Annual financial information

Iberdrola, S.A. and subsidiaries

2023

AUDITOR´S REPORT

Auditor's Report on Iberdrola, S.A. and subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Iberdrola, S.A. and subsidiaries for the year ended 31 December 2023)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.

Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Iberdrola, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Iberdrola, S.A. (the "Parent") and subsidiaries (together the “Group”), which comprise the consolidated statement of financial position at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.
Paseo de la Castellana, 259C 28046 Madrid

On the Spanish Official Register of Auditors (“ROAC”) with No. S0702, and the Spanish Institute of Registered Auditors’ list of companies with No. 10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and intangible assets with indefinite useful lives
See Notes 3.i, 9, 14 and 42 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
As a result of the acquisitions made in recent years, the consolidated annual accounts include goodwill and intangible assets with indefinite useful lives of Euros 8,375 million and Euros 6,100 million, respectively, allocated to the corresponding cash-generating units (CGU). IFRS-EU stipulate that goodwill and intangible assets with indefinite useful lives are not amortised, but are instead tested for impairment at least on an annual basis. The recoverable amount of the CGUs to which goodwill and intangible assets with indefinite useful lives are allocated is calculated using methodologies based on discounted cash flows, the estimation of which requires the use of a high degree of judgement and the use of assumptions and estimates. Due to the high level of judgement required, the uncertainty associated with these estimates and the significance of the amount of non-current assets, this has been considered a key audit matter.	Our audit procedures included the following: ▪ Evaluating the design and implementation of the key controls related to the impairment testing process. ▪ Assessing the design and implementation of the key controls related to the process of determining recoverable amount. ▪ Evaluating the reasonableness of the methodology used to calculate value in use and the main assumptions considered, with the involvement of our valuation specialists. ▪ Analysing the consistency of the estimated growth in future cash flows with the business plans approved by the governing bodies, including their consistency with the Group's strategy to address climate change and the Paris Agreement. ▪ Performing a comparative analysis of the cash flow forecasts estimated in the prior year with the actual cash flows obtained (retrospective analysis). ▪ Evaluating the sensitivity of the recoverable amount to changes in certain assumptions that can be considered reasonable. ▪ Assessing whether the disclosures in the consolidated annual accounts comply with the requirements of the applicable financial reporting framework.

Valuation of pension plan assets
See Notes 3.o and 27 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group has important commitments with personnel in relation to retirement and other long-term liabilities. These commitments are mainly in Spain, the United States, the United Kingdom and Brazil. The fair value of the different plan assets amounts to Euros 6,637 million, of which Euros 1,423 million is classified as Level 3 of the fair value hierarchy. Non-material variations in the main assumptions that determine the valuation of Level 3 assets could have a significant impact on the amounts recognised in the consolidated annual accounts, so this has been considered a key audit matter.	Our audit procedures included the following: ▪ Assessing the design and implementation of controls related to the valuation process. ▪ Performing an analysis of the reasonableness of the valuation of longevity swap contracts by comparison with the results independently obtained by our valuation specialists. ▪ Performing substantive tests of detail on a sample of Level 3 assets to determine the reasonableness of their valuation based on information from independent and qualified third parties. ▪ Submitting confirmation requests to third parties to confirm the reasonableness of the valuation of a sample of financial assets. ▪ Assessing whether the disclosures in the consolidated annual accounts comply with the requirements of the applicable financial reporting framework.

Revenue recognition: Unbilled energy supplied
See Note 5 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group's businesses that carry out energy supply activities must make estimates of unbilled energy supplies to end customers in the period between the last meter reading and the end of the fiscal year. Estimated unbilled energy supplied at 31 December 2023 amounts to Euros 2,569 million. Unbilled energy supplied is estimated based on internal and external information that is compared with the readings contained in the management systems used by the businesses. Revenue is calculated by multiplying estimated unbilled energy consumption, a process which involves high levels of uncertainty, by the tariff agreed with each customer. Determining revenue from unbilled energy supplied requires the use of estimates by Group management with the application of criteria, judgements and assumptions in its calculations, so this has been considered a key audit matter.	Our audit procedures included the following: ▪ Analysing the design, implementation and operating effectiveness of the key controls related to the process of estimating unbilled revenue. ▪ Evaluating the reasonableness of the calculation model used. ▪ Comparing the estimates made at the close of the previous period and actual invoicing data (retrospective analysis). ▪ Assessing the reasonableness of the volume of unbilled energy through an analysis of historical information and other available internal and external data. ▪ Evaluating a selected sample of the tariffs applied by comparing them with the data contained in the customer contract databases. ▪ Assessing whether the disclosures in the consolidated annual accounts comply with the requirements of the applicable financial reporting framework.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2023 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2023, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Iberdrola, S.A. and its subsidiaries for 2023 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of Iberdrola, S.A. are responsible for the presentation of the 2023 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 23 February 2024.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 17 June 2022 for a period of two years, from the year ended 31 December 2021.

Previously, we had been appointed for a period of two years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

On the Spanish Official Register of Auditors ("ROAC") with No. 22,690

This report corresponds to seal no. n° 03/24/00022 issued by the Spanish Institute of Registered Auditors (ICJCE)

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

INDEX

Consolidated Financial Statements **Page**

Management report

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statement of financial position at 31 December 2023

Millions of euros			
ASSETS	**Note**	**31.12.2023**	**Re-stated 31.12.2022 (*)**
Intangible assets	**9**	**20,255**	**20,118**
Goodwill		8,375	8,189
Other intangible assets		11,880	11,929
Investment property	**10**	**431**	**307**
Property, plant and equipment	**11**	**87,821**	**86,326**
Property, plant and equipment in use		73,466	74,813
Property, plant and equipment under construction		14,355	11,513
Right-of-use assets	**12**	**2,488**	**2,370**
Non-current financial investments		**9,740**	**10,650**
Equity-accounted investees	15.a	1,306	999
Non-current equity investments		29	32
Other non-current financial assets	15.b	7,208	5,958
Derivative financial instruments	30	1,197	3,661
Non-current trade and other receivables	**16**	**3,343**	**4,614**
Current tax assets	**35**	**883**	**736**
Deferred tax assets	**35**	**2,009**	**1,768**
NON-CURRENT ASSETS		**126,970**	**126,889**
Assets held for sale	**18**	**4,720**	**166**
Nuclear fuel	**19**	**278**	**259**
Inventories	**20**	**2,550**	**2,159**
Current trade and other receivables		**10,039**	**11,220**
Current tax assets	36	351	453
Other public administration receivables	36	782	898
Current trade and other receivables	16	8,906	9,869
Current financial assets		**2,457**	**4,813**
Other current financial investments	15.b	1,679	2,964
Derivative financial instruments	30	778	1,849
Cash and cash equivalents	**21**	**3,019**	**4,608**
CURRENT ASSETS		**23,063**	**23,225**
TOTAL ASSETS		**150,033**	**150,114**

(*) The Consolidated statement of financial position at 31 December 2022 is presented for comparative purposes only.

Notes 1 to 54 to the accompanying Consolidated financial statements and the Appendices are an integral part of the Consolidated statement of financial position at 31 December 2023.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statement of financial position at 31 December 2023

Millions of euros

EQUITY AND LIABILITIES	**Note**	**31.12.2023**	**Re-stated 31.12.2022 (*)**
Parent company		**43,111**	**41,119**
Subscribed capital		4,763	4,772
Valuation adjustments		2	(932)
Other reserves		37,699	36,839
Treasury shares		(1,465)	(1,756)
Translation differences		(2,691)	(2,143)
Net profit for the year		4,803	4,339
Non-controlling interests		**17,181**	**16,995**
EQUITY	**22**	**60,292**	**58,114**
Capital grants	**25**	**1,136**	**1,247**
Facilities transferred and financed by third parties	**26**	**6,021**	**5,673**
Non-current provisions		**4,536**	**4,225**
Provision for pensions and similar obligations	27	1,456	1,226
Other provisions	28	3,080	2,999
Non-current financial liabilities		**41,775**	**44,216**
Bank borrowings, bonds and other marketable securities	29	36,319	36,129
Equity instruments having the substance of a financial liability	24	561	576
Derivative financial instruments	30	1,285	3,690
Leases	32	2,408	2,287
Other non-current financial liabilities	33	1,202	1,534
Other non-current liabilities	**34**	**435**	**309**
Current tax liabilities		**387**	**362**
Deferred tax liabilities	**35**	**7,379**	**7,129**
NON-CURRENT LIABILITIES		**61,669**	**63,161**
Liabilities linked to assets held for sale	**18**	**1,097**	**27**
Current provisions		**920**	**922**
Provision for pensions and similar obligations	27	40	42
Other provisions	28	880	880
Current financial liabilities		**23,120**	**25,079**
Bank borrowings, bonds and other marketable securities	29	11,959	10,458
Equity instruments having the substance of a financial liability	24	110	87
Derivative financial instruments	30	1,352	3,398
Leases	32	184	151
Trade payables		5,112	5,927
Other current financial liabilities	33	4,403	5,058
Other current liabilities		**2,935**	**2,811**
Current tax liabilities	36	332	156
Other public administration payables	36	1,303	1,262
Other current liabilities	34	1,300	1,393
CURRENT LIABILITIES		**28,072**	**28,839**
TOTAL EQUITY AND LIABILITIES		**150,033**	**150,114**

(*) The Consolidated statement of financial position at 31 December 2022 is presented for comparative purposes only.

Notes 1 to 54 to the accompanying consolidated financial statements and the Appendices are an integral part of the Consolidated statement of financial position at 31 December 2023.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated income statement for the year ended 31 December 2023

Millions of euros	Note	2023	2022 (*)
Revenue	38	49,335	53,949
Supplies	39	(26,033)	(33,750)
GROSS INCOME		**23,302**	**20,199**
Personnel expenses	40	(3,824)	(3,365)
Capitalised personnel expenses	40	864	847
External services		(4,000)	(3,602)
Other operating income		824	911
Net operating expenses		(6,136)	(5,209)
Taxes	41	(2,749)	(1,762)
GROSS OPERATING PROFIT (EBITDA)		**14,417**	**13,228**
Impairment losses, trade and other receivables	16	(618)	(470)
Amortisation, depreciation and provisions	42	(4,826)	(4,774)
OPERATING PROFIT (EBIT)		**8,973**	**7,984**
Result of equity-accounted investees	15.a	239	146
Finance income	43	1,535	1,204
Finance expense	44	(3,722)	(3,042)
Net finance income		(2,187)	(1,838)
PROFIT BEFORE TAX		**7,025**	**6,292**
Income tax	35	(1,610)	(1,161)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**5,415**	**5,131**
NET PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS (NET OF TAXES)		**(21)**	**(71)**
Non-controlling interests	22	(591)	(721)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT		**4,803**	**4,339**
BASIC EARNINGS PER SHARE IN EUROS FROM CONTINUING OPERATIONS	**53**	**0.718**	**0.637**
DILUTED EARNINGS PER SHARE IN EUROS FROM CONTINUING OPERATIONS	**53**	**0.717**	**0.636**
BASIC AND DILUTED EARNINGS PER SHARE IN EUROS FROM DISCONTINUED OPERATIONS	**53**	**(0.003)**	**(0.011)**

(*) The Consolidated income statement at 31 December 2022 is presented for comparison purposes only.

Notes 1 to 54 to the accompanying consolidated financial statements and the Appendices are an integral part of the Consolidated income statement for the year ended 31 December 2023.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 55). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statement of comprehensive income for the year ended 31 December 2023

		2023			2022 (*)		
Millions of euros	**Note**	**Parent company**	**Non-controlling interests**	**Total**	**Parent company**	**Non-controlling interests**	**Total**
NET PROFIT/(LOSS) FOR THE YEAR		**4,803**	**591**	**5,394**	**4,339**	**721**	**5,060**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT YEARS							
In valuation adjustments		**934**	**70**	**1,004**	**(1,506)**	**(36)**	**(1,542)**
Change in value of cash flow hedges	22	1,239	96	1,335	(1,886)	(56)	**(1,942)**
Changes in hedging costs		1	—	1	(7)	—	(7)
Tax effect	35	(306)	(26)	(332)	387	20	407
In translation differences		**(548)**	**(23)**	**(571)**	**636**	**483**	**1,119**
TOTAL		**386**	**47**	**433**	**(870)**	**447**	**(423)**
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENTS IN SUBSEQUENT YEARS							
In other reserves		**(294)**	**(25)**	**(319)**	**141**	**9**	**150**
Actuarial gains and losses on pension schemes	27	(395)	(37)	(432)	194	12	206
Tax effect	35	101	12	113	(53)	(3)	(56)
TOTAL		**(294)**	**(25)**	**(319)**	**141**	**9**	**150**
OTHER COMPREHENSIVE INCOME FROM EQUITY-ACCOUNTED INVESTEES (NET OF TAXES)							
In valuation adjustments		**—**	**—**	**—**	**27**	**—**	**27**
TOTAL	**15.a**	**—**	**—**	**—**	**27**	**—**	**27**
TOTAL NET PROFIT RECOGNISED DIRECTLY IN EQUITY		**92**	**22**	**114**	**(702)**	**456**	**(246)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**4,895**	**613**	**5,508**	**3,637**	**1,177**	**4,814**

(*) The Consolidated statement of comprehensive income for 2022 is presented for comparison purposes only.

Notes 1 to 54 to the accompanying consolidated financial statements and the Appendices are an integral part of the Consolidated statement of comprehensive income for the year ended 31 December 2023.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 54).
In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statement of changes in equity for the year ended 31 December 2023

			Other reserves								
Millions of euros	**Subscribed capital**	**Treasury shares**	**Legal reserve**	**Share premium**	**Other restricted reserves**	**Retained earnings**	**Valuation adjustments**	**Translation differences**	**Net profit/(loss) for the year**	**Non-controlling interests**	**Total**
Balance at 01.01.2023	**4,772**	**(1,756)**	**969**	**14,070**	**1,490**	**20,310**	**(932)**	**(2,143)**	**4,339**	**16,995**	**58,114**
Change in accounting criteria (Note 2.a)	—	—	—	—	—	—	—	—	—	—	—
Adjusted balance at 01.01.2023	**4,772**	**(1,756)**	**969**	**14,070**	**1,490**	**20,310**	**(932)**	**(2,143)**	**4,339**	**16,995**	**58,114**
Comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**(294)**	**934**	**(548)**	**4,803**	**613**	**5,508**
Transactions with shareholders or owners											
Share capital increase (Note 22)	146	—	—	(146)	—	—	—	—	—	—	—
Capital reduction (Note 22)	(155)	2,112	—	—	155	(2,112)	—	—	—	—	—
Distribution of 2022 profit	—	—	—	—	—	3,390	—	—	(4,339)	(945)	(1,894)
Business combinations (Notes 7 and 22)	—	—	—	—	—	—	—	—	—	100	100
Transactions with non-controlling interests (Notes 7 and 22)	—	—	—	—	—	91	—	—	—	410	501
Transactions with treasury shares (Note 22)	—	(1,821)	—	—	—	18	—	—	—	—	(1,803)
Other changes in equity											
Share-based payments (Note 23)	—	—	—	—	—	(38)	—	—	—	1	(37)
Interest accrued on perpetual subordinated bonds (Note 22)	—	—	—	—	—	(205)	—	—	—	—	(205)
Other changes	—	—	—	—	—	1	—	—	—	7	8
Balance at 31.12.2023	**4,763**	**(1,465)**	**969**	**13,924**	**1,645**	**21,161**	**2**	**(2,691)**	**4,803**	**17,181**	**60,292**

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 54).
In the event of a discrepancy, the Spanish-language version prevails.

			Other reserves								
Millions of euros	**Subscribed capital**	**Treasury shares**	**Legal reserve**	**Share premium**	**Other restricted reserves**	**Retained earnings**	**Valuation adjustments**	**Translation differences**	**Net profit/(loss) for the year**	**Non-controlling interests**	**Total**
Balance at 01.01.2022 (*)	**4,775**	**(1,860)**	**969**	**14,215**	**1,052**	**19,675**	**547**	**(2,779)**	**3,885**	**15,647**	**56,126**
Change in accounting criteria (Note 2.a)	—	—	—	—	—	(75)	—	—	—	—	(75)
Adjusted balance at 01.01.2022	**4,775**	**(1,860)**	**969**	**14,215**	**1,052**	**19,600**	**547**	**(2,779)**	**3,885**	**15,647**	**56,051**
Comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**141**	**(1,479)**	**636**	**4,339**	**1,177**	**4,814**
Transactions with shareholders or owners											
Share capital increase (Note 22)	145	—	—	(145)	—	—	—	—	—	—	—
Capital reduction (Note 22)	(148)	1,985	—	—	148	(1,985)	—	—	—	—	—
Distribution of 2021 profit	—	—	—	—	—	2,995	—	—	(3,885)	(405)	(1,295)
Transactions with non-controlling interests (Notes 7 and 22)	—	—	—	—	—	1	—	—	—	558	559
Transactions with treasury shares (Note 22)	—	(1,881)	—	—	—	2	—	—	—	—	(1,879)
Other changes in equity											
Share-based payments (Note 23)	—	—	—	—	—	(9)	—	—	—	5	(4)
Interest accrued on perpetual subordinated bonds (Note 22)	—	—	—	—	—	(169)	—	—	—	—	(169)
Other changes	—	—	—	—	290	(266)	—	—	—	13	37
Balance at 31.12.2022 (*)	**4,772**	**(1,756)**	**969**	**14,070**	**1,490**	**20,310**	**(932)**	**(2,143)**	**4,339**	**16,995**	**58,114**

(*) The Consolidated statement of changes in equity for 2022 is presented for comparison purposes only.

