



Report of activities
for the 2023 financial year

**Audit and compliance
committee**

24 January 2024



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1. Introduction

Since its incorporation, the Audit and Compliance Committee of IBERDROLA ENERGÍA INTERNACIONAL S.A. (Single-Shareholder Company) (“**Iberdrola Energía Internacional**” or the “**Company**”), has been carrying out the functions entrusted to it in the Company By-Laws, as well as in its own regulations, the *Audit and Compliance Committee Regulations* (the “**Regulations**”), the last amendment of which was approved by the Board of Directors at its meeting held on 19 July 2023, at the proposal of the Audit and Compliance Committee of 12 July 2023, in order to adapt the powers of the latter to the amendments made to the Company’s Compliance System, approved by the aforementioned Board of Directors as detailed below.

In accordance with the provisions of article 5 of the *Regulations*, the Audit and Compliance Committee (hereinafter the “**Committee**”) must submit a Report on the activities undertaken in the previous year for Board approval within six months of the end of the financial year (the “**Report**”).

The Report shall be submitted to the Audit and Risk Supervision Committee of Iberdrola S.A.

In this regard, the chairwoman of Iberdrola, S.A.’s Audit and Risk Supervision Committee, in a communication sent to the chairwoman of this Committee on 17 December 2024, requests that the aforementioned Report be submitted to the Audit and Risk Supervision Committee no later than 7 February 2024.

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2. Committee regulations



The Audit and Compliance Committee is governed by the provisions of the law, the *By-Laws* and its own *Regulations*.

The Committee follows the guidelines established in the “*Corporate Governance Guidance and Principles for Unlisted Companies in Europe*” and in the “*Principles of Good Corporate Governance for Unlisted Companies*”, as well as in other documents drawn up by other bodies or independent experts, as detailed in the report on the results of the assessment of the Committee’s performance during the 2023 financial year, carried out with the collaboration of Price Waterhouse Coopers Asesores de Negocios, S.L. (“**PwC Asesores**”).

As a result of the aforementioned assessment, no deviations from the regulations applicable to the Committee or other irregularities in its operation have been identified during the 2023 financial year that have been brought to the attention of the governing body in writing regarding matters within the competence of the Committee.

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3. Composition and attendance

As of 31 December 2023, Iberdrola Energía Internacional's Committee has three members, all members of the Board of Directors, of which two belong to the category of independent directors.

Post	Name	Status	First appointment	Experience in accounting, financial and risk management
Chairperson	Ms. María Pla de la Rosa	External	No	Yes
Member	Mr. Brian Ager	External	No	No
Member	Mr. Gerardo Codes Calatrava	Executive	No	No

The position of secretary non-member of this Committee is held by Ms. Julia Durán Domínguez.

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During the 2023 financial year, the Committee held **six** meetings in person or by means of teleconference, with various rooms made available at the offices of the Iberdrola Group in Madrid, Bilbao, and Brussels, and has carried out **four** procedures for the adoption of resolutions in writing and without a meeting. After the call to each of the meetings or, as appropriate, to the procedure for adoption of agreements in writing without a meeting, the Committee members were furnished with all the information necessary to adequately prepare the topics for consideration. Below are details of the meetings or procedures referred to:

Date	Place where the meeting was held, or deemed to be held
23 January 2023	Bilbao (written and without meeting)
8 February 2023	Bilbao (remote)
23 March 2023	Bilbao (remote)
17 April 2023	Bilbao (remote)
20 April 2023	Bilbao (written and without meeting)
27 April 2023	Bilbao (written and without meeting)
12 July 2023	Bilbao (remote)
16 October 2023	Bilbao (remote)
7 November 2023	Bilbao (written and without meeting)
4 December 2023	On-site

The percentage of attendance of each of the members of the Committee at the meetings held during the 2023 financial year is shown below:

Member	Meetings attended
Ms. María Pla de la Rosa	100%
Mr. Brian Ager	100%
Mr. Gerardo Codes Calatrava	100%

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4. Activities

■ **Activities undertaken with regard to economic-financial information and internal control:**

- The preparation and integrity of the Company's financial information were closely supervised during 2023. The Committee made sure that the interim information presented to the Board of Directors was prepared using the same accounting criteria as for the annual financial reports.
- On 8 February 2023 the Committee prepared a report for the Board of Directors about the economic-financial information for the year 2022. The Committee subsequently prepared corresponding reports about the quarterly and half-yearly financial information in accordance with the provisions of article 3.2.d.(iii). of the *Audit and Compliance Committee Regulations*.
- On 23 March 2023 the Committee prepared a report for the Board of Directors regarding the Company's annual accounts for 2022.

