2,216 | 879 | | | 3,095 | | | | | | 3,095 |
| Don ANTHONY L. GARDNER | 288 | | | | 288 | | | | | | 288 |
| Doña SARA DE LA RICA GOIRICELAYA | 385 | | | | 385 | | | | | | 385 |
| Doña NICOLA MARY BREWER | 212 | | | | 212 | | | | | | 212 |
| Doña REGINA HELENA JORGE NUNES | 216 | | | | 216 | | | | | | 216 |
| Don ÁNGEL JESÚS ACEBES PANIAGUA | 61 | | | | 61 | | | | | | 61 |
| Total: | 12,993 | 6,531 | | | 19,524 | 307 | | | | 307 | 19,831 |

D OTHER INFORMATION OF INTEREST

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

BENCHMARK

In February 2021, the Remuneration Committee received an internal benchmark analysis of the total remuneration of executive directors within a context of uncertainty and volatility arising from COVID-19, with less impact on the utilities sector, especially in the renewable energy sector.

This analysis used the following criteria to select the comparison group, particularly taking into account (i) the foreseeable relative impact of the pandemic on the income statement of the benchmark companies, and (ii) the favourable absolute and relative changes in IBERDROLA's capitalisation:

1. Utilities (7 companies selected):
 - Companies listed on the S&P 500 Utilities and Stoxx Europe 600 indices.
 - Companies belonging to the European Round Table of Industrialists (ERT) and Business Round Table (BRT) forums.
 - Turnover during last year being a minimum of approximately 50% of Iberdrola's turnover, provided that stock market capitalisation is greater than 10,000 million euros.
 - Companies in which the government had an interest in management or ownership were eliminated.
2. Multi-sector sample (32 companies selected):
 - Companies listed on the FTSE Eurotop 100 and S&P 500 indices.
 - Companies belonging to the European Round Table of Industrialists (ERT) and Business Round Table (BRT) forums.
 - Turnover during last financial year and stock market capitalisation between approximately 50% and 200% of the size of Iberdrola.
 - International presence and geographic diversity comparable to those of Iberdrola.
 - Excludes financial services and insurance companies.
3. Main companies of the IBEX 35 by capitalisation (4 companies selected).
4. Main companies of the European energy transition (5 companies selected).

The list of companies is as follows:

Utilities:

Duke Energy
E.ON
Exelon
National Grid
Naturgy
NextEra
Southern Company

Multi-sector:

3M
ABB
Accenture
Air Liquide
American Express
Astrazeneca
BASF
Bayer
Caterpillar
Deere & Co
Dupont de Nemour
Eaton Corp
Eli Lilly
Fedex
Heineken
Honeywell
Humana
IBM
Lockheed Martin
Medtronic
Micron Tech
Northrop Grumman
Qualcomm
Raytheon
Rio Tinto
SAP
Siemens
Starbucks
Target
Union Pacific
Vodafone
Volvo

Ibex-35:

Inditex
Banco Santander
BBVA
Telefónica

European energy transition:

BP
Equinor
Repsol
Shell
Total

The conclusions are the following:

- The remuneration of the chairman & CEO is below the median of the comparable companies.
- The remuneration of the Business CEO is above the median (the group of comparable companies had to be adjusted to standardise his position).

2017-2019 STRATEGIC BONUS

Below is a summary of the Company's level of performance in relation to the parameters and objectives contemplated by the 2017-2019 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 31 March 2017.

- 1- **Consolidated net profit** for the 2019 financial year reached 3,406 million euros, representing an average annual growth of 7.98% since 2016, having thus exceeded the threshold for full achievement of the objective (5%) set out in the shareholders' resolution.
- 2- **Total shareholder return** for the period 2017-2019, as a result of share appreciation and dividends distributed, amounted to 64.8%, outperforming the EURO STOXX UTILITIES index return (59.4%) by a margin above the threshold for full achievement of the objective set in the shareholders' resolution (5 percentage points higher).
- 3- The **FFO/Net Debt** ratio stood at 21% at year-end 2019, the result of generating operating cash flow of 8,060 million euros and a direct Net Debt value of 38,371 million euros.

In this regard, it should be noted that the calculation of the aforementioned ratio should be adjusted to take into account significant circumstances arising after the approval of the Strategic Bonus by the shareholders. In particular (i) new accounting developments in the treatment of leases (IFRS 16); (ii) corporate reorganisation in Brazil that has led to the integration of Elektro into Neoenergía and, by virtue thereof, to Iberdrola taking control thereof (with a 51.04% stake), and (iii) the elimination of derivatives on own shares when determined that they will not be executed from the amount of the debt.

All during a period in which financial solvency has been maintained and the rating has not been changed (BBB+ according to Standard&Poor's).

After isolating the impacts of the aforementioned circumstances, the FFO/Net Debt ratio at the end of the evaluation period amounted to 22.09%, exceeding the threshold for full compliance.

- 4- The average emissions intensity for the 2017-2019 period was 120 grams of CO₂/kWh (excluding the Independent Power Producer in Mexico, as Iberdrola does not have operational control over the plants). This represents a 27% reduction compared to 2014-2016, well above the threshold set for full compliance with the target (5%) in the shareholders' resolution.
-

This annual remuneration report was approved by the Board of Directors of the company at its meeting of 23 February 2021.

Indicate whether any director voted against or abstained from approving this report.

Yes

No