Notes 1 to 54 to the accompanying consolidated financial statements and the Appendices are an integral part of the Consolidated statement of changes in equity for the year ended 31 December 2023.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 54). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statement of cash flows for the year ended 31 December 2023

Millions of euros	Note	2023	2022 (*)
Profit before tax from continuing activities		7,025	6,292
Loss before tax from discontinued operations		(28)	(96)
Adjustments for			
Amortisation, depreciation,provisions, valuation adjustments of financial assets and personnel expenses for pensions	40, 42	5,810	5,491
Net profit/loss from investments in associates and joint ventures	15.a	(239)	(146)
Capital grants and other deferred income	25	(310)	(304)
Finance income and finance expense	43, 44	2,197	1,842
Changes in working capital			
Change in trade and other receivables		314	(1,701)
Change in inventories		(168)	521
Change in trade payables and other liabilities		(517)	44
Provisions paid		(534)	(512)
Income taxes paid		(1,492)	(1,055)
Dividends received		72	67
Net cash flows from operating activities		**12,130**	**10,443**
Acquisition of subsidiaries	7	(53)	—
Change in cash flow due to modification of the consolidation scope	7	33	—
Acquisition of intangible assets	9	(541)	(510)
Acquisition of associates	15.a	(330)	(65)
Acquisition of investment property	10	(3)	(1)
Acquisition of property, plant and equipment	11	(7,336)	(6,277)
Capitalised interest paid	43	(381)	(189)
Capitalised personnel expenses paid	40	(863)	(847)
Capital grants and other deferred income		9	1
Proceeds from disposal of subsidiaries	7	206	—
Proceeds/(payments) for securities portfolio		—	(7)
Proceeds/(payments) for other investments		(1,513)	(1,631)
Proceeds/(payments) for current financial assets		785	(834)
Interest received		201	172
Proceeds from disposal of non-financial assets		93	23
Proceeds from disposal of financial assets		—	11
Net cash flows used in investing activities		**(9,693)**	**(10,154)**
Dividends paid		(949)	(890)
Dividends paid to non-controlling interests		(930)	(419)
Perpetual subordinated bonds	22		
Instruments issued		1,000	—
Redemption		(1,000)	—
Interest paid		(193)	(169)
Bank borrowings, bonds and other marketable securities	31		
Issues and disposals		10,662	14,826
Redemption		(8,197)	(10,272)
Interest paid excluding capitalised interest		(1,988)	(1,495)
Financial liabilities from leases	32		
Payment of principal		(163)	(175)
Interest paid excluding capitalised interest		(85)	(61)
Equity instruments having the substance of a financial liability	24		
Instruments issued		184	130
Payments		(195)	(177)
Acquisition of treasury shares	22	(2,787)	(1,885)
Proceeds from disposal of treasury shares	22	110	91
Payments for transactions with non-controlling interests	22	(19)	(51)
Proceeds from transactions with non-controlling interests	22	462	698
Net cash flows from/(used in) financing activities		**(4.088)**	**151**
Effect of exchange rate fluctuations on cash and cash equivalents		**62**	**135**
Net increase/(decrease) in cash and cash equivalents		**(1,589)**	**575**
Cash and cash equivalents at beginning of year		**4,608**	**4,033**
Cash and cash equivalents at end of year		**3,019**	**4,608**

(*) The Consolidated statement of cash flows for 2022 is presented for comparison purposes only.

Notes 1 to 54 to the accompanying Consolidated financial statements and the Appendices are an integral part of the Consolidated statement of cash flows for the year ended 31 December 2023.

Notes to the Consolidated financial statements for the year ended 31 December 2023

1. Group activities

Iberdrola, S.A. (hereinafter, IBERDROLA), a company incorporated in Spain and with registered address at Plaza Euskadi 5, in Bilbao, is the parent of a group of companies whose main activities are:

- Production of electricity from renewable and conventional sources.
- Sale and purchase of electricity and gas in wholesale markets.
- Transmission and distribution of electricity.
- Retail supply of electricity, gas and energy-related services.
- Other activities, mainly linked to the energy sector.

The aforementioned activities are performed in Spain and abroad, and totally or partially either directly by IBERDROLA or through the ownership of shares or other equity investments in other companies, subject in all cases to the legislation applicable at any given time and, in particular, to the prevailing laws in the electricity industry. The IBERDROLA Group carries out its activities mainly in five countries in the Atlantic region: Spain, the United Kingdom (UK), the United States of America (USA), Mexico and Brazil.

2. Basis of presentation of the Consolidated financial statements

2.a) Accounting legislation applied

The IBERDROLA Group's 2023 Consolidated financial statements were authorised for issue by the directors on 20 February 2024, in accordance with International financial reporting standards (hereinafter, IFRS), as adopted by the European Union, pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council, and the electronic reporting format requirements set out in Commission Delegated Regulation (EU) 2018/815. The directors of IBERDROLA expect these Consolidated financial statements to be approved by the shareholders at the General Meeting without modification.

The IBERDROLA Group's 2022 Consolidated financial statements were approved by the shareholders at the General Meeting held on 28 April 2023.

At 31 December 2023, the Consolidated Financial Statements presented negative working capital of EUR 5,009 million. The directors declare the deficit will be offset by the generation of funds from the IBERDROLA Group's businesses. As indicated in Note 4, the IBERDROLA Group has undrawn borrowings amounting to EUR 17,162 million.

These Consolidated financial statements have been prepared on a historical cost basis, except for equity instruments and derivative financial instruments, which have been measured at fair value. The carrying amounts of assets and liabilities that are hedged at fair value are adjusted to reflect variations in their fair value arising from the hedged risk.

The accounting policies used in the preparation of these consolidated annual financial statements are the same as those used for the year ended 31 December 2022, except for the application on 1 January 2023 of the following amendments adopted by the European Union to be applied in Europe:

- The amendments to IAS 12 "Deferred taxes relating to assets and liabilities arising from a single transaction" restrict the scope of the exemption to the initial recognition of temporary differences, so that it does not apply to transactions that generate equivalent and offsetting temporary differences. When applying these amendments, the IBERDROLA Group calculates the recognition and subsequent measurement of deferred tax assets and liabilities of the relevant transactions separately based on the tax legislation in each jurisdiction.

  The application of the Amendments to IAS 12 has an impact of EUR 456 million charged to "Deferred tax assets" and credited to "Deferred tax liabilities" in the Consolidated statement of financial position at 31 December 2022. Given that these deferred tax assets and liabilities meet the requirements for offsetting, on first application the amendments to IAS 12 have had no material effect on the Consolidated statement of financial position (Note 35).

- Amendments to IAS 12 "International Tax Reform: Pillar Two Model Rules": as an exception to the requirements in IAS 12, pursuant to the amendment, the entity will not recognise and will not disclose information about deferred tax assets and liabilities related to Pillar Two income taxes (Note 35).

- Amendments to IAS 1 "Disclosure of Accounting Policies", which require that entities disclose information on their material accounting policies instead of their significant accounting policies. To this end, Note 3 of the IBERDROLA Group's accounting policies has been adapted to comply with the requirements of the amendment.

The remaining regulations approved by the European Union for application on 1 January 2023 have had no impact on the Consolidated financial statements of the IBERDROLA Group.

From 1 January 2022, the amendment to IAS 37 "Onerous Contracts — Costs of Fulfilling a Contract" was applied, which resulted in a net tax effect of EUR 75 million under "Other reserves" in the Consolidated statement of financial position (Notes 28 and 35).

2.b) Standards issued pending application

At the date of these Consolidated financial statements, the following standards, amendments and interpretations had been issued, effective for annual periods beginning on or after 1 January 2024:

Standard		**Mandatory application**	
		IASB	**European Union**
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	01/01/2024	(*)
Amendments to IAS 1	Presentation of Financial Statements: Classification of liabilities as current or non-current	01/01/2024	(*)
Amendments to IAS 1	Non-current Liabilities with Covenants	01/01/2024	(*)
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	01/01/2024	(*)
Amendments to IAS 21	Lack of exchangeability	1/1/2025	(*)

(*) Yet to be approved by the European Union.

The IBERDROLA Group believes that the application of the other amendments would not have resulted in significant changes to these Consolidated financial statements.

The IBERDROLA Group has not applied in advance of the authorisation for issue of these Consolidated financial statements any published standard, interpretation or amendment that has not yet come into force.

2.c) Amendment to comparative information

The comparative information for 2022 has been amended in the following items with respect to that which was published in the 2022 annual financial statements:

Offsetting of deferred tax assets and liabilities

IAS 12 — "Income Taxes" prescribes that an entity shall offset deferred tax assets against deferred tax liabilities in the Consolidated statement of financial position if, and only if, the following conditions are met:

a) it has a legally enforceable right to set off the amounts recognised; and

b) it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In the Consolidated statement of financial position at 31 December 2023, the IBERDROLA Group has amended the presentation of deferred tax assets and deferred tax liabilities set off by tax groups in accordance with the applicable regulatory framework for financial reporting. In this regard, and by virtue of IAS 8 — "Accounting Policies, Changes in Accounting Estimates and Errors", the comparative information as at 31 December 2022 is re-stated.

The amount set off at 31 December 2022 is shown below:

Millions of euros	31.12.2022
Gross deferred tax assets	6,321
Amount set off	(4,553)
Net deferred tax assets	**1,768**
Gross deferred tax liabilities	11,682
Amount set off	(4,553)
Net deferred tax liabilities	**7,129**

Classification as held for sale

In its consolidated annual financial statements for 2022, the IBERDROLA Group presented the 10% interest in the Brazilian company NORTE ENERGIA, which it holds indirectly through its subsidiary NEOENERGIA, under the headings “Assets held for sale” in the Consolidated statement of financial position at 31 December 2022 for an amount of EUR 142 million. In 2023, it was concluded that the interest no longer meets the requirements for such classification. Hence, the comparative information has been amended as if the interest had always been accounted for using the equity method (Note 15.a)

The amounts restated in the financial statements as at 31 December 2022 and 1 January 2022 compared to the information presented in the 2022 financial statements are as follows:

Millions of euros	Amount restated	
	31.12.2022	01.01.2022
Equity-accounted investees	142	124
Assets held for sale	(142)	(124)

The restatement had no effect on the Consolidated income statement for 2022.

3. Accounting policies

3.a) Goodwill

Goodwill acquired on or after 1 January 2004 is measured at acquisition cost and that acquired earlier is measured at the carrying amount at 31 December 2003 in accordance with Spanish accounting standards in effect on that date, as provided in IFRS 1 — “First-time Adoption of International Financial Reporting Standards”.

3.b) Other intangible assets

Concessions, patents, licenses, trademarks and others

The electricity distribution and transmission concessions held in the UK by SCOTTISH POWER and those linked to the activities of AVANGRID, are not subject to any legal or other nature limits. Accordingly, as they are intangible assets with an indefinite useful life they are not amortised by the IBERDROLA Group, although they are assessed for indications of impairment each year, as described in Note 3.i.

Intangible assets under IFRIC 12

IFRIC 12 affects only the electricity distribution activities carried out by the IBERDROLA Group in Brazil (Note 13). Remuneration for network construction and upgrade work carried out by the IBERDROLA Group in this country consisted, on the one hand, of an unconditional right to receive cash and, on the other hand, of the right to charge certain amounts to consumers. As a result, by applying IFRIC 12, two different assets were recognised for the two types of consideration received:

- A financial asset, which is recognised under "Other non-current financial assets" in the Consolidated statement of financial position (Note 15.b).
- An intangible asset, amortisable in the concession period, which is recognised under "Other intangible assets" in the Consolidated statement of financial position (Note 9).

Since the IBERDROLA Group performs more than one service (i.e. operation services and construction or upgrade services), the consideration received under the service concession arrangement is recognised separately in the Consolidated income statement, in accordance with IFRS 15 "Revenues from Contracts with Customers".

Computer software

Computer software is amortised on a straight-line basis over a period of between three and five years from the entry into service of each software asset.

Customer acquisition costs

The IBERDROLA Group recognises incremental costs from customer contracts related mainly to commissions for the implementation of purchase agreements as intangible assets which are amortised on a systematic basis according to the average expected life of contracts with customers that are associated with such costs.

3.c) Investment property

Investment property is recognised at acquisition cost net of accumulated depreciation. It is depreciated on a straight-line basis, minus material residual value, over each asset's estimated useful life, which ranges between 37.5 and 75 years based on the features of each asset concerned.

3.d) Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost less accumulated depreciation and value adjustments.

Acquisition cost includes, where applicable, the following:

1. Prior to the transition to IFRS (1 January 2004), the IBERDROLA Group updated certain Spanish assets under the “Property, plant and equipment” heading of the Consolidated statement of financial position as permitted by prevailing legislation, including Royal Decree-Law 7/1996, and considered the amount of these revaluations as part of the cost of the assets, in accordance with IFRS 1.

2. Finance expense related to external funding accrued exclusively during the construction period (Note 43).

3. Personnel expenses related directly or indirectly to construction in progress (Note 40).

4. If the IBERDROLA Group is required to decommission its facilities or renovate the place where they are located, the current value of said costs is included in the carrying amount of assets for their present value, with a credit to the sub-heading “Non current provisions — Other provisions” of the Consolidated statement of financial position (Note 3.r).

The IBERDROLA Group transfers property, plant and equipment in progress to property, plant and equipment in use at the end of the related trial period.

3.e) Depreciation of property, plant and equipment in use

Every year, the IBERDROLA Group reviews the useful life of its assets based on internal and external information sources.

The cost of property, plant and equipment in use is depreciated on a straight-line basis, less any material residual value, at annual rates based on the years of estimated useful life, which for most assets are as follows:

	Average years of estimated useful life
Combined cycle power plants	40
Nuclear power plants	44-47
Onshore wind farms	
Less than 1 MW	30
More than 1 MW:	
Structural components	40
Non-structural components	25
Offshore wind farms	25
Photovoltaic power plants	30
Gas storage facilities	27-35
Transmission facilities	40
Distribution facilities	40
Conventional meters and measuring devices	10-40
Electronic or smart meters	10-15
Buildings	40-50
Dispatching centres and other facilities	4-50

The important components of property, plant and equipment that maintain different useful lives are considered separately.

3.f) Lease contracts

The IBERDROLA Group has classified the right-of-use assets and the lease liabilities under the headings “Right-of-use assets”, “Non-current financial liabilities — Leases”, and “Current financial liabilities — Leases” respectively, in the Consolidated statement of financial position.

Contingent rents subject to the occurrence of a specific event and the variable fees dependent on revenues or the use of the underlying asset are recorded at the time when they are incurred under the “External services” heading of the Consolidated income statement, rather than forming part of the lease liability.

The IBERDROLA Group has opted not to apply the exemption when recognising current leases (those with lease terms of 12 months or less). Contracts may include lease components as well as non-lease components. The IBERDROLA Group chooses not to separate such components for accounting purposes and to recognise them as a single lease component.

3.g) Nuclear fuel

Nuclear fuel costs include the financial expenses accrued during construction (Note 43).

The nuclear fuel consumed is recognised under the “Supplies” heading of the Consolidated income statement from when the fuel loaded into the reactor starts to be used, based on the cost of the fuel and the degree of burning in each reporting period.

3.h) Inventories

Energy resources

Energy resources are measured at acquisition cost, calculated using the average weighted price method, or net realisable value, if the latter is lower. No adjustments to the value of energy sources that are part of the production process are made if it is expected that the finished products into which they will be incorporated will be sold at above cost.

Real estate inventories

Real estate inventories are measured at cost of acquisition or production, which includes both the acquisition cost of the land and plot and the costs of urban planning and construction of the real estate developments incurred until the year end. These costs include project-related expenses, licenses, permits and certificates evidencing construction work filed at the pertinent registries.

The acquisition cost also includes finance expenses to the extent that such expenses relate to the period of town planning permits, urbanisation or construction up until the time at which the land or plot is ready for operation (Note 43).

The IBERDROLA Group periodically compares the cost of acquisition of real estate inventories with their net realisable value, recognising the necessary impairment losses with a charge to the Consolidated income statement when the latter is lower. If the circumstance leading to the impairment loss no longer exists, it is reversed, and the corresponding income is recognised, with the limit being the lower of cost and the new net realisable value of the inventories. This comparison is based on the value estimates made by external experts qualified for this purpose (mainly Knight Frank España, S.A.) in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain, in their January 2014 edition and confirmed in the 2022 edition.

For land, construction in progress and unsold units, net realisable value is the estimated selling price of an asset in the ordinary course of business, less the estimated costs to finish the production and the necessary costs to carry on with the sale of the element.

For other land and plots, value is determined using the residual method, where the costs of the proposed development are deducted from the gross value of the development, adding the profit margin which the developer would need taking into account the risk of the development. The key variables of the residual method are:

- Expected income: consists of the estimated price at which each of the development units may be sold, in accordance with a sales rate in accordance with estimates from independent experts.