■ **Activities undertaken with regard to non-financial information and internal control:**

- On 8 February, based on the available internal information sources, the process of preparation and presentation of the non-financial information of the Company and its subsidiaries for the 2022 financial year and the clarity and completeness of its content was supervised, and the corresponding report was submitted to the Audit and Risk Supervision Committee of Iberdrola, S.A.

■ **Activities undertaken with regard to systems for risk control and management:**

- **Review of the Comprehensive Risk Control and Management System:** In the meetings of 8 February, 23 March and 12 July, the Committee decided unanimously to issue the following reports for subsequent submission to the Board of Directors:
 - (i) *Report on the systems for risk control and management at the close of the second half of 2022;*
 - (ii) *Report on the Risks, Risk Policies and Guidelines on Specific Risk Limits for the International Renewable Business for the 2023 financial year; and*
 - (iii) *Report on the systems for risk control and management in the first half of 2023.*

These reports were in turn made available to the chairman of the Audit and Risk Supervision Committee of Iberdrola, S.A.

- **Risks arising from litigation:** in accordance with the provisions of article 3.2.b.(vii) of the *Audit and Compliance Committee Regulations*, the Company's Legal Services director attended the Committee's meeting on 16 October, to report on the status of claims affecting the Company and its group of companies during 2023, and on the principal disputes faced by the Company and its subsidiaries.

■ **Activities undertaken with regard to Internal Audit:**

- The Committee fulfilled its supervisory role with regard to the Internal Audit activities by regular presentations given by the director of Internal Audit at the Committee's meetings, based on the Internal Audit Division's annual activities plan and the monitoring reports for the activities contained in it. During the 2023 financial period, the Committee supervised the work done by the Company's Internal Audit Division at the meetings held on 8 February, 23 March, 17 April, 12 July and 16 October.

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- At its meeting on 8 February, the Committee assessed the performance of the head of Internal Audit in relation to the financial year 2022 and submitted its conclusions to the Board of Directors.
- At the last session in 2023, held on 4 December, the head of Internal Audit presented the annual activities plan for 2024, as well as the budget of this division for that year. The plan was approved by the Committee and the budget was submitted to the Board of Directors for approval. It is in this plan that the tasks to be undertaken by Internal Audit Division during the year are established and the necessary resources for their execution estimated. Likewise, at this meeting, the Audit and Compliance Committee was informed of the goals for the Internal Audit Division defined within the framework of its annual activity plan, for the purposes of the provisions of article 3.2.a.(v) of its *Regulations*.

■ **Activities undertaking in relation to the Risk Division:**

- The Committee has supervised the activity of the Risk Division through the regular presentations made by the risk manager at the Committee meetings on the basis of the annual activity plan and the risk monitoring reports.
- During the 2023 financial period, the Committee supervised the work done by the company's Risks Division at the meetings held on 8 February, 23 March, 12 July and 4 December.
- At the Committee meeting held on 4 December 2023, the person responsible for the Risk Division presented the annual plan of activities to be carried out during the 2024 financial year, as well as the associated financial budget. The plan was approved by the Committee and the budget was submitted to the Board of Directors for approval. It is in this plan that the tasks to be undertaken by the Risks Division during the year are established and the necessary resources for their execution are estimated.

■ **Activities undertaken with regard to the accounts audit:**

The Committee fulfilled its role with regard to the auditing of accounts through the following activities:

- Pursuant to article 3.2.d.(iii) of the *Regulations*, the Committee issued the *Report on the independence of the auditors for the 2022 financial year* at the meeting held on 8 February 2023. In this report the Committee concluded that the auditor of the Company's accounts carried out his auditing independently.
- In compliance with article 3.2.d.(ii) of the *Regulations*, at the meeting held on 23 March, the Company's auditor, KPMG Auditores S.L. ("**KPMG**"), appeared to explain the conclusions of the audit work on the accounts for the year, confirming that it intended to issue a favourable, unqualified opinion. In addition, at the meeting of 12 July, the auditor appeared to report on the matters of interest brought to light during the course of the audit work and to present the *Memorandum of internal control recommendations resulting from the audit of the financial information for 2022*.
- On 20 April 2023, the Committee issued, by means of a procedure for the adoption of resolutions in writing and without a meeting, the proposal regarding the terms and conditions of engagement of the Company's auditor to carry out the audit of the annual accounts for the 2023 financial year. This proposal was duly submitted to the Board of Directors for approval in accordance with the provisions of the *Regulations*. Subsequently, at the meeting held on 4 December 2023, the Committee issued a proposal to amend the aforementioned contracting conditions to include the auditing of the