- The cost of the development, including all disbursements to be made by the developer of the work depending on the type (e.g. government-sponsored or private single-family dwellings) and quality of the construction. In addition to the cost of the works, it includes the cost of projects and licenses (10%-12% of the physical construction project), legal fees (1%-1.5% of the material implementation project), marketing and promotional expenses (2%-4% of income) and unforeseen contingencies (3%).

- Development time: time required for the different planning, management and urban discipline stages, as well as expected construction and promotional periods.

- The developer profit considered for each asset, depending on the zoning status of the land, size and complexity of the development, ranging from 6% to 37% of total costs.

For land with licences, construction in progress and unsold units, the main difference with regard to unlicensed land is the developer's profit, which in this case is lower given the stage of completion of the work and the decrease in risk as the completion of construction nears.

Emission allowances and renewable energy certificates

Inventories of emission allowances and renewable energy certificates are measured at acquisition cost, calculated using the average weighted price method, or production cost if generated through the energy produced by own facilities that make use of renewable resources. Subsequently, they are measured at either cost or net realisable value, whichever is lower. No valuation adjustments are made to emission allowances or renewable energy certificates to be delivered to governmental agencies in compliance with environmental obligations.

Emission allowances and energy renewable energy certificates acquired for the purpose of benefiting through fluctuations in their market price are measured at fair value with a credit or debit to the Consolidated income statements.

Certain Group companies are required to deliver to governmental agencies emission allowances – in accordance with CO2 emissions throughout the year in Europe – and renewable obligation certificates (ROCs) in accordance with the MWh of electricity supplied to customers in the United Kingdom under the Renewables Obligation mechanism. This obligation is recorded by recognising a provision under “Supplies” in the Consolidated income statement and its amount is calculated (i) as the carrying amount for allowances and certificates held at the end of the reporting period and (ii) the closing listed price for allowances and certificates not held at the end of the period and that must be acquired in order to comply with the aforementioned obligations.

Emission allowances and renewable energy certificates are derecognised from the Consolidated statement of financial position when they are sold to third parties, have been delivered or expire. When the emission allowances are delivered, they are derecognised with a charge to the provision made when the CO_2 emissions with no impact on the Consolidated income statement were generated.

Income and expense from trading of inventories are recognised in the Consolidated income statement under “Revenue” and “Supplies”, respectively, with the resulting change in the inventories.

3.i) Impairment of non-financial assets

At least at the close of each financial year, the IBERDROLA Group reviews the value of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss.

In the case of goodwill and other intangible assets which have not come into use or which have an indefinite useful life, the IBERDROLA Group performs the recoverability analysis systematically every year, except when there are indications of impairment at another time, in which case the recoverability analysis is performed at the same time.

For the purposes of this recoverability analysis, goodwill is allocated to the cash generating units or groups of cash-generating units that benefit from the synergies arising from the business combination (Note 9).

Assumptions used in the value in use calculation include discount rates, growth rates and expected changes in selling prices and direct costs. Discount rates reflect the value of money over time and the risks associated with each cash-generating unit. Growth rates and variations in prices and direct costs are based on contractual commitments already in place, publicly available information, as well as industry forecasts and the IBERDROLA Group's experience (Note 14).

For the sake of simplicity, an amount substantially similar to the lease liabilities is deducted from both the carrying amount and the recoverable amount of the CGUs. International standards also require consistency of cash flows and discount rates. However, as the application of IFRS 16 — Leases has had only a minor impact on the composition of assets and liabilities and cash flows related to CGUs, no adjustments to the discount rates have been considered necessary for reasons of materiality.

If the recoverable amount of an asset is less than its carrying amount, the difference is recognised as a charge to the “Amortisation, depreciation and provisions“ heading of the Consolidated income statement. Impairment losses recognised for an asset are reversed with a credit under the “Amortisation, depreciation and provisions” heading of the Consolidated income statement when there is a change in the estimates concerning the recoverable amount of the asset, increasing the carrying amount of the asset, but so the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

The IBERDROLA Group distinguishes between impairment allowances and write-offs depending on whether the impairment is reversible or not reversible. A write-off involves a decrease in the carrying amount of assets, either because the impairments are considered definitive and non-reversible, or because it is stipulated that this is the case under the accounting standards, such as the case of goodwill, or when considering that the value of the asset is not going to be recovered for its use or disposal.

3.j) Associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. The result of measuring investments in associates using the equity method is recognised under the "Other reserves" and "Result of equity-accounted investees - net of taxes" headings of the Consolidated statement of financial position and income statement, respectively.

The IBERDROLA Group regularly observes for signs of impairment at its associates and joint ventures by comparing the total carrying amount of the associate or joint venture, (including goodwill), to its recoverable amount. If the carrying amount exceeds the recoverable amount, the IBERDROLA Group recognises the related impairment with a debit to the Consolidated income statement within the "Results of equity-accounted investees — net of taxes" heading.

3.k) Financial instruments

Classification and measurement of financial assets

The IBERDROLA Group measures its current and non-current financial assets in accordance with the criteria described below:

1. Assets at amortised cost

   Financial assets that meet the following conditions are included in this category:

   - The assets are held within a business model whose objective is to hold the assets to obtain the contractual cash flows, and
   - The contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

   These assets are initially recognised at fair value plus transactions costs and are subsequently measured at amortised cost. Interest accrued is recognised in the Consolidated income statement using the effective interest rate method. However, financial assets maturing in less than a year that do not have a contractual interest rate are measured both initially and subsequently at their nominal amount when the impact of not discounting cash flows is immaterial.

2. Assets at fair value through profit or loss

   The IBERDROLA Group includes in this category derivative financial instruments that do not satisfy the conditions necessary for hedge accounting based on the requirements established for this purpose in IAS 9: "Financial Instruments" (Note 30).

   Assets at fair value through profit or loss are initially recognised at fair value. The transaction costs directly attributable to purchase or issuing are recognised as an expense in the Consolidated income statement insofar as they are incurred. The changes that occur in their fair value are allocated to the Consolidated income statement for the period in the "Finance expense" and "Finance income" of the Consolidated income statement, as may be applicable.

The IBERDROLA Group determines the most appropriate classification for each asset on acquisition and reviews the classification at each year end date.

Impairment of financial assets at amortised cost and contract assets

The IBERDROLA Group recognises expected credit loss allowances from financial assets and contract assets at amortised cost.

The IBERDROLA Group will apply the general model for calculation of expected loss on financial assets other contract assets and trade receivables without a significant financial component, for which the simplified model will be applied.

Under the general model, credit losses expected in the next 12 months are considered unless the credit risk of financial instruments has significantly increased from the initial recognition. In that case, the expected credit losses over the life of the asset will be considered. The IBERDROLA Group recognises that the credit risk of a financial instrument has not significantly increased since its initial recognition if it is determined that at the reporting date it has a low credit risk.

Under the simplified approach, they qualify as expected credit losses over the life of the asset. The IBERDROLA Group has adopted the practical expedient whereby it calculates the expected credit loss on trade receivables by using a matrix of provisions based on its experience of historical credit losses adjusted for available forward-looking information.

Allocations and reversals of valuation adjustments due to impairment of trade receivables and contract assets are recognised under the "Valuation adjustments, trade and other receivables" heading of the Consolidated income statement. Valuation changes and reversals of financial assets due to impairment of the other financial assets at amortised cost are recognised under the "Finance expense" heading of the Consolidated income statement (Note 44).

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows in relation thereto have extinguished or have been transferred or when the risks and profits are considered to have been substantially assigned arising from their ownership.

The derecognition of a financial asset implies the recognising in the Consolidated Income statement the difference between its carrying amount and the sum of the consideration received less directly attributable transaction costs, including assets obtained or liabilities assumed and any deferred loss or gain in other comprehensive income.

Classification and measurement of financial liabilities

The IBERDROLA Group classifies all financial liabilities measured at amortised cost using the effective interest method, except for derivative financial instruments, which are recognised at fair value.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation under the liability is discharged or cancelled or expires. Moreover, when a debt instrument between IBERDROLA and the counterparty is replaced by another, on substantially different terms, the original financial liability is derecognised and the new financial liability is recognised.

The IBERDROLA Group considers that the terms are substantially different if the discounted present value of the discounted cash flows under the new terms, including any fees paid net of any fees received from the lender, and discounted using the original effective interest rate , is at least 10 per cent different from the current discounted present value of the remaining cash flows of the original financial liability.

The difference between the carrying amount of the financial liability or of the part of it that has been derecognised and the paid consideration, including the attributable transaction costs, and in which any transferred asset different from the assumed cash or liability is also included, is recognised in the Consolidated income statement of the year in which it takes place.

When there is an exchange of debt instruments that do not have substantially different terms, changed flows are discounted at the original effective interest rate, and any difference with the previous carrying amount is recognised in the Consolidated income statement. In addition, costs or commissions adjust the carrying amount of financial liabilities and are amortised using the amortised cost method during the rest of the life of the changed liability.

Contracts to buy or sell non-financial items

The IBERDROLA Group performs a detailed analysis of all its contracts to buy or sell non-financial items to ensure they are classified correctly for accounting purposes.

As a general rule, those contracts that are settled for the net amount in cash or in another financial instrument are classified as derivative financial instruments and are recognised and measured as described in this note, except for contracts entered into and held for the purpose of the receipt or delivery of a non-financial item in accordance with the IBERDROLA Group´s purchase, sale, or usage requirements.

Contracts for the sale and purchase of non-financial items to which IFRS 9: "Financial instruments" does not apply qualify as own-use contracts and are recognised as the IBERDROLA Group receives or delivers the rights or obligations originating thereunder.

The Iberdrola Group enters into power purchase agreements (PPAs) for the sale of energy and renewable energy certificates to certain customers. PPAs that involve the physical delivery of energy are usually classified as own-use contracts and fall outside the scope of IFRS 9. Meanwhile, virtual or financial PPAs that do not involve the physical delivery of energy and are settled for the cash difference between the contract price and the market price are classified as derivatives that fall within the scope of IFRS 9. For such financial contracts, the IBERDROLA Group applies cash flow hedge accounting and recognises, in the Consolidated income statement, any inefficiencies relating to the volume of energy whose production is not deemed to be highly probable.

Derivative financial instruments and hedge accounting

Financial derivatives are initially recognised at acquisition cost in the Consolidated statement of financial position and the required value adjustments are subsequently made to reflect their fair value at all times. Gains and losses arising from these changes are recognised in the Consolidated income statement, under "Revenue" in the case of derivative financial instruments in commodities, or "Finance income" and "Finance expense" for all other derivative financial instruments, unless the derivative has been designated as a cash flow hedge or a hedge of a net investment in a foreign operation.

At the inception of the hedge, the hedging relationships are designated and formally documented, together with the risk management objective and strategy. It is also assessed at the beginning of the hedging relationship and on an ongoing basis, whether the relationship meets the effectiveness requirements prospectively.

The accounting treatment for hedging transactions is as follows:

1. Fair value hedges:

   Changes in the fair value of derivative financial instruments designated as hedges and changes in the fair value of the hedged item arising from the hedged risk are recognised with a charge or credit to the same heading in the Consolidated income statement.

2. Cash flow hedges:

   The IBERDROLA Group recognises, under "Valuation adjustments" in the Consolidated statement of financial position, gains or losses arising from the fair value measurement of the hedging instrument corresponding to the portion identified as an effective hedge. The hedging portion considered ineffective is recognised under the "Finance income" and "Finance expense" headings of the Consolidated income statement.

   Accumulated losses or gains in "Valuation adjustments" are taken to the heading of the Consolidated income statement affected by the hedged item to the extent that it has an impact on the Consolidated income statement. If a hedge of a future transaction results in a non-financial asset or liability, this balance is taken into account when determining the initial value of the asset or liability generating the hedging transaction.

3. Hedge of net investment in foreign operations:

   The IBERDROLA Group recognises the profit or loss arising from the measurement at fair value of the hedge instrument that corresponds to the part identified as an effective hedge under "Translation differences" in the Consolidated statement of financial position. The hedging portion considered ineffective is recognised under the "Finance income" and "Finance expense" headings of the Consolidated income statement.

Discontinuation of hedge accounting

The IBERDROLA Group prospectively discontinues the fair value hedge accounting in the cases in which the hedging instrument matures, is sold, let go of or exercised, the goal of the risk management has changed, there is no financial relation between the hedge element and the hedged item, the credit risk effect prevails over value changes, the hedge instrument matures or is liquidated or the underlying hedged item ceases to exist.

When hedge accounting is discontinued, the cumulative amount at that date is recognised under the "Valuation adjustments" and "Translation differences" headings in cash flow hedges and net investment hedges, respectively, is retained under those headings until the hedged transaction occurs, at which time the gain or loss on the transaction will be adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned headings is transferred to the Consolidated income statements.

Embedded derivatives

Derivatives embedded in financial liabilities and transactions whose host contract falls outside the scope of IFRS 9: "Financial instruments" are recognised separately when the IBERDROLA Group considers that their risks and characteristics are not closely related to the host contract in which they are embedded, providing the entire contract is not measured at fair value recording the changes in that value through the Consolidated income statement.

With respect to financial liabilities whose cost is related to the achievement of sustainable objectives (Note 6), the IBERDROLA Group deems embedded derivatives to be closely related to the host contract since the underlying variables are not financial in nature, but rather specific to the company as conditions and objectives that are specially designed for IBERDROLA and related to its business.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is calculated as follows (Note 17):

- The fair value of derivatives quoted on an organised market corresponds to their quoted price at year end.
- To measure derivatives not traded on an organised market, the IBERDROLA Group uses assumptions based on market conditions at year end. In particular,
    - the fair value of interest rate swaps is calculated as the value discounted at market interest rates of the interest rate swap contract spread;
    - in the case of currency futures, it is measured discounting the future cash flows calculated using the forward exchange rates at year end; and
    - the fair value of contracts to trade non-financial items falling under the scope of IFRS 9 is calculated on the basis of the best estimate of future price curves for the underlying non-financial items at the year end of the Consolidated financial statements, using, wherever possible, prices established on futures markets.

These measurement models take into account the risks of the asset or liability, including the credit risk of both the counterparty (Credit Value Adjustment) and the entity itself (Debit Value Adjustment). The credit risk is calculated according to the following parameters:

- Exposure at default: the amount of the risk arising at the time of non-payment by a counterparty, taking into account any collateral or compensation arrangements connected to the transaction.

- Probability of default: the probability that a counterparty will breach its obligations to pay the principal and/or interest, depending mainly on the features of the counterparty and its credit rating.

- Loss given default: the estimated loss in the event of default.

3.l) Treasury shares

At year end, the IBERDROLA Group's treasury shares are included under the "Equity - Treasury shares" heading of the Consolidated statement of financial position and are measured at acquisition cost.

The gains and losses obtained on disposal of treasury shares are recognised under the "Other reserves" heading of the Consolidated statement of financial position.

3.m) Capital grants

This heading includes any non-repayable government grants for financing property, plant and equipment, including the grants received from the US Government in the form of Investment Tax Credits as a result of setting up wind power facilities.

All capital grants are taken to "Other operating income" in the Consolidated income statement as the subsidised facilities are depreciated.

3.n) Facilities transferred or financed by third parties

According to the regulation applicable to electricity distribution in the countries in which IBERDROLA operates, the Group occasionally receives cash payments from third parties to build electricity grid connection facilities or direct assignment of such facilities. Both the cash received and the fair value of the facilities received are credited to the "Facilities transferred or financed by third parties" heading of the Consolidated statement of financial position.

These amounts are subsequently recognised under the "Other operating income" heading of the Consolidated income statement as the facilities are depreciated.

3.o) Post-employment and other employee benefits

Contributions to defined contribution post-employment benefit plans are recognised as an expense under “Personnel expenses” in the Consolidated income statement on an accrual basis.

In the case of the defined benefit plans, the IBERDROLA Group recognises the expenditure relating to these obligations on an accrual basis over the working life of the employees by commissioning the appropriate independent actuarial studies using the projected unit credit method to measure the obligation accrued at the year end. The provision recognised for this item represents the present value of the defined benefit obligation reduced by the fair value of the plan assets.

New measurements of net liabilities corresponding to defined benefit commitments including positive or negative actuarial differences, the performance of the plan assets, excluding amounts included in the net interest on assets or liabilities and any changes impacting the limit of assets, are recognised under the “Other reserves” heading of the consolidated statement of financial position.

If the fair value of the assets exceeds the present value of the obligation, the net asset is recognised in the Consolidated statement of financial position up to the limit of the present value of future economic benefits to be received in the form of refunds from the plan or reductions in future contributions to the plan.

The IBERDROLA Group determines the net financial expense (income) related with its pension commitments by applying the discount rate used in its measurement of their value at the beginning of the period once considering the changes in the net pension commitments made during the period in terms of contributions and repayments made. The net interest and the amount corresponding to other expenses related with the commitments undertaken are recorded in the consolidated income statement.

The IBERDROLA Group determines the discount rate with reference to the market yields at the end of the reporting period, corresponding to the high-quality corporate bonds or debentures (the IBERDROLA Group considers a rating equivalent to AA/Aa). In countries which do not have such a deep market for such bonds and debentures, the discount rate is determined by reference to Government bonds.

For the Eurozone, United Kingdom and the United States of America, there is a deep bond market with a sufficient period of maturity to cover all payments expected. For Eurozone countries, the depth of the bond or debenture market is evaluated at the level of the monetary union and not for the particular country. In the case of Brazil and Mexico, the discount rate has been determined taking into account the sovereign credit rating as there is no deep market for corporate bonds which meet the credit rating criteria indicated above.

The IBERDROLA Group applies a weighted average discount rate that reflects the estimated timing and amount of the defined benefit payments, and also the currency in which the benefits are to be paid.

The calculation methodology is mainly based on the following principles:

- The universe and spectrum of the outstanding corporate bonds that meet the criteria of an AA/Aa rating is generated. The source of the information used is Bloomberg. The IBERDROLA Group has adopted the notional issuances that are higher than EUR 50 million or its equivalent in local currency as the selection criteria.

- Once the bonds' database is obtained, the result is screened and the bonds that show any information deficiencies are eliminated. The sample is grouped based on the bonds' duration and the return on each duration and outstanding nominal amount of the issuance is shown.

- The benefit payment is calculated using a mathematical formula, i.e., the discrete minimum approximation of the quadratic function, resulting in a market return curve based on the duration. The market curve result will provide the discount factors for each future maturity date of the bonds.

For markets where the term of the corporate bonds or government bonds issued does not match the term of the obligations, such maturities will be estimated by combining the sovereign benchmark rates together with the spreads of AA-rated corporate credit at liquid maturities. If there is no reference whatsoever to the term, the yield of the maximum existing term will be considered along with the slope derived from shorter maturities.

The discount rate reflects the time value of money and estimated schedule for the benefit payments. However, it does not reflect the actuarial, investment or credit risk or the risk of deviation in compliance with the actuarial assumptions.

3.p) Termination benefits

IBERDROLA recognises termination benefits when the Group can no longer withdraw the offer or when the expenses of restructuring are recognised from which the payment of severance payments arises, in the case that said recognition is made previously.

The payments related with restructuring processes are recognised when the IBERDROLA Group has an implicit obligation, i.e., at the time that there is a detailed formal plan to perform the restructuring (identifying, at least, the company activities involved, or part of them, the main locations affected, the location, function and approximate number of employees that will be paid for the termination of their contracts, the disbursements that will be made, and the dates on which the plan will be implemented) and a valid expectation has been expected amongst the affected personnel that the restructuring will be carried out, either because the plan has begun to be executed or because its main characteristics have been announced.

The IBERDROLA Group recognises the full amount of the expenditure relating to these plans when the obligation is incurred by performing the appropriate actuarial studies to calculate the present value of the actuarial obligation at year end. The resulting actuarial gains and losses in termination benefits are recognised in the consolidated income statement.

3.q) Production facility closure costs

The IBERDROLA Group must meet the corresponding decommissioning costs for its production plants, including those arising from necessary tasks to prepare the land where they are located. Additionally, in accordance with the current legislation, the Group must perform certain tasks prior to the decommissioning of its nuclear plants, all of which are in Spain. Empresa Nacional de Residuos Radioactivos, S.A. (ENRESA) will be responsible for such work.

The estimated present value of these costs is capitalised with a credit to "Provisions — Other provisions" at the beginning of the useful life of the asset (Note 28).

The IBERDROLA Group applies a risk-free rate to financially update the provision because the estimated future cash flows to satisfy the obligation reflect the specific risks of the corresponding liability. The risk-free rate used corresponds to the yield at the end of the year which is being reported, government bonds with enough depth and solvency, in the same currency and similar due date to the obligation.

Any change in the provision as a result of its discounting is recognised under the "Finance expense" heading of the Consolidated income statement.

3.r) Other provisions

The IBERDROLA Group recognises provisions to cover present obligations, whether these are legal or implied, which arise as a result of past events, provided that it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (Note 28).

A provision is recognised when the liability or obligation arises, with a charge to the heading in the income statement in accordance with the nature of the obligation, for the present value of the provision when the effect of discounting the value of the obligation to present value is material. The change in the provision due to its discounting each year is recognised under the "Finance expense" heading of the Consolidated income statement.

These provisions include those recorded to cover environmental damage, which were determined on the basis of a case-by-case analysis of the situation of the polluted assets and the cost of decontaminating them.

3.s) Recognition of revenue

Revenue from ordinary activities is recognised in such a manner that it represents the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Given the nature of the Group's electricity and gas marketing activities, the recognition of revenue is subject to a certain degree of estimation, which corresponds to the units supplied to customers between the date of the last meter reading and the end of the period (Note 5).

Income estimates are calculated on the basis of information on outstanding metering periods, historical trends, weighted average tariffs applicable to each of the customers, the volume of energy purchased by the group's retail supply companies to meet demand and other data. The Company can use its experience it has developed over the years, plus it has sufficiently developed information systems to ensure the accuracy of the estimates recorded in the net sales accounts and compliance with the requirements of accounting regulations.

In the case of contracts with customers with several performance obligations, income is assigned to each performance obligation based on its individual sale price at the beginning of the contract. The individual sale price is estimated based on the observable price of sale of goods of services transactions when they are sold separately under similar circumstances to similar customers. If there are no observable prices in the market, the price is estimated using the most adequate method based on the information available.

Revenue from ordinary activities beyond the scope of IFRS 15 “Revenue from Contracts with Customers” related to lease contracts (Note 3.f) and financial hedging derivatives (Note 3.k) is recognised in accordance with applicable accounting rules.

3.t) Adjustments for market price deviations

Under the provisions of the regulatory framework applicable to the renewable energy generation facilities owned by the Group in Spain, such facilities receive certain incentives (specific remuneration scheme) according to the methodology set out in Royal Decree 413/2014, of 6 June, which governs electricity production activity from renewable energy sources, cogeneration and waste (the “Royal Decree”). The Royal Decree provides that certain remuneration parameters will be updated by means of an order for each regulatory semi-period.

The Royal Decree sets out the procedure to be followed in the event that the real market prices corresponding to the different semi-periods of the regulatory useful life of the asset are lower (positive adjustments) or higher (negative adjustments) than the prices estimated by the regulator at the beginning of the regulatory semi-period that were used to determine the incentives to be received for the investments within the scope of the regulation.

Royal Decree Law 5/2023, of 28 June 2023, modified the reference period for calculating the estimated market prices for the purposes of its application during the 2023-2025 regulatory semi-period. For this semi-period, the price to be applied has been estimated as the arithmetic mean of OMIP futures during the period from 1 January 2023 to 31 May 2023, resulting in prices of EUR 109.31/MWh for 2023, EUR 108.86/MWh for 2024 and EUR 89.37/MWh for 2025 and thereafter. In this regard, Order TED/741/2023 of 30 June 2023 established the remuneration parameters to be applied in regulatory semi-period 2023-2025. Furthermore, the Order provides that for the calculation of the adjustment value for deviation from the market price for the years 2023, 2024 and 2025, governed by Section 22 of Royal Decree 413/2014, the relevant actual targeting coefficients for each year will apply to the general upper and lower annual limits for each technology.

The accounting treatment of deviations in the market price applied by the Group, as adapted to the "Criteria for accounting for the 'value of adjustments for deviations in the market price', in accordance with Section 22 of Royal Decree 413/2014", as published by the CNMV on 21 October 2021, and pursuant also to the 2021 financial statements oversight report, is as follows:

- In general, each positive and negative market deviation is recognised in the statement of financial position.
- The amount of the liabilities will be limited to the amount of the deviations from the price that would have allowed the minimum return guaranteed under the Royal Decree to be obtained.
- However, where an analysis of the qualitative and quantitative aspects corresponding to each of the facilities owned by the Group reveals that leaving the remuneration regime would not have significantly more adverse economic consequences than remaining there, then the general approach described above is not followed.

In relation to the Group's facilities that do not receive operating remuneration, at 31 December 2023, liabilities amounting to EUR 158 million were not recognised in respect of the negative price deviations established by the aforementioned Royal Decree that had occurred since 2014, since, according to the remuneration parameters of Order TED/741/2023, of 30 June 2023, and the Group's estimates at year-end, the effect of leaving the feed-in tariff regime, were this to occur, would not have a material adverse effect on the IBERDROLA Group's financial statements.

The main standard plants for which the liabilities associated with price deviations were not recognised are IT-654, 655, 656, 657 and 658.

When the asset reaches the end of its regulatory life, positive adjustments net of negative adjustments arising in the last regulatory half-period are recognised, based on their balance, in asset or liability accounts with a balancing entry in net revenue.

3.u) Transactions in foreign currency

Transactions carried out in currencies other than the functional currency of the group companies are recorded at the exchange rates prevailing at the transaction date.

The monetary assets and liabilities denominated in foreign currency have been translated to euros applying the existing rate at the close of the financial year, while the non-monetary ones measured at historical cost are translated applying the exchange rates applied on the date on which the transaction took place.

During the year, the differences arising between the exchange rates at which the transactions were recorded and those in force at the date on which the related proceeds are received or payments are made, are debited to the "Finance expense" heading or credited to the "Finance income" heading, as appropriate, of the Consolidated income statement.

Those foreign currency transactions in which the IBERDROLA Group has decided to mitigate currency risk through the use of financial derivatives or other hedging instruments are recorded as described in Note 3.k.

3.v) Income tax

IBERDROLA files consolidated tax returns in two tax consolidation groups in Spain, one in the common territory and the other in the province of Biscay, with certain Group companies. Foreign companies are taxed according to the current legislation of their respective jurisdiction.

The expense or income for Corporate income tax includes both the current and deferred tax. The tax on the current or deferred earnings is recognised in the Consolidated income statement, unless arising from a transaction or economic event that has been recognised in the same year or in a different one, against equity or from a business combination.

Current income tax assets or liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities, using tax regulations and rates that are enacted or substantively enacted at the close date.

Prepaid and deferred taxes are accounted based on the differences between the carrying amount of the assets and liabilities and the tax base, using the tax rates objectively expected to be in force when the assets and liabilities are realised.

Tax deductions to avoid double taxation and other tax credits, as well as tax relief earned as a result of economic events occurring in the year, are deducted from Income tax expense, unless there are doubts as to whether they can be realised.

Taxable income, tax loss carryforwards or deductions applied are calculated taking into account any uncertainties regarding the treatment of transactions for tax purposes. In those cases, in which the tax asset or liability exceeds the amount in the self-assessments, this is presented as current or not current on the Consolidated statement of financial position taking into account the expected recovery or settlement date, considering, where applicable, the amount of the corresponding past-due interest on the liability as they accrue in the income statement. The IBERDROLA Group records the changes in facts and circumstances regarding tax uncertainties as a change in the estimate.

3.w) Share-based employee compensation

The delivery of IBERDROLA shares to employees as compensation for their services is recognised under the “Personnel expenses” heading of the Consolidated income statement as the employees perform the services, with a credit to equity under “Equity — Other reserves” of the Consolidated statement of financial position at the fair value of the equity instruments on the grant date, defined as the date the IBERDROLA Group and its employees reach an agreement establishing the terms of the share delivery.

Fair value is determined by reference to the market value of shares at the grant date deducting estimated dividends to which employees are not entitled, during the vesting period. Market conditions and other factors that have no effect on vesting are taken into consideration on the date of the initial valuation and are not subject to subsequent adjustment. The rest of the conditions are considered adjusting the number of equity instruments included in the determination of the transaction amount, so that finally, the amount recognised for the services received, is based on the number of equity instruments that will prospectively be consolidated.

Cash-settled share-based payments are booked as “Personnel expenses” in the Consolidated income statement is credited to “Non-current financial liabilities — Other non-current financial liabilities” or “Current financial liabilities — Other current financial liabilities” on the liabilities side of the Consolidated statement of financial position, as appropriate. The fair value of the cash-settled compensation is remeasured at each reporting date.

Equity instruments withheld to meet the employee's tax obligations do not alter the plan's classification as equity-settled.

3.x) Business combinations and transactions with non-controlling interests

In each business combination, non-controlling interests are initially recognised at fair value, or at an amount equivalent to their proportionate interest in the net identifiable assets of the acquired company on the takeover date. The value of non-controlling interests in equity and in the results of fully consolidated subsidiaries is presented under “Equity — Non-controlling interests” on the liabilities side of the Consolidated statement of financial position and under “Non-controlling interests” in the Consolidated income statement, respectively.

When there is a loss of control of a group company, its assets, liabilities and any other equity items and non-controlling interests are derecognised. The resulting gains or losses are recognised under “Other operating income/expense” in the income statement. Holdings maintained in the subsidiaries whose control has been lost will be measured by their fair value on the date when this loss of control occurred.

Generally speaking, the acquisition of an asset or group of assets at the initial development stage where no products are generated is not deemed to meet the conditions for being classified as a business under the scope of IFRS 3 unless employees capable of carrying out a substantive process are incorporated. In transactions involving the acquisition and/or loss of control of an asset or group of assets that do not constitute a business in which a previous/remaining interest exists, or is otherwise withheld, the IBERDROLA Group has elected to revalue such previous/remaining interest at fair value with a balancing entry in the Consolidated income statement.

The income obtained in stock purchase transactions with minority shareholders in controlled companies and the sale of stock without loss of control is debited or credited to reserves.

4. Financing and Financial Risk Policy

The IBERDROLA Group is exposed to various financial market risks inherent to the different countries, industries and markets in which it operates and to the businesses it carries out. Were they to materialise, these risks could prevent the Group from accomplishing its objectives and successfully pursuing its strategies. Section 4 of the consolidated Management report contains additional information on the Group’s risks.

In particular, the *Financing and Financial Risk Policy*, the *Corporate Market Risk Policy* and the *Corporate Credit Risk Policy* of the IBERDROLA Group approved by the Board of Directors identify the risk factors described below. The IBERDROLA Group has an organisation and systems that enable it to identify, measure and control the financial risks to which it is exposed.

Interest rate risk

The IBERDROLA Group is exposed with regards to its financial liabilities to the risk of fluctuations in interest rates affecting cash flows and fair value.

In order to adequately manage and limit this risk, every year the IBERDROLA Group determines the target reference structure for debt between fixed and floating interest rates. Once this target reference structure has been set, the Group dynamically organises the actions to be taken throughout the year: arranging new sources of financing at a fixed or floating rate and/or relying on interest rate derivatives, whether to set the interest rate (or limit its variability) for variable rate debt or to change debt from fixed rate to floating rate. Derivatives may also be used to establish the cost of future debt issues, provided they are highly probable in accordance with the budget or the strategic plan in force.

Bank borrowings, bonds and other marketable securities arranged at floating interest rates and cash placements of the IBERDROLA Group are largely pegged to market rates (mainly Euribor, SONIA, SOFR and the IPCA CDI for the debt of the Brazilian subsidiaries).

Currency risk

IBERDROLA Group is exposed to currency exchange rate variations used in the different financing and operating transactions compared to the operating currencies used by the different group companies. Said operating currencies are mainly the Euro, the US dollar, Pound sterling and the Brazilian Real.

IBERDROLA Group is also exposed to currency risks as a result of net investments in foreign companies (mainly Scottish Power, Avangrid, Iberdrola México and Neoenergia) arising from fluctuations in cash exchange rate differences of operating non-euro currencies.

Currency exchange variations imply a risk affecting the valuation of net assets and the translation of profit, possibly impacting IBERDROLA Group’s equity situation.

The IBERDROLA Group mitigates currency risks by ensuring that all its economic flows are carried out in the currency of each Group company, maintaining an adequate percentage of debt in foreign currency and/or through derivatives.

Commodity price risk

The IBERDROLA Group's activities require the acquisition and sale of commodities (natural gas, coal, fuel oil, gas oil, emission allowances, etc.), whose price is subject to the volatility of international markets (global and regional) where those commodities are traded.

To reduce uncertainty, mainly linked to expected margin of scheduled IBERDROLA Group transactions, as a result of the volatility of said markets, the Group subscribes financial derivatives to establish the cost of own generation and purchase of energy associated to the expected sales of gas and electricity to customers.

Risk posed by other indexing processes

Risks may also arise from other indexing processes (inflation, industrial metal prices, etc.), which are often included in contracts for the acquisition of equipment or construction materials for projects or new facilities, and where fluctuations in the reference index or other pricesmay affect the total cost of supply.

In a bid to mitigate this effect, the IBERDROLA Group may make use of market risk hedging mechanisms and/or arrange financial derivatives.

Derivatives for risk management purposes

Generally speaking, the purpose of contractual derivatives is limited to hedging.

In accordance with the risk management policies drawn up by the IBERDROLA Group, the critical terms of the hedging instruments, i.e. the derivatives arranged to mitigate the aforementioned interest rate, exchange rate risk, commodity price risk, and indexing risk, are established in terms equivalent to those of the hedged item, among others:

- The notional value of the hedging instrument is equal to or less than that of the hedged item.
- The underlying currency of the hedging instrument is the same as that of the hedged item.
- The term of the hedging instrument is equal to or less than that of the hedged item.
- The variable benchmark interest rate applicable to the hedging instrument is the same as that of the hedged transaction, if appropriate.
- The interest frequency of the hedging instrument is the same as that of the hedged item.

Derivatives arranged for interest rate hedges, exchange rate hedges and commodity hedges are described in Note 30.