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consolidated financial statements of Iberdrola Energía Internacional and its subsidiaries for the 2023 financial year, and also agreed to submit it to the Board of Directors, in accordance with the *Regulations*.

- Pursuant to article 3.2.d.(iv) of the *Regulations*, the Committee analysed the requests for authorisation of the engagement of KPMG for the provision of certain services other than or related to the audit of accounts, as well as for the engagement of a KPMG professional by Iberdrola Australia Limited. The Committee issued favourable reports regarding the aforementioned engagements, resolving to submit them to the Board of Directors of the Company for information purposes and to the Audit and Risk Supervision Committee of Iberdrola, S.A. for approval (if applicable), at the meetings held on 8 February, 17 April, 16 October and 4 December 2023, as well as through the procedures for the adoption of resolutions in writing and without a meeting held on 27 April and 7 November 2023.
- Finally, at the meeting of 4 December, a representative of KPMG attended to present the work plan for the audit of the annual accounts for the 2023 financial year.

■ **Activities carried out with regards to related party transactions:**

- Pursuant to article 3.2.h.(iii) and (iv) of the *Regulations*, at the meeting held on 23 March the Committee issued and submitted to the Board of Directors the *Report on related-party transactions and delegated related-party transactions* entered into during the 2022 financial year. This report highlights that during the 2022 financial year, the Committee has not received any communication on the existence of situations of conflict of interest affecting directors, members of senior management or persons related to them, on which it should issue an opinion. Likewise, annual declarations were issued by the members of the Board of Directors and senior management on related-party transactions, informing that such situations do not exist. As a result of this, no conflicts of interest or related party transactions or delegated related party transactions were recorded during the 2022 financial year.
- At the meeting held on 4 December, the Committee agreed to submit to the Board of Directors a proposal to amend the *Procedure for Related-Party Transactions with Members of Senior Management and Delegated Related-Party Transactions*, to reflect in this procedure the establishment of the Company's Compliance Unit, as a result of the reform of the Compliance System approved by the Board of Directors in July.

■ **Activities carried out in relation to the Compliance Division:**

- The Committee fulfilled its role with regard to these matters through regular presentations given by the head of the Compliance Division at the Committee's meetings about the basis of the Compliance Division's Annual Activities Plan. Specifically, the Company's Compliance Officer appeared at five of the six in-person Committee meetings held during the year.
- In exercise of the powers attributed by the Committee in the then current article 3.2.g. (iv) of the *Regulations*, at the meeting held on 8 February 2023, it assessed the functioning of the Compliance Division and the performance of its head, and submitted its conclusions to the Board of Directors.
- At the meeting held on 17 April 2023, the Committee acknowledged the content of the *Annual Report on the Effectiveness of the Company's Compliance System in 2022* and the *Report on the Assessment of the Effectiveness of the Crime Prevention Programme*, presented by the Compliance Officer.

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- At the meeting held on 12 July 2023, the Committee, after being informed of the amendment of the Compliance System of Iberdrola, S.A. approved by its Board of Directors on 30 June 2023, agreed to propose and submit to the Board of Directors of Iberdrola Energía Internacional the approval of the *Compliance Unit Regulations* and an amendment of its own *Regulations*. At the meeting held on 16 October 2023, the Committee made a new proposal to further amend the *Compliance Unit Regulations* and, in exercise of the powers provided for in this rule, submitted to the Board of Directors the proposals regarding the appointment of the members of the Compliance Unit, as well as the remuneration of the external chairperson, and approved the amendment of the Compliance Unit's activities plan.
- At the last meeting of the 2023 financial year, held on 4 December, the Committee approved the activities plan of the Compliance Unit to be carried out during the 2024 financial year and validated and submitted to the Board of Directors the budget for said year, all in accordance with the provisions of sections (ii) and (iii) of article 3.2.g. of its *Regulations*.