Liquidity risk

Exposure to adverse situations in the debt or capital markets or the IBERDROLA Group´s economic and financial situation can hinder or prevent the IBERDROLA Group from obtaining the financing required to properly carry out its business activities.

The IBERDROLA Group's liquidity policy is designed to ensure that it can meet its payment obligations without having to rely on financing under unfavourable terms. For this purpose, various management metrics are used, such as the arrangement of committed credit facilities of sufficient amount, term and flexibility, diversification of the hedging of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued.

Looking ahead to 2024, the IBERDROLA Group expects to cover is planned ordinary investments with cash on hand and with the cash flow generated from its operations and access to the interbank financial markets, capital markets and supranational lenders (such as the EIB, Development Banks and Export Credit Agencies – ECAs), even though the Group has sufficient credit facilities and loans in place with which to cover these investments.

At 31 December 2023 and 2022, the IBERDROLA Group had undrawn loans and credit facilities totalling EUR 17,162 million and EUR 17,754 million, respectively. Additionally at 31 December 2023 there were current cash deposits that, due to their contractual conditions, the IBERDROLA Group includes in its liquidity position as of that date. The following table provides a breakdown by maturity of the liquidity position at 31 December 2023 and 2022, based on the balance of the "Cash and cash equivalents" heading of the Consolidated statement of financial position and current financial assets (between three and 12 months).

Millions of euros	**2023**	**2022**
Available maturity		
2023	—	346
2024	233	461
2025	127	5,317
2026 and beyond	16,802	11,630
Total	**17,162**	**17,754**
Current financial assets (between 3 and 12 months) (Note 15.b)	14	18
Cash and cash equivalents (Note 21)	3,019	4,608
Liquidity position	**20,195**	**22,380**

Credit risk

The IBERDROLA Group is exposed to the credit risk arising from the possibility that counterparties (customers, financial institutions, partners, insurers, etc.) might fail to comply with contractual obligations.

Risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. In particular, there is a Corporate Credit Risk Policy setting the framework and action principles for proper risk management, which are further developed at business and country level (admission criteria, approval flows, authority levels, rating tools, exposure measurement methodologies, etc.) through procedures.

Below is a breakdown by country of balances at 31 December 2023 and 2022 of financial assets and contract assets:

	Other non-current financial assets (Note 15.b)		Other current financial assets (Note 15.b)		Non-current trade and other receivables (Note 16)		Current trade and other receivables (Note 16)	
Millions of euros	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Spain	153	120	69	1,270	323	278	3,181	4,511
United Kingdom	284	388	539	912	5	19	1,554	1,607
United States	957	759	648	470	97	101	1,485	1,672
Mexico	71	52	—	2	33	623	394	336
Brazil	5,645	4,500	214	154	2,868	3,576	1,949	1,586
Iberdrola Energía Internacional (IEI)	92	91	7	3	5	8	306	109
Corporation and adjustments	6	48	202	153	12	9	37	48
Total	**7,208**	**5,958**	**1,679**	**2,964**	**3,343**	**4,614**	**8,906**	**9,869**

Balances of "Other current and non-current financial assets" and "Non-current trade and other receivables" correspond mainly to concession agreements signed with Brazilian public administrations (Note 13) and receivables related to regulated activities in Spain.

With regard to credit risk on trade receivables from electricity and gas retail supply activity in the liberalised market, the historical cost of defaults has remained relatively low, at close to 1% of total turnover of this activity worldwide.

With regard to the "Cash and cash equivalents" heading of the Consolidated statement of financial position, the average credit rating of the counterparties is BBB-, according to the scale used by Standard and Poor's.

Sensitivity analysis

The following sensitivity analyses show, for each type of risk (without reflecting the interdependence among risk variables), how income for the year and equity might be affected by reasonably possible changes in each risk variable at 31 December 2023 and 2022.

- Interest rates:

To calculate the sensitivity of consolidated profit or loss to changes in interest rates, an increase or decrease of 50 basis points (equally in all currencies) is applied to the average balance of floating rate net debt, after taking into account hedges with derivatives. To calculate the sensitivity of equity, an increase or decrease of 50 basis points (equally across all currencies) is applied to the fair value of the outstanding cash flow hedges at year-end, the change in fair value of which is recognised in equity. The sensitivity of consolidated profit and equity to interest rate fluctuations is as follows:

Millions of euros	**Increase/decrease in interest rate (basis points)**	**Impact on profit before tax Income/(Expense)**	**Direct impact on equity before tax**	**Impact on equity before tax**
2023	50	(83)	238	155
	(50)	83	(238)	(155)
2022	50	(78)	202	124
	(50)	78	(202)	(124)

- Exchange rates:

To calculate the sensitivity of consolidated profit to variations in exchange rates, a depreciation or appreciation of 5% is applied mainly on the profit of foreign subsidiary companies whose operating currency is different to the Euro (net of economic hedges arranged), given that the risk originated from other transactions in foreign currency, either due to financing or business operations, is covered by exchange rate hedges. The sensitivity of equity to exchange rates is calculated applying an appreciation or depreciation of 5% on net translation differences and on cash flow derivative hedges whose variation in fair value is recognised in equity.

The sensitivity of consolidated profit and equity of the IBERDROLA Group to changes in the dollar/euro, pound sterling /euro and Brazilian real/euro exchange rate is as follows:

Millions of euros	Change in the dollar/euro exchange rate	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2023	Depreciation of 5%	(2)	(1,110)	(1,112)
	Appreciation of 5%	1	1,227	1,228
2022	Depreciation of 5%	(12)	(1,122)	(1,134)
	Appreciation of 5%	4	1,241	1,245

Millions of euros	Change in the pound sterling/euro exchange rate	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2023	Depreciation of 5%	(13)	(489)	(502)
	Appreciation of 5%	8	541	549
2022	Depreciation of 5%	(8)	(545)	(553)
	Appreciation of 5%	3	603	606

Millions of euros	Change in the Brazilian real/euro exchange rate	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2023	Depreciation of 5%	(5)	(292)	(297)
	Appreciation of 5%	3	323	326
2022	Depreciation of 5%	(6)	(242)	(248)
	Appreciation of 5%	1	267	268

- Commodities:

The sensitivity of consolidated profit and equity to changes in the market prices of the main commodities is as follows:

Millions of euros				
2023	**Variation in price**	**Impact on profit/(loss) before tax**	**Direct impact on equity before tax**	**Impact on equity before tax**
Gas	+5%	(4)	8	4
	(5%)	4	(8)	(4)
Electricity	+5%	6	1	7
	(5%)	(7)	(1)	(8)

Millions of euros				
2022	**Variation in price**	**Impact on profit/(loss) before tax**	**Direct impact on equity before tax**	**Impact on equity before tax**
Gas	+5%	19	54	73
	(5%)	(18)	(54)	(72)
Electricity	+5%	(1)	68	67
	(5%)	1	(68)	(67)

5. Use of accounting estimates

The most significant estimates made by the IBERDROLA Group in these Consolidated financial statements are as follows:

- Climate change:

  The IBERDROLA Group's strategy takes into account the Paris Agreement objectives of limiting the global temperature increase to 2°C and of achieving climate neutrality by 2050.

  The objectives of the Paris Agreement (Note 6) have been taken into account in drawing up the Consolidated financial statements for 2023 and 2022. The effect of the commitments assumed by the Group has been considered when preparing the statements and estimating the useful lives of assets and the costs of closing and decommissioning electrical power plants and when analysing the impairment of non-financial assets.

- Unbilled power supplied:

  The revenue figure for each year includes an estimate of the power supplied to customers of liberalised markets but not yet billed because it had not been measured at year-end for reasons relating to the regular meter-reading period (Note 3.s). Fully depreciated property, plant and equipment still in use at 31 December 2023 and 2022 amounted to EUR 2,569 million and EUR 3,127 million, respectively. This amount is included under “Current trade and other receivables” in the consolidated statements of financial position at 31 December 2023 and 2022 (Note 16).

- Settlements relating to regulated activities in Spain:

  Revenue for each year includes an estimate of the income pending collection derived from the application of the methodology set out in the remuneration model in force for the distribution activity, which establishes that facilities commissioned in year “n” begin to be remunerated from year “n+2”. (Note 38).

- Provisions for contingencies and expenses:

  As indicated in Note 3.r, the IBERDROLA Group recognises provisions to cover present obligations arising from past events. For this purpose, it must assess the outcome of certain of legal or other nature procedures that are ongoing at the date of authorisation for issue of these Consolidated financial statements based on the best information available.

- Useful lives:

  The IBERDROLA Group's property, plant and equipment is used over very prolonged periods of time. The Group estimates the useful lives for accounting purposes (Note 3.e) based on each asset's technical characteristics, the period over which it is expected to generate economic benefits and applicable legislation in each case.

- Costs incurred in closing down and decommissioning electrical power facilities:

  The IBERDROLA Group periodically revises the estimates made concerning the costs to be incurred in the dismantling of its facilities.

- Provision for pensions and similar commitments and restructuring plans:

  At each year end, the IBERDROLA Group estimates the current actuarial provision required to cover obligations relating to restructuring plans, pensions and other similar obligations to its employees. This process involves an independent valuation of the obligations and assets. In calculating these values, the IBERDROLA Group relies on advice from independent actuaries and expert financial appraisers (Notes 3.o, 3.p and 27).

When valuing obligations, the independent expert proceeds as follows:

- Estimation of accrued liability, total cost for the year and payments in future years.
- Analysis of actuarial gains and losses, of the resulting surplus or deficit and sensitivity to relevant assumptions.

When valuing assets, the independent expert proceeds as follows:

- Identification of the managing entities, depositories of the pension funds and Managed Accounts and the degree of aptitude of each manager and Managed Account
- Operational Due Diligence of the managing entities: financial strength, solvency, organisational structure, resources, processes run by the Risk Control and Compliance functions, best execution policy, order placement, quality and reputation, etc.
- Quantitative and qualitative analysis of each of the Managed Accounts in which the financial investments are materialised and classification, in terms of liquidity, of each asset and/or investment vehicle, on the following basis:

Level	Description	Practical assessment criteria
1	Quoted prices for similar instruments	- Cash - Equity & Preferred stocks - Listed Derivatives - U.S. government and U.S. agencies – The fair values of US Treasury bonds based on quoted market prices in active markets. The US Treasury bond market is considered to be an actively traded market, given the high level of daily trading volume.
2	Directly observable market inputs other than level 1 inputs	- U.S. government and U.S. agencies – The fair values of US agency bonds are determined using the spread over the risk-free yield curve. The risk-free yield curve returns and spreads on these securities are observable market data. - Non-U.S. government and supranational bonds – These securities are usually appraised by independent pricing services. The pricing service may use current market transactions for securities of similar quality, maturity and coupon. If such transactions are unavailable, the pricing service typically uses analytical models that may combine spreads, interest rate data and market/sector news. The significant data used to price non-US government and supranational bonds are observable market data. - Asset-backed securities – These securities comprise CMBS and CLOs originated by a variety of financial institutions that at the time of acquisition are rated BBB-/Baa3 or higher. These securities are priced by independent pricing services and brokers. The pricing provider applies dealer quotes and other available commercial information, prepayment speeds, yield curves and credit spreads to the valuation. The significant data used to price CMBSs and CLOs are observable market inputs. - Government and Corporate Bonds – Bonds issued by corporate issuers that at the time of acquisition are rated BBB-/Baa3 or higher. These securities are usually priced by independent pricing services. The significant data used to price corporate bonds are observable market inputs. - Municipal bonds – Bonds issued by US state and municipal institutions or agencies. The fair values of municipal bonds are usually appraised by independent pricing services. Pricing services typically use spreads obtained from stock brokers, trading prices and the new issuance market. The significant data used to price municipal bonds are observable market inputs. - Mutual Funds & Commingled Funds - OTC Derivatives - Longevity swap, based on an independent report.
3	Inputs not based on observable market inputs.	- Closed-ended Funds - Real Estate

- Fair value of real estate investments and inventories:

  The IBERDROLA Group engages external experts to appraise its real estate investment property and investments each year (Notes 3.h and 10).

- Impairment of assets:

  As described in Notes 3.i and 14, the IBERDROLA Group, in accordance with applicable accounting regulations, tests the cash-generating units that require testing for impairment each year. Specific tests are also conducted if indications of impairment are detected. These impairment tests require estimating the future cash flows of the businesses and the most appropriate discount rate in each case. The IBERDROLA Group believes its estimates in this respect are appropriate and consistent with the current economic climate and the commitments assumed under the Paris Agreement (Note 6) and reflect its investment plans and the best available estimate of its future expense and income. It is also confident that its discount rates adequately reflect the risks to which each cash-generating unit is exposed.

- Determining the term of a lease:

  In the event that a significant event or a significant change in circumstances occurs that may affect the term, the IBERDROLA Group reviews the valuations made in the determination of the lease term. Renewal or termination options are only included in the determination of the lease term if it is reasonably certain that the contract will be extended or will not be cancelled. In the event that a significant event or a significant change in circumstances occurs that may affect the term, the IBERDROLA Group reviews the valuations made in the determination of the lease term.

6. Climate change and the Paris Agreement

In its commitment to the Paris Agreement and the energy transition, IBERDROLA's Climate Action Plan sets out an ambitious roadmap with the aspiration of achieving carbon neutrality for Scope 1 and 2 (direct emissions, own and other generation and indirect emissions from grid losses and own consumption) carbon equivalent emissions by 2030 and aims to achieve zero net CO_2 equivalent emissions for all scopes, including Scope 3 (other indirect emissions over which the Group has no direct control or influence, such as the sale of gas, purchase of electricity for sale to end customers, generation of electricity for third parties, suppliers), by 2040. To achieve this aspirational goal, levers and associated actions are also being defined which, in turn, will contribute to the decarbonisation of the economy as a whole, as well as the values, tools and indicators for the achievement thereof.

One of the levers for achieving this aspirational commitment to reduce emissions, is that IBERDROLA will continue to promote and lead a business model and investment plan that are fully integrated into a decarbonised future. The company is moving forward with its investment plan to cement its business model, based on more renewable energies, more grids and networks, increased storage and a wider range of smart solutions for customers.

6.a) Energy scenario

In preparing the Consolidated financial statements for financial year 2023, the directors have taken into account the strategic plan presented to the markets on 9 November 2022, which provides the framework of the IBERDROLA Group's strategy and business model and is fully aligned with the Paris Agreement and the 2030 Agenda in the fight against climate change.

The IBERDROLA Group's projections are consistent with the Paris goals, as described further on.

Shown below is a comparison of the IBERDROLA Group's long-term scenario consistent with the International Energy Agency - Sustainable Development Scenario (IEA SDS), aligned with the Paris agreement, in force during the preparatory work for Capital Markets Day (held on 9 November 2022). In the last week of October 2022, the International Energy Agency published the World Energy Outlook (WEO 2022) and it has subsequently been confirmed, in the context of the work needed to comply with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), that the central scenario is the equivalent of the WEO 2022 Announced Pledges Scenario (APS) projections.

1. Europe

Penetration of renewables

- IEA SDS assumes a renewable penetration (RES) in Europe of 66% by 2030, increasing to 82-83% by 2040 and 85-86% by 2050.
- IBERDROLA assumes 68% for 2030, reaching 81% in 2040 and 87% in 2050, assumptions consistent with IEA SDS.
    - This scenario reflects the updated policies, especially those announced during the war scenario and the drafts of the updated (2023) National Energy and Climate Plans (NECPs): in Germany 80% renewables by 2030, new nuclear power in France beyond 2035, or reaching 50 GW of offshore wind power in the United Kingdom by 2030, or 21 GW in offshore wind by 2030 in the Netherlands, to name but a few.
    - These targets are considered extremely ambitious and there is a broad consensus that some of them will be achieved late.

Electrification of other sectors (new demand)

- IEA-SDS assumes energy demand growth of 2.0% to 2.1% (Compound Annual Growth Rate, CAGR 2020-2050), while IEA-SPS (Stated Policies Scenario, SPS) estimates growth of 0.9% to 1.2%.

- IBERDROLA assumes a CAGR of 1.7% until 2050, reflecting the impact of electrification and decarbonisation in other sectors (electric vehicles and electrolysers), which will account for 25-30% of total energy demand by 2050.

Commodities

- Gas price
  - IEA-SPS assumes world gas demand growth of 0.8% (CAGR 2020-2050). New liquefied natural gas (LNG) plants are required in the United States and the Henry Hub (HH) gas price reflects a total cost of 3.6-4.3 $2020/mmBtu (2030-2040). The LNG chain in the United States translates this HH price to 7.7-8.3 $2020/mmBtu in Europe.
  - By contrast, IEA-SDS considers that through decarbonisation, global gas demand will drop by 1.6% (CAGR 2020-2050), with global LNG overcapacity and the gas price remaining stable at a level that slightly exceeds the variable costs of the US LNG chain, for a HH price of 1.9-2.0 $$_{2020}$/mmBtu. The US LNG chain translates this HH price into 4.2-4.5 $$_{2020}$/mmBtu in Europe.
  - IEA SDS can be overly aggressive and, given the current gas crisis scenario: IBERDROLA does not fully assume the SDS gas prices, but partially reflects the risk of a declining gas demand scenario.
  - IBERDROLA assumes that prices will adopt a downward trend, from values that amortise new LNG investments in the United States to values that do not fully cover a new investment: HH at 3 $$_{2022}$/mmBtu translates into 7-6.2 $$_{2022}$/mmBtu in Europe.
  - It is not unlikely that the next SDS scenario will raise gas prices (WEO 2022) positioning IBERDROLA much closer to SDS than SPS.
- CO2 price
  - IEA SPS assumes 65, 75, 90 $2020/$tCO_2$ for 2030, 2040 and 2050 respectively while IEA SDS doubles it to 120, 170, 200 $2020/$tCO_2$.
  - IBERDROLA assumes an average for the 2025-2050 horizon of 76.83 $$_{2022}$/$tCO_2$, assuming a long-term USD/EUR exchange rate of 1.1-1.2. This forecast is well above current market prices (average 95-100 €/tCO_2 nominal in 2025-2050 compared to 70-80 €/tCO_2 market price), but does not fully reflect IEA SDS values. This is because IBERDROLA assumes that there is a high regulatory risk:

    - Most reductions can stem from other regulatory measures rather than simply the carbon price signal. Examples include incentives for renewables, new nuclear, new CCS (carbon capture and storage), or hydrogen.

    - Regulators often intervene when prices exceed certain thresholds, and the EU emissions trading scheme (ETS) already has the tools in place to intervene in the price. Therefore, IBERDROLA considers it highly unlikely that prices will reach the IEA-SDS values (noting that 200 $\$_{2020}$/tCO2 by 2050 means a nominal price of ~375 \$/tCO$_2$).

2. United States

IBERDROLA assumes the Wood Mac scenario (June 2022), which is consistent with the IEA SDS scenario:

- Wood Mac
    - Share of renewable energies to reach 80% by 2050
    - Coal virtually phased out by 2035-2040.
- IEA-APS
    - Share of renewable energies to reach 84% by 2050
    - Coal insignificant by 2035.

3. Non-Europe

IEA SDS does not provide country-by-country details for benchmarking as in Europe.

In any case, IBERDROLA's assumptions are consistent with the regulators' latest policies and planning documents, which tend to show growing ambitions when it comes to renewable energies:

Australia

The most relevant policies are:

- Federal: 82% renewable energies by 2030 (IBERDROLA estimates it to 2032);
- New South Wales: 12 GW of wind and photovoltaic by 2030;
- Queensland: 80% renewable energies by 2035;
- Victoria: 9 GW of offshore wind power by 2040 (IBERDROLA estimates it to 2045); and

- There is no specific policy on coal. IBERDROLA works on the assumption that all coal-fired plants will be closed by 2035, to be replaced by renewable energies and storage.

Brazil

- The latest long-term planning document, known as the 10-year Energy Expansão Plan (PDE 2031), assumes 67 TWh of gas under the reference scenario (2031).
- Given the size of the country, thermal production is negligible and the country can be considered practically decarbonised.

Mexico

- National Electricity System Development Programme (PRODESEN 2031).
- Combined cycle production is expected to reach 220-225 TWh over the 2020-2035 horizon (versus ~ 200 TWh in 2022).

6.b) Strategic vision

IBERDROLA'S strategic vision for the coming years fits within the energy scenario described in the preceding section.

Under Iberdrola's current Strategic Plan 2023-2025, released in November 2022, the Company plans to continue investing in the drive towards the energy transition, allocating funds to networks, renewable energies and storage capacity. Meanwhile, Iberdrola will continue to focus resources on developing green products that deliver added value to customers. For private individuals, offers focus on solar self-consumption, electric mobility and green indoor climate control.

The outlook for 2030, driven by growth in all markets and accelerating electrification, in which investment over the 2026-2030 period could reach EUR 65,000 million to EUR 75,000 million to exceed 100 GW of installed capacity (more than 80% renewable) and EUR 65,000 million in network assets.

6.c) Preparation of the financial statements

In preparing these financial statements, the impact of climate change has been considered in a number of key estimates, including:

- estimated useful lives of assets, their residual values and decommissioning provisions; and
- impairment tests.

Useful lives:

As described in Note 3.e) "Depreciation of property, plant and equipment in use", the IBERDROLA Group reviews the useful lives of its assets on an annual basis. The IBERDROLA Group did not amend the useful life of its assets in financial year 2023, insofar as, at the date of preparation of these financial statements, the roadmap for achieving carbon neutrality for the carbon equivalent emissions of scopes 1 and 2 by 2030 has not been drawn up.

Emissions from the production mix will be reduced, either by investing in new renewable technologies or by reducing residual emissions.

This offsetting may be carried out through the carbon credit markets provided for in the Paris Agreement, or through regulated or voluntary markets. In this regard, the IBERDROLA Group will look to plant 20 million trees by 2030 to obtain sufficient carbon credits with which to offset part of these residual emissions.

Moreover, the long-term ambition to achieve the carbon neutral target before 2040 (Scopes 1, 2 and 3) depends as much on the actions taken by the Group as on the decisions of third parties. These measures could affect not only the Group's thermal generation business, mainly cogeneration and combined cycle plants, but also its gas transmission, distribution and retail supply activities.

Notably, the agreement to sell 13 generation plants in Mexico (Note 18), which includes 12 combined cycle plants, was a significant step in the ongoing process towards the Group's decarbonisation objectives.

The IBERDROLA Group expects that thermal generation will continue to operate only when genuinely justified, due to the need to provide power to the population without access to electricity or to ensure adequate integration of renewable energy.

It should also be borne in mind that some of the Group's businesses, such as gas transmission and distribution in the United States and the United Kingdom, as well as part of gas retail supply in Spain and the United Kingdom, for example, are regulated businesses. Any possible withdrawal from these activities would require regulatory authorisation. In addition, the role of these assets in each country's energy transition is uncertain and depends on the future policies and measures adopted by governments or regulators. Therefore, their useful life has not been changed in these financial statements either. Should any decisions be taken by the regulator, such as shortening the useful life of these assets, the IBERDROLA Group considers that the economic effects would not have a material impact, as the regulation assures a positive return on investment and would compensate the Group through tariffs.

Consequently, in general, the IBERDROLA Group considers it unnecessary to accelerate the depreciation of emitting assets, either because they are required as back-up or because their useful life depends on actions by third parties beyond the IBERDROLA Group's control. Nor has it accelerated the timing of provisions for the closure or decommissioning of facilities as a result of climate change. However, it will continue to monitor the system's needs and the decisions of governments and regulators to determine whether it will need to accelerate the depreciation of these assets in the future.

Impairment test

The projections used in the impairment tests of non-financial assets (Note 14) are aligned with the energy scenario described in 6.a) and the strategic vision included in 6.b). The aforesaid projections match the best forward-looking statements available to the IBERDROLA Group and include the investment plans for each country prevailing at that time. These plans respond to the IBERDROLA Group's strategy and use, as their central scenarios, the Announced Pledges Scenario (APS) and the Sustainable Development Scenario (SDS), which factor in the objectives of the Paris Agreement subject to the adjustments described above.

These projections take into account the impact that new renewable power plants coming on stream are expected to have on wholesale and retail electricity prices, as well as developments in fuel prices (gas and electricity) and emission allowances as a result of the aforementioned agreements, as indicated above.

Climate risks

Section 4.6.2 Climate change of the Management Report, describes the climate risks, including physical and transition risks, considered by the Group for its various businesses.

6.d) Financing

In keeping with a sustainable business model, the IBERDROLA Group demonstrates this commitment to ESG (Environmental, Social and Governance) financing in the different geographies in which it operates and through the different instruments and formats it uses to obtain financing. The objective here is threefold: (i) to align its financial strategy with its purpose, values and investment strategy; (ii) to optimise its financial cost; and (iii) to diversify its sources of financing, making sustainability both an end and a means to achieve the financial strength it pursues and for which it is widely known.

The ESG financing signed by the IBERDROLA Group in 2023 amounts to EUR 11,549 million. The breakdown by product is as follows:

Millions of euros	Note	Green financing	Sustainable financing	Total
Perpetual subordinated bonds	22	1,000	—	1,000
Bank borrowings, bonds and other marketable securities	29			
Debentures and bonds		2,637	—	2,637
Multilateral loans		1,655	—	1,655
Development bank and ECA loans		930	—	930
Bank loans		28	—	28
Credit facilities		—	5,300	5,300
Total		**6,250**	**5,300**	**11,550**

Given these transactions, together with the Tax Equity Investment green financing agreement reached by the company Vineyard Wind 1, accounted for by the equity method (Note 15.a), for an amount of USD 1,210 million (EUR 1,094 million), the ESG financing arrangement signed by the IBERDROLA Group in 2023 amounts to EUR 12,644 million.

Green financing arrangements

- **Debentures and Bonds**

In the capital market, the IBERDROLA Group is the world's leading group when it comes to green bonds outstanding.

In 2023, the IBERDROLA Group increased its volume of green bonds issued for a combined amount of EUR 3,636 million; at the Corporation: EUR 1,000 million of perpetual subordinated bonds and EUR 850 million of a public bond; at AVANGRID, USD 1,315 million (EUR 1,188 million); and at Neoenergia, BRL 3,200 million (EUR 598 million).

- **Bank loans**

In the banking market, in June 2023 Neoenergia Distribuiçao Brasilia entered into a green bank loan maturing in 2026 in the amount of BRL 150 million (EUR 28 million) for distribution network construction and automation projects.

- **Multilateral loans**

In 2023, the Corporation signed two green loans with the European Investment Bank (EIB) for a total of EUR 1,150 million, for the development of a pipeline of wind and solar photovoltaic projects in Spain, Portugal and Germany, and to partly fund small-scale solar and wind projects in Italy. Meanwhile, Neoenergia stepped up its green financing with a Super Green Loan from International Finance Corporation (IFC), a member of the World Bank Group, for BRL 800 million (EUR 150 million) to finance upgrades, digitalisation and expansion of transmission grids.

In 2023, the IBERDROLA Group was authorised by the IFC for development finance amounting to EUR 300 million in emerging economies. This loan bears the dual label of "green" and "sustainable" (KPI-linked).

- **Loans with development banks and export credit agencies (ECAs)**

The IBERDROLA Group has continued to diversify its sources of financing, establishing new commercial relationships with export credit agencies (ECAs). These credit agencies have insurance policies that cover significant percentages of the financial risks assumed by banks, thus enabling Iberdrola to diversify its sources of financing and reduce risk consumption by banks.

In July 2023, Iberdrola secured a EUR 500 million loan guaranteed by the Norwegian export credit agency EKSPORTFINANSIERING NORGE (EKSFIN) to fund the East Anglia III offshore wind farm in the United Kingdom.

- **Structured financing**

In 2023, AVANGRID stepped up its financing under the tax equity investment green approach, mainly by entering into the TEI Vineyard Wind offshore project, worth USD 1,210 million (EUR 1,094 million).

In February 2023, the company Renovables de Buniel S.L., 75% owned by Iberdrola, signed a EUR 55 million loan with the EIB for the construction of a 100 MW wind farm in Spain.

Financing linked to the achievement of sustainability goals (SDGs)

The IBERDROLA Group has also entered into other ESG-classified financial arrangements where the cost or other structural characteristics are linked to compliance with a range of sustainable targets, one of which is always of an environmental nature.

- **Credit facilities linked to sustainable goals**

A KPI-linked sustainable syndicated credit facility in the amount of EUR 5,300 million was signed in 2023 for a term of five years with an option to extend for a further two years. The agreement introduces for the first time a carbon emission reduction indicator measured by the three scopes (1, 2 and 3), as well as a social KPI.

At 31 December 2023, the total composition of the IBERDROLA Group's ESG financial transactions portfolio is as follows:

Millions of euros	Note	Green financing	Sustainable financing	Total
Perpetual subordinated bonds	22	5,250	—	5,250
Bank borrowings, bonds and other marketable securities	29			
Debentures and bonds		14,989	—	14,989
Multilateral loans		4,517	—	4,517
Development bank and ECA loans		3,563	—	3,563
Bank loans		390	1,245	1,635
Credit facilities		—	15,132	15,132
Commercial paper programmes		—	5,000	5,000
Structured financing		1,150	—	1,150
Total		**29,859**	**21,377**	**51,236**

Given these transactions, together with the Tax Equity Investment green financing agreement and the Project Finance arrangement for the company Vineyard Wind 1, accounted for by the equity method (Note 15.a), amounting to USD 3,554 million (EUR 3,212 million), total ESG financing arrangements at 31 December 2023 amounted to EUR 54,449 million.

7. Changes in the scope of consolidation and other significant transactions

Business combinations

In 2022, the IBERDROLA Group carried out no significant business combinations. In 2023, the IBERDROLA Group carried out the following significant business combinations:

IBERDROLA RENOVABLES IBERMAP

On 31 March 2023, IBERDROLA and MAPFRE, S.A. signed an agreement to incorporate 150 MW of additional operating photovoltaic capacity of IBERDROLA ESPAÑA into Energías Renovables Ibermap (IBERMAP). This will bring IBERMAP's assets to 445 MW: 295 MW wind and 150 MW photovoltaic assets. The 150 MW of new capacity corresponds to the operational PV parks of Almaraz, Olmedilla and Romeral, with 50 MW each, located in Castilla-La Mancha and Extremadura.

The transaction was completed on 27 May 2023, making IBERDROLA ESPAÑA the majority shareholder of IBERMAP, with a 51% stake, with MAPFRE retaining the remaining 49%.

Given that the IBERDROLA Group already had control over the contributed PV parks, the deal has been recorded as a transaction with non-controlling interests, resulting in an increase of EUR 40 million in "Non-controlling interests" and a credit of EUR 24 million to "Other reserves" in the Consolidated statement of financial position at 31 December 2023.

Value of acquired assets and liabilities

The fair value of the assets and liabilities acquired at the date of taking control and their carrying amounts at that date are as follows:

Millions of euros	Carrying amount	Fair value
Intangible assets	120	34
Property, plant and equipment	362	362
Right-of-use assets	34	34
Non-current financial investments	17	17
Deferred tax assets	2	2
Current trade and other receivables	5	5
Current financial assets	3	3
Cash and cash equivalents	43	43
Total	**586**	**500**

Millions of euros	Carrying amount	Fair value
Non-current provisions	10	10
Non-current financial liabilities	215	215
Other non-current liabilities	9	9
Deferred tax liabilities	63	49
Current financial liabilities	36	36
Other current liabilities	3	3
Total	**336**	**322**

Goodwill

Details of goodwill at 31 December 2023 arising on the business combinations were as follows:

Millions of euros	
Fair value of consideration provided	64
Recognition of non-controlling interests	100
Fair value of previous holding	41
Total consideration provided	**205**
Fair value of net acquired assets	178
Goodwill arising on the acquisition	**27**

The resulting goodwill consists primarily of future economic benefits arising from the acquired company's own activities that do not meet the conditions for separate accounting recognition at the time of the business combination.

Other information

The business combination's contribution to the IBERDROLA Group's net profit from continuing operations in 2023 since the takeover amounted to a loss of EUR 4 million.

Had the acquisition taken place on 1 January 2023, the contribution to the IBERDROLA Group's consolidated revenue in 2023 would have been EUR 34 million and net profit for the period from continuing operations would have decreased by EUR 6 million.

The costs incurred in the acquisition amounted to EUR 1 million and have been recorded under "External services" in the Consolidated income statement for 2023.

SWAP OF POWER PLANTS IN BRAZIL

In December 2022, NEOENERGIA entered into a share swap agreement with Eletronorte whereby NEOENERGIA would sell, to Eletronorte, its stakes of 50.56% in Teles Pires Participaçoes, 0.9% in Companhia Hidrelétrica Teles Pires and 100% in Baguari I Geraçao de Energia Elétrica, while in return Eletronorte would transfer, to NEOENERGIA, its stakes of 49% in Energética Águas da Pedra (EAPSA), 0.04% in Neoenergia Coelba, 0.04% in Neoenergia Cosern and 0.04% in Afluente Transmissão de Energia Elétrica, which together were valued at the same amount.

At year-end 2022, the IBERDROLA Group's interest in the companies Teles Pires and Baguari (through its subsidiary NEOENERGIA) met the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" for classification as such in the Consolidated statement of financial position (Note 18).

On 26 September 2023, the IBERDROLA Group, through its subsidiary NEOENERGIA, completed the above asset swap agreement.

As a result of the transaction, EUR 225 million was recognised under "Result of equity-accounted investees" of the 2023 Consolidated income statement as the difference between the fair value and carrying amount of the stakes delivered as consideration in the swap.

Value of acquired assets and liabilities

The fair value of the assets and liabilities acquired at the date of taking control and their carrying amounts at that date are as follows:

Millions of euros	Carrying amount	Fair value
Intangible assets	14	228
Property, plant and equipment	95	244
Non-current financial investments	5	5
Current trade and other receivables	11	11
Cash and cash equivalents	37	37
Total assets	**162**	**525**

Millions of euros	Carrying amount	Fair value
Non-current provisions	—	2
Non-current financial liabilities	18	18
Deferred tax liabilities	4	127
Current financial liabilities	11	11
Other current liabilities	9	9
Total liabilities	**42**	**167**

Goodwill

Details of goodwill at 31 December 2023 arising on the business combinations were as follows:

Millions of euros	
Fair value of consideration provided	481
Fair value of net acquired assets	358
Goodwill arising on the acquisition	**123**

The resulting goodwill consists primarily of future economic benefits arising from the acquired company's own activities that do not meet the conditions for separate accounting recognition at the time of the business combination.