■ **Activities carried out in relation to cybersecurity:**

- The Committee monitored the Company's activity in the area of cybersecurity risk protection, through the appearances of the Corporate Security director at the meetings of 23 March, 12 July, and 4 December 2023, in exercise of the functions attributed to the Committee in article 3.2.b.(viii) of its *Regulations*.

■ **Other Committee responsibilities and matters:**

- At the meeting held on 8 February, the Committee submitted to the Board of Directors of the Company a *Report on the degree of compliance with the Corporate Tax Policy and the tax criteria applied during 2022 financial year*. Said report was also forwarded to the Audit and Risk Supervision Committee of Iberdrola, S.A.
- At the meeting held on 8 February, it issued the *Report on the general bases to which transactions between Iberdrola Energía Internacional, S.A.U. and its subsidiaries and the other companies forming part of the Iberdrola Group* must conform, and agreed to submit it to the Board of Directors.
- In accordance with the provisions of article 3.2.j.(ii) of the *Regulations*, on 12 July 2023 the Committee issued its *Report on the monitoring of special purpose entities domiciled in tax havens and their operational status*. Said report highlights that: (i) Iberdrola Energía Internacional does not (at said date) hold any direct or indirect participation in companies or entities that are domiciled in countries or territories that are considered tax havens or territories included in the European Union's blacklist of non-cooperating jurisdictions; and that (ii) the Company's Board of Directors has not received any request for the incorporation and/or acquisition of any company that meets the characteristics of special purpose companies or those domiciled in tax countries by any company of the Iberdrola Energía Internacional group.

■ **New tasks assigned to the Committee during the year:**

- No new functions have been assigned to the Audit and Compliance Committee during the 2023 financial year. As a result of the amendment to the Compliance System, certain functions of the Committee with respect to the Compliance Division are now exercised with respect to the Compliance Unit.

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- The result of the assessment of the functioning of the Committee during the 2023 financial year, carried out in collaboration with PwC Asesores, has not led to any significant changes in its functions, organisation or procedures.

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5. Appearances

During the 2023 financial year, the following executives of the Company or of any other company of the Iberdrola Group have appeared before the Committee, either regularly or on an occasional basis:

Person appearing	Regular	Annual
Administration and Control	✓	
Audit of Accounts	✓	
Risks	✓	
Head of Non-Financial Information		✓
Legal Services		✓
Tax		✓
Compliance Division	✓	
Corporate Security and Cybersecurity	✓	

The person responsible for the Company's Internal Audit Division appeared before the Committee at the meetings of 8 February, 23 March, 17 April, 12 July, 16 October and 4 December 2023.

Representatives of the Company's auditor, KPMG, appeared before the Committee at the meetings of 8 February, 23 March, 12 July and 4 December 2023.

During the 2023 financial year, no conflicts of interest with external advisers, experts or consultants have been identified.

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6. Training

The Committee has a training plan, the content of which comprises training sessions held at the Committee meetings. This year 2023, two training sessions have been held on the following issues:

Date	Training sessions
23 March 2023	Logistics and procurement key aspects: identification and assessment of risks, main suppliers, key aspects of the most relevant supply contracts
16 October 2023	Accounting updates

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7. Conclusion

Pursuant to the guidelines approved by the Board of Directors of Iberdrola, S.A., which were subsequently endorsed by the Board of Directors of the Company, the Committee, with the advice of PwC Asesores, has assessed its performance during the 2023 financial year, and the results of such financial year are set forth in a report which concludes that the Committee: (i) complies with all of the indicators analysed derived from internal regulations; and (ii) is aligned with the future trend established based on the Good Governance documents for unlisted companies, as well as those considered relevant by the parent company for the assessment of this Committee.

As a consequence, it can be concluded that in the 2023 financial year, the Iberdrola Energía Internacional Audit and Compliance Committee satisfactorily performed the functions entrusted to it in its Regulations, supervising the activity of the areas under its scope of action and submitting the relevant reports to the Board of Directors of the Company and to the Audit and Risk Supervision Committee of Iberdrola, S.A.

This Report was submitted to the Board of Directors by the Audit and Compliance Committee on 24 January 2024 and approved by the Board on 13 February 2024.

1. *“Corporate Governance Guidance and Principles for Unlisted Companies in Europe” and “Good Corporate Governance Principles for Unlisted Companies”*

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