Other information

The business combination's contribution to the IBERDROLA Group's net profit from continuing operations in 2023 since the takeover amounted to a gain of EUR 130 million.

Had the acquisition taken place on 1 January 2023, the contribution to the IBERDROLA Group's consolidated revenue in 2023 would have been EUR 62 million and net profit for the period from continuing operations would have increased by EUR 135 million.

POLAND

In Poland, the Company completed the acquisition of two onshore wind farms in 2023, namely Podlasek and Wólka Dobryńska, with a total capacity of 50 MW and which have been in operation since August. The transaction yielded goodwill of EUR 17 million, broken down as follows:

Millions of euros	
Fair value of consideration given	49
Fair value of net assets acquired	32
Goodwill arising on the acquisition	**17**

The contribution to profit for the year since the takeover came to EUR 4 million.

Sale of Group companies

SALE OF TRANSMISSION ASSETS IN BRAZIL (Note 15.a)

On 25 April 2023, the IBERDROLA Group's subsidiary in Brazil, NEOENERGIA, entered into an agreement with Warrington Investment Pte. Ltd, a company controlled by the Government of Singapore Investment Corporation (GIC), to sell 50% of the share capital of its subsidiary Neoenergia Transmissora 15 SPE S.A. (now Neoenergia Transmissão S.A.), which owns eight transmission assets (1,865 km of lines).

On 30 September, following approval by the Brazilian regulatory authorities, ANEEL and CADE, of the transaction between the IBERDROLA Group and GIC, the strategic agreement was entered into for BRL 1,111 million, which generated a loss of EUR 23 million, as recognised under "Other operating income" in the Consolidated income statement at 31 December 2023.

The agreement also gives GIC a right of first refusal in connection with the potential future sale of a 50% stake in the transmission assets under construction (Itabapoana [Note 18], Guanabara, Vale do Itajaí, Lagoa dos Patos, Morro do Chapéu, Estreito, Alto do Parnaíba and Paraíso) and Potiguar Sul.

In addition, both companies signed a framework agreement to jointly evaluate their participation in future bids for power transmission assets in Brazil.

Transactions with non-controlling interests (Note 22)

2023

- On 25 July 2023, Iberdrola Renovables Deutschland GmbH signed an agreement to sell a 49% stake in the share capital of Baltic Eagle GmbH, the owner of the Baltic Eagle offshore wind farm under construction in Germany with an installed capacity of 476 MW, to Masdar Baltic Eagle Germany GmbH, a company belonging to the group of which the parent company is Abu Dhabi Future Energy Company –PJSC– Masdar. Iberdrola Renovables Deutschland will retain control of Baltic Eagle and the IBERDROLA Group will continue to provide construction management, operation and maintenance and management services for the wind farm. The transaction was finalised on 2 November.

The closing price of the transaction was EUR 387 million. Since the IBERDROLA Group already controlled the company, the transaction was recognised as a transaction with non-controlling interests, thus generating an increase of EUR 318 million in "Non-controlling interests" and a credit of EUR 64 million under the "Other reserves" heading of the Consolidated statement of financial position at 31 December 2023.

- In January 2023, Iberdrola Renovables Energía, S.A., together with its subsidiary Iberenova Promociones, S.A., signed a framework agreement to co-invest in renewable assets in Spain.

  As per the agreement, NBIM Iberian Reinfra AS (NBIM Iberian), an affiliate of the group of which Norges Bank is the parent company, will acquire a 49% ownership interest in several IBERDROLA ESPAÑA Group companies that currently hold various onshore wind and solar photovoltaic projects in Spain. The total project portfolio of these companies amounts to 1,265 MW (of which 137 MW are already in operation and 1,128 MW are under development). Following the acquisition by NBIM Iberian, both Iberenova Promociones, S.A. and NBIM Iberian will contribute their respective ownership interests in the project-holding companies to a jointly owned holding company. The ownership distribution in this holding company will be 51% by Iberenova Promociones, S.A. and 49% by NBIM Iberian, proportional to their respective share capital.

  Iberdrola Renovables Energía, S.A. will retain indirect control over the project-owning companies and will continue to oversee the development of non-operational projects until they are commercially operational. The IBERDROLA ESPAÑA Group will continue to provide necessary operation and maintenance services for these projects. The agreement envisages that the parties may extend it to other renewable assets in addition to those that constitute its initial perimeter in Spain or in other countries.

  This portfolio of renewable energy projects, valued at 100%, is worth an estimated EUR 1,225 million. Therefore, NBIM Iberian's investment for its 49% stake in this portfolio will be approximately EUR 600 million, which may be subject to adjustments that are customary in these types of transactions. NBIM Iberian will make an initial payment upon completion as consideration for the interests acquired in the companies that own projects already in operation. The remaining payment will be made by NBIM Iberian as the projects under development become commercially operational and the minority interests in the project-holding companies are acquired by it.

  The three operating wind power projects of 137 MW have been contributed in 2023. Given that the IBERDROLA Group already had control over the contributed project portfolio, the transaction has resulted in an increase of EUR 53 million in "Non-controlling interests" and a credit of EUR 26 million to "Other reserves" in the Consolidated statement of financial position at 31 December 2023.

2022

- On 3 October 2022, IBERDROLA, through its subsidiary in Brazil, Neoenergia, carried out a voluntary public takeover bid (PTB) targeting the minority shareholders of Neoenergia Pernambuco, representing 9.13% of the company's share capital. In addition, as envisaged in the PTB, the redemption and cancellation of the remaining shares of Neoenergia Pernambuco that remained outstanding after the takeover bid, representing 1.22% of the share capital, was approved.

Since the IBERDROLA Group already controlled the company, the transaction was recognised as a transaction in non-controlling interests, thus generating a reduction of EUR 39 million in "Non-controlling interests" and a credit of EUR 24 million under the "Other reserves" heading of the Consolidated statement of financial position at 31 December 2022.

- In September 2022, Iberdrola Renovables Deutschland GmbH entered into an agreement for the acquisition, by Youco F22-H451 Vorrats-GmbH & Co. KG —a company belonging to the group of which Energy Infrastructure Partners AG was the parent company—, of a 49% stake in the share capital of Iberdrola Renovables Offshore Deutschland GmbH, the company that owns the Wikinger offshore wind farm in Germany, with 350 MW of installed capacity and inaugurated in October 2018. Iberdrola Renovables Deutschland retains control of IBERDROLA Renovables Offshore Deutschland and the Iberdrola Group continues to provide it with the operation and maintenance services required to run the wind farm.

  The consideration for the transaction amounted to approximately EUR 700 million. Since the IBERDROLA Group already controlled the company, the transaction was recognised as a transaction in non-controlling interests, thus generating an increase of EUR 625 million in "Non-controlling interests" and a credit of EUR 17 million under the "Other reserves" heading of the Consolidated statement of financial position at 31 December 2022.

- In 2022, IBERDROLA acquired additional shares in NEOENERGIA worth EUR 20 million. Since the IBERDROLA Group already controlled the company before the previous acquisitions, the transactions were recognised as a transaction in non-controlling interests, thus generating a reduction of EUR 28 million in "Non-controlling interests" and a credit of EUR 8 million under the "Other reserves" heading of the Consolidated statement of financial position at 31 December 2022.

Other significant transactions

- Vineyard Wind LLC was a joint venture owned 50% by Avangrid Group and 50% by Copenhagen Infrastructure Partners (CIP). The offshore wind projects were reorganised in the first half of 2022, with Avangrid acquiring 100% of the Park City Wind and Commonwealth Wind projects and CIP acquiring 100% of the rights to the OCS-A 0522 area. The transaction resulted in a credit of EUR 212 million, recognised under "Result of equity-accounted investees" of the Consolidated income statement for financial year 2022 (Note 15.a).

8. Segment reporting

The Iberdrola Group's organisation is based on a dual structure of geographic areas and businesses. This matrix structure with segments by geographical area and by business is as follows:

By geographical area:

- Spain;
- United Kingdom;
- United States;
- Mexico;
- Brazil; and
- Iberdrola Energía Internacional (IEI), where the most relevant countries are Germany, France and Australia.

Businesses:

- Renewables and Sustainable Generation Business: includes the generation of electricity from renewable sources (onshore and offshore wind, photovoltaic and hydroelectric), as well as other energy sources, and conventional nuclear and combined cycle generation in Spain.
- Networks business: including all the energy transmission and distribution activities, mainly gas and electricity, and any other regulated activity.
- Customers business: including energy retail supply activities, mainly gas and electricity, and other products and services, including hydrogen, as well as non-renewable generation in Mexico as it is mostly for third parties.
- Other businesses: other non-energy businesses.

In addition, the Corporation reflects the costs of the IBERDROLA Group's structure, derived mainly from the corporate functions, whether at global or local level, which provide services to the companies and businesses on the basis of intra-group service contracts entered into with Iberdrola, S.A. or with the corresponding country subholding company.

The transactions between the different segments are executed on an arm's-length basis.

The key figures for the identified segments are as follows:

2023 Millions of euros	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
REVENUE	18,334	10,814	7,351	3,011	8,995	1,007	(177)	**49,335**
PROFIT/(LOSS)								
Segment operating profit	4,494	2,169	595	651	1,436	214	(586)	**8,973**
Result of equity-accounted investees — net of taxes	11	1	5	—	237	(6)	(9)	**239**
ASSETS								
Segment assets	33,545	29,984	44,695	2,918	11,649	8,992	(1,686)	**130,097**
Equity-accounted investees	150	11	635	—	373	46	91	**1,306**
LIABILITIES								
Segment liabilities	10,174	7,849	13,437	775	4,281	1,338	(3,388)	**34,466**
OTHER INFORMATION								
Total cost incurred during the period in the acquisition of property, plant and equipment and intangible assets	2,221	2,209	2,866	144	120	1,889	87	**9,536**
Impairment losses, trade and other receivables	90	236	171	3	117	1	—	**618**
Amortisation and depreciation	1,437	919	1,236	134	562	221	198	**4,707**
Charges for asset impairment	23	17	10	—	—	2	1	**53**
Reversal for asset impairment	—	(1)	—	—	—	—	—	**(1)**
(Charges)/Reversal for other provisions	(22)	12	55	9	7	(1)	7	**67**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	140	49	95	3	5	—	34	**326**

Restated (Note 2.c) 2022 Millions of euros	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
REVENUE	22,980	9,813	7,907	4,079	8,613	802	(245)	**53,949**
PROFIT/(LOSS)								
Segment operating profit	3,213	921	1,162	621	1,676	282	109	**7,984**
Result of equity-accounted investees — net of taxes	34	2	243	—	(91)	(23)	(19)	**146**
ASSETS								
Segment assets	33,966	28,043	44,474	7,501	11,113	6,763	-1.983	**129,877**
Equity-accounted investees	172	10	402	—	143	42	88	**857**
LIABILITIES								
Segment liabilities	11,537	7,104	13,541	1,773	4,061	1,100	(3,919)	**35,197**
OTHER INFORMATION								
Total cost incurred during the period in the acquisition of property, plant and equipment and intangible assets	2,803	1,473	3,114	257	345	1,566	113	**9,671**
Impairment losses, trade and other receivables	115	103	158	—	93	—	1	**470**
Amortisation and depreciation	1,267	920	1,224	230	502	178	361	**4,682**
Charges for asset impairment	22	—	—	8	—	—	—	**30**
Reversal for asset impairment	—	—	—	—	—	(27)	—	**(27)**
(Charges)/Reversal for other provisions	(6)	15	55	4	14	8	(1)	**89**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	24	75	21	2	13	—	27	**162**

Additionally, the breakdown of non-current assets by geographical area is as follows:

Millions of euros	31.12.2023	31.12.2022
Non-current assets (*)		
Spain	27,073	25,642
United Kingdom	27,142	25,746
United States	39,969	39,726
Mexico	2,285	5,953
Brazil	5,711	5,014
IEI	8,153	6,332
Corporation and adjustments	662	708
Total	**110,995**	**109,121**

(*) Excluding non-current financial investments, deferred tax assets, current tax assets and non-current trade and other receivables.

2023 Millions of euros	Networks	Renewables and Sustainable Generation	Customers	Other businesses, Corporation and adjustments	Total
REVENUE	18,363	9,281	30,087	(8,396)	**49,335**
PROFIT/(LOSS)					
Segment operating profit	3,485	2,728	3,308	(548)	**8,973**
Result of equity-accounted investees — net of taxes	20	216	12	(9)	**239**
ASSETS					
Segment assets	63,769	52,596	7,745	5,987	**130,097**
Equity-accounted investees	380	754	81	91	**1,306**
LIABILITIES					
Segment liabilities	22,210	11,407	5,303	(4,454)	**34,466**
OTHER INFORMATION					
Total cost incurred during the period in the acquisition of property, plant and equipment and intangible assets	3,767	4,998	569	202	**9,536**
Impairment losses, trade and other receivables (expense/income)	295	(6)	329	—	**618**
Amortisation and depreciation	2,180	1,912	483	132	**4,707**
Charges for asset impairment	17	35	—	1	**53**
Reversal for asset impairment	(1)	—	—	—	**(1)**
(Charges)/Reversal for other provisions	34	24	3	6	**67**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	139	22	51	114	**326**

Restated (Note 2.c) 2022 Millions of euros	Networks	Renewables and Sustainable Generation	Customers	Other businesses, Corporation and adjustments	Total
REVENUE	18,355	10,322	34,939	(9,667)	**53,949**
PROFIT/(LOSS)					
Segment operating profit	4,151	2,214	1,749	(130)	**7,984**
Result of equity-accounted investees — net of taxes	13	153	(2)	(18)	**146**
ASSETS					
Segment assets	62,257	48,394	13,952	5,274	**129,877**
Equity-accounted investees	180	628	20	29	**857**
LIABILITIES					
Segment liabilities	21,584	10,967	7,525	(4,879)	**35,197**
OTHER INFORMATION					
Total cost incurred during the period in the acquisition of property, plant and equipment and intangible assets	3,290	5,477	724	180	**9,671**
Impairment losses, trade and other receivables (expense/income)	239	16	214	1	**470**
Amortisation and depreciation	2,087	1,835	623	137	**4,682**
Charges for asset impairment	4	7	19	—	**30**
Reversal for asset impairment	—	(27)	—	—	**(27)**
(Charges)/Reversal for other provisions	43	40	8	(2)	**89**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	38	(1)	30	95	**162**

Additionally, the breakdown of non-current assets by business activity is as follows:

Millions of euros	31.12.2023	31.12.2022
Non-current assets (*)		
Networks	53,115	51,444
Renewables and Sustainable Generation	45,897	42,655
Customers	2,726	6,102
Other business, Corporation and adjustments	9,257	8,920
Total	**110,995**	**109,121**

(*) Excluding non-current financial investments, deferred tax assets, current tax assets and non-current trade and other receivables.

The reconciliation between segment assets and liabilities and the total assets and liabilities of the Consolidated statement of financial position is as follows:

Millions of euros	31.12.2023	Restated (Note 2.c) 31.12.2022
Segment assets	**130,097**	**129,877**
Non-current financial investments	9,740	10,650
Assets held for sale	4,720	166
Current financial assets	2,457	4,813
Cash and cash equivalents	3,019	4,608
Total Assets	**150,033**	**150,114**

Millions of euros	31.12.2023	Restated (Note 2.c) 31.12.2022
Segment liabilities	**34,466**	**35,197**
Equity	60,292	58,114
Non-current financial liabilities	40,573	42,682
Bank borrowings, bonds and other marketable securities	36,319	36,129
Equity instruments having the substance of a financial liability	561	576
Derivative financial instruments	1,285	3,690
Leases	2,408	2,287
Current financial liabilities	13,605	14,094
Bank borrowings, bonds and other marketable securities	11,959	10,458
Equity instruments having the substance of a financial liability	110	87
Derivative financial instruments	1,352	3,398
Leases	184	151
Liabilities linked to assets held for sale	1,097	27
Total Liabilities and Equity	**150,033**	**150,114**

9. Intangible assets

The changes in 2023 and 2022 in intangible assets and the corresponding accumulated amortisation and impairment allowances were as follows:

Millions of euros	**Balance at 01.01.2022**	**Translation differences**	**Modification of the consolidation scope (Note 7)**	**Additions and charges/ (reversals)**	**Capitalised personnel expenses (Note 40)**	**Transfers**	**Decreases, disposals or reductions**	**Balance at 31.12.2022**	**Translation differences**	**Modification of the consolidation scope (Note 7)**	**Additions and charges/ (reversals)**	**Capitalised personnel expenses (Note 40)**	**Transfers**	**Decreases, disposals or reductions**	**Classification as held for sale (Note 18)**	**Balance at 31.12.2023**
Cost:																
Goodwill	8,312	(106)	—	—	—	—	(17)	8,189	30	156	—	—	—	—	—	8,375
Concessions, patents, licenses, trademarks and others	7,745	321	12	3	—	(351)	(54)	7,676	(84)	230	—	—	—	—	(3)	7,819
Intangible assets under IFRIC 12 (Notes 3.b and 13)	3,874	579	—	—	—	635	(86)	5,002	251	—	—	—	287	(79)	—	5,461
Computer software	2,764	34	—	261	24	(7)	(6)	3,070	(33)	—	361	26	—	(35)	(5)	3,384
Customer acquisition costs in the retail supply of energy	1,190	(12)	—	247	—	—	(66)	1,359	3	—	176	—	—	(568)	—	970
Other intangible assets	3,027	101	—	2	—	(6)	(6)	3,118	(81)	64	4	—	—	(9)	(2)	3,094
Total cost	**26,912**	**917**	**12**	**513**	**24**	**271**	**(235)**	**28,414**	**86**	**450**	**541**	**26**	**287**	**(691)**	**(10)**	**29,103**

Millions of euros	**Balance at 01.01.2022**	**Translation differences**	**Modification of the consolidation scope (Note 7)**	**Additions and charges/ (reversals)**	**Capitalised personnel expenses (Note 40)**	**Transfers**	**Decreases , disposals or reductions**	**Balance at 31.12.2022**	**Translation differences**	**Modification of the consolidation scope (Note 7)**	**Additions and charges/ (reversals)**	**Capitalised personnel expenses (Note 40)**	**Transfers**	**Decreases, disposals or reductions**	**Classification as held for sale (Note 18)**	**Balance at 31.12.2023**

Accumulated depreciation and provisions:																
Concessions, patents, licenses, trademarks and others	947	32	—	108	—	(19)	(12)	1,056	35	2	101	—	—	—	(3)	1,191
Intangible assets under IFRIC 12 (Notes 3.b and 13)	2,316	317	—	331	—	7	(69)	2,902	148	—	382	—	—	(44)	—	3,388
Computer software	2,121	19	—	212	—	(7)	(6)	2,339	(22)	—	223	—	—	(35)	(4)	2,501
Customer acquisition costs in the retail supply of energy	652	(6)	—	298	—	—	(66)	878	2	—	239	—	—	(568)	—	551
Other intangible assets	815	35	—	109	—	(1)	(6)	952	(32)	26	111	—	—	(1)	(2)	1,054
Total accumulated depreciation	**6,851**	**397**	**—**	**1,058**	**—**	**(20)**	**(159)**	**8,127**	**131**	**28**	**1,056**	**—**	**—**	**(648)**	**(9)**	**8,685**
Impairment allowance (Notes 8 and 42)	**152**	**9**	**—**	**8**	**—**	**—**	**—**	**169**	**(6)**	**—**	**—**	**—**	**—**	**—**	**—**	**163**
Total accumulated depreciation and provisions	**7,003**	**406**	**—**	**1,066**	**—**	**(20)**	**(159)**	**8,296**	**125**	**28**	**1,056**	**—**	**—**	**(648)**	**(9)**	**8,848**
Total net cost	**19,909**	**511**	**12**	**(553)**	**24**	**291**	**(76)**	**20,118**	**(39)**	**422**	**(515)**	**26**	**287**	**(43)**	**(1)**	**20,255**

The amounts incurred in research and development activities (expenses and investment) in 2023 and 2022 total EUR 384 million and EUR 363 million respectively.

The fully amortised intangible assets still in use at 31 December 2023 and 2022 amounted to EUR 1,727 million and EUR 1,747 million, respectively.

At 31 December 2023 and 2022, the IBERDROLA Group had commitments to acquire intangible assets totalling EUR 13 million and EUR 28 million, respectively.

In addition, at 31 December 2023 and 2022, there were no significant restrictions on the ownership of intangible assets, except for the regulated businesses, which may require authorisation from the corresponding regulator for certain transactions.

The allocation of goodwill to the various cash-generating units at 31 December 2023 and 2022 is as follows:

Millions of euros	**31.12.2023**	**31.12.2022**
United Kingdom	5,795	5,713
United States	1,889	1,966
Brazil	506	371
France	62	62
Australia	41	43
Other	82	34
Total	**8,375**	**8,189**

The above aggregation by country (United Kingdom, United States, Brazil, France, Australia and others) corresponds to groups of cash-generating units including, where applicable, electricity and gas retail supply, regulated activities and renewables (Note 14).

The allocation of indefinite life and in-progress intangible assets at 31 December 2023 and 2022 to the different cash generating units is as follows:

	2023			2022		
Millions of euros	**Intangible assets with indefinite useful lives**	**Intangible assets in progress**	**Total**	**Intangible assets with indefinite useful lives**	**Intangible assets in progress**	**Total**
Electricity distribution in Scotland	766	—	766	756	—	756
Electricity distribution in Wales and England	738	—	738	727	—	727
Electricity transmission in the UK	291	—	291	287	—	287
Electricity and gas distribution in New York (NYSEG)	1,074	—	1,074	1,114	—	1,114
Electricity and gas distribution in New York (RG&E)	965	—	965	1,004	—	1,004
Transmission and distribution of electricity in Maine (CMP)	266	—	266	277	—	277
Transmission and distribution of electricity in Connecticut (UI)	1,116	—	1,116	1,159	—	1,159
Gas distribution in Connecticut (CNG)	281	—	281	293	—	293
Gas distribution in Connecticut (SCG)	552	—	552	574	—	574
Gas distribution Massachusetts (BGC)	38	—	38	39	—	39
Other	13	—	13	12	—	12
Total	**6,100**	**—**	**6,100**	**6,242**	**—**	**6,242**

The undefined useful life assets mostly correspond to the acquisition cost of licences to operate in different businesses which are the core business in the activities performed by the IBERDROLA Group.

10. Investment property

Changes in 2023 and 2022 in the IBERDROLA Group's investment property were as follows:

Millions of euros	**Balance at 01.01.2022**	**Additions and (charges)/ reversals**	**Balance at 31.12.2022**	**Additions and (charges)/ reversals**	**Transfers**	**Decreases, disposals or reductions**	**Balance at 31.12.2023**
Investment property	383	1	384	3	146	(12)	521
Impairment allowance	(9)	1	(8)	(7)	(2)	2	(15)
Accumulated depreciation	(64)	(5)	(69)	(9)	—	3	(75)
Total net cost	**310**	**(3)**	**307**	**(13)**	**144**	**(7)**	**431**

The investment property owned by the IBERDROLA Group relates primarily to properties used for leasing. Income accrued in 2023 and 2022 from this activity amounted to EUR 25 million and EUR 21 million, respectively, and was recognised under the "Revenue" heading of the Consolidated income statement. Operating expenses directly related to investment property in 2023 and 2022 were not significant.

The fair value of investment property in use at 31 December 2023 and 2022 amounted to EUR 492 million and EUR 350 million, respectively. This fair value (classified in Level 3) is determined via expert independent appraisals made annually in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain, in their January 2014 edition, as last updated in 2022. The valuations at 31 December 2023 and 2022 were carried out by Knight Frank España.

The assets have been valued individually and not as part of a property portfolio.

The methods applied for the calculation of fair value have been the discount of cash flows, the capitalisation of revenue and the comparison method, checked, as far as possible, against comparable (peer) transactions to reflect the reality of the market and the prices to which they are currently closing the asset operations of similar characteristics to the reference operations.

The discount of cash flows is based on a prediction of the probable net income that investment property will generate for a period of time and it considers its residual value at the end of the period. Cash flows are discounted at an internal rate of return that reflects the urban, construction and business risk of the asset.

The key variables and assumptions of the cash flow discount method are:

- Net income that the property will generate for a certain period of time, considering the initial contractual situation, development of renters and expected income, marketing costs, divestment expenses (variable percentage depending on the sale price), etc.
- Discount rate or objective internal return rate adjusted to reflect the risk that the investment entails depending on the localisation, occupation, renter quality, property age, etc.

- Disposal return, which consists of an estimate of the exit (sale) price of the property applying an estimated return for the close of the transaction at that date, considering the criteria of obsolescence, liquidity and market uncertainty.

For rental property that does not include such a broad number of variables and involves leased property for a period of time greater than 10 years and up and one renter, the capitalisation method for income is usually applied. This method consists of the perpetual capitalisation of the current contractual income via a capitalisation rate that inherently includes the risks and uncertainties that could arise in the market.

The company has commissioned the independent expert to carry out sensitivity analyses on real estate investments for projects with a market value exceeding EUR 1 million, considering as a key variable the "discount rate or IRR" required for each project and keeping the other variables unchanged.

The following tables show the impacts on realisable value of these sensitivity analyses in response to 1% and 2% increases and decreases in the discount rate or IRR for 2023 and 2022:

2023

Millions of euros	Baseline scenario	Discount rate or IRR			
		+1%	-1 %	+2%	-2 %
Change in the market value of investment property	351	(26)	29	(50)	61
Impact on accumulated impairment (before tax)		(13)	9	(27)	12

2022

Millions of euros	Baseline scenario	Discount rate or IRR			
		+1%	-1 %	+2%	-2 %
Change in the market value of investment property	254	(19)	21	(36)	44
Impact on accumulated impairment (before tax)		(6)	6	(13)	7

As at 31 December 2023 and 2022 the amount of fully depreciated investment property amounted to EUR 3 million and EUR 3 million, respectively. There are no restrictions on its realisation in any of the financial years. Furthermore, there are no contractual obligations for the acquisition, construction, development, repair or maintenance of investment property.

11. Property, plant and equipment

Changes in 2023 and 2022 in Property, plant and equipment and the appropriate accumulated depreciation and provisions were as follows:

Millions of euros	Balance at 01.01.2022	Translation differences	Additions	Charges/ (reversals)	Transfers	Disposals/ Derecognitions	Write-downs	Balance at 31.12.2022	Translation differences	Modification of the consolidation scope (Note 7)	Additions	Charges/ (reversals)	Transfers	Disposals/ Derecognitions	Classification as held for sale (Note 18)	Write-downs	Balance at 31.12.2023
Cost:																	
Land and buildings	2,731	109	80	—	116	(6)	—	3,030	(31)	21	109	—	(4)	(21)	(63)	—	3,041
Electric energy technical facilities:																	
Hydroelectric power plants	7,153	78	—	—	931	(39)	—	8,123	27	280	—	—	66	(73)	(1)	—	8,422
Thermal power plants	1,227	—	—	—	—	(193)	—	1,034	—	—	—	—	—	(1)	—	—	1,033
Combined cycle power plants	9,169	373	(84)	—	402	(19)	—	9,841	(236)	—	3	—	188	(44)	(4,659)	—	5,093
Nuclear power plants	7,967	—	(127)	—	120	(42)	(8)	7,910	—	—	18	—	153	(62)	—	—	8,019
Wind farms and other renewables	32,225	613	(542)	—	739	(21)	(18)	32,996	(444)	555	61	—	1,267	(66)	(168)	(16)	34,185
Photovoltaic power plants	1,415	32	(1)	—	900	1	(1)	2,346	(42)	—	30	—	470	(1)	—	—	2,803
Facilities for:																	
Gas storage	160	3	—	—	—	—	—	163	(3)	—	—	—	10	—	—	—	170
Electricity transmission	10,424	134	(21)	—	516	(42)	—	11,011	(179)	—	—	—	299	(35)	—	—	11,096
Electricity distribution	35,638	103	203	—	1,795	(111)	—	37,628	(275)	66	269	—	2,138	(218)	(94)	—	39,514
Gas distribution	3,615	223	—	—	222	(16)	—	4,044	(160)	—	—	—	213	(25)	—	—	4,072
Meters and metering devices	2,333	28	116	—	76	(58)	—	2,495	(34)	1	157	—	69	(114)	—	(5)	2,569
Dispatching centres and other facilities	2,512	4	40	—	340	(34)	—	2,862	(17)	2	41		157	(15)	—	—	3,030
Total technical facilities in operation	**113,838**	**1,591**	**(416)**	—	**6,041**	**(574)**	**(27)**	**120,453**	**(1,363)**	**904**	**579**	**—**	**5,030**	**(654)**	**(4,922)**	**(21)**	**120,006**
Others in use	**2,509**	**76**	**228**	—	**(11)**	**(37)**	**—**	**2,765**	**(59)**	**—**	**272**	**—**	**(15)**	**(61)**	**(30)**	**(1)**	**2,871**
Technical installations under construction	**8,318**	**119**	**8,123**	—	**(5,815)**	**(27)**	**(4)**	**10,714**	**(137)**	**65**	**7,726**	**—**	**(4,975)**	**(5)**	**(13)**	**(28)**	**13,347**
Prepayments and other PP&E under construction (*)	**775**	**63**	**539**	—	**(504)**	**(21)**	**(3)**	**849**	**(12)**	**(1)**	**694**	**—**	**(419)**	**(20)**	**(27)**	**(3)**	**1,061**
Total cost	**128,171**	**1,958**	**8,554**	**—**	**(173)**	**(665)**	**(34)**	**137,811**	**(1,602)**	**989**	**9,380**	**—**	**(383)**	**(761)**	**(5,055)**	**(53)**	**140,326**

(*) Prepayments at 31 December 2023 and 2022 amounted to EUR 254 million and EUR 200 million, respectively.

Millions of euros	**Balance at 01.01.2022**	**Translation differences**	**Additions**	**Charges/ (reversals)**	**Transfers**	**Disposals/ Derecognitions**	**Write-downs**	**Balance at 31.12.2022**	**Translation differences**	**Modification of the consolidation scope (Note 7)**	**Additions**	**Charges/ (reversals)**	**Transfers**	**Disposals/ Derecognitions**	**Classification as held for sale (Note 18)**	**Write-downs**	**Balance at 31.12.2023**
Accumulated depreciation and provisions:																	
Buildings	627	22	—	52	(1)	(1)	—	699	(9)	8	—	49	—	(6)	(13)	—	728
Technical facilities in operation:																	
Hydroelectric power plants	4,152	19	—	109	(17)	(32)	—	4,231	5	50	—	118	(1)	(48)	—	—	4,355
Thermal power plants	1,218	—	—	1	—	(192)	—	1,027	—	—	—	1	—	—	—	—	1,028
Combined cycle power plants	3,366	118	—	271	(17)	(12)	—	3,726	(73)	—	—	188	—	(40)	(1,543)	—	2,258
Nuclear power plants	6,377	—	—	211	—	(42)	(4)	6,542	—	—	—	214	—	(62)	—	—	6,694
Wind farms and other renewables	11,350	200	—	1,105	43	(15)	(19)	12,664	(192)	178	—	1,120	—	(43)	(68)	(11)	13,648
Photovoltaic power plants	93	4	—	55	—	4	—	156	(4)	—	—	82	—	—	—	—	234
Facilities for:																	
Gas storage	54	—	—	4	—	—	—	58	(1)	—	—	4	—	—	—	—	61
Electricity transmission	2,491	31	—	227	—	(28)	—	2,721	(46)	—	—	220	4	(21)	—	—	2,878
Electricity distribution	13,230	45	—	923	(133)	(80)	—	13,985	(85)	29	—	954	26	(148)	(30)	—	14,731
Gas distribution	1,073	66	—	65	—	(4)	—	1,200	(47)	—	—	65	(1)	(10)	—	—	1,207
Meters and metering devices	1,152	10	—	137	—	(39)	—	1,260	(14)	1	—	139	—	(100)	—	(3)	1,283
Dispatching centres and other facilities	1,329	17	—	124	—	(33)	—	1,437	(15)	1	—	141	(17)	(2)	—	—	1,545
Total technical facilities in operation	**45,885**	**510**	**—**	**3,232**	**(124)**	**(473)**	**(23)**	**49,007**	**(472)**	**259**	**—**	**3,246**	**11**	**(474)**	**(1,641)**	**(14)**	**49,922**
Others in use	**1,450**	**30**	**—**	**168**	**(57)**	**(38)**	**—**	**1,553**	**(24)**	**1**	**—**	**174**	**(3)**	**(57)**	**(18)**	**—**	**1,626**
Total accumulated depreciation	**47,962**	**562**	**—**	**3,452**	**(182)**	**(512)**	**(23)**	**51,259**	**(505)**	**268**	**—**	**3,469**	**8**	**(537)**	**(1,672)**	**(14)**	**52,276**
Impairment allowance (Note 42)	228	(1)	—	(16)	15	—	—	226	(1)	—	—	13	(9)	—	—	—	229
Total accumulated depreciation and provisions	**48,190**	**561**	**—**	**3,436**	**(167)**	**(512)**	**(23)**	**51,485**	**(506)**	**268**	**—**	**3,482**	**(1)**	**(537)**	**(1,672)**	**(14)**	**52,505**
TOTAL NET COST	**79,981**	**1,397**	**8,554**	**(3,436)**	**(6)**	**(153)**	**(11)**	**86,326**	**(1,096)**	**721**	**9,380**	**(3,482)**	**(382)**	**(224)**	**(3,383)**	**(39)**	**87,821**

The breakdown by geographic area and business of the main investments in property, plant and equipment made in 2023 and 2022, net of additions for the year under "Other provisions" (Note 28), "Capital grants" (Note 25) and "Facilities transferred and financed by third parties" (Note 26), is as follows:

Millions of euros	31.12.2023	31.12.2022
Spain	1,856	2,350
United Kingdom	1,950	1,355
United States	2,708	3,009
Mexico	139	245
Brazil	98	333
IEI	1,839	1,533
Corporation and adjustments	46	38
Total	**8,636**	**8,863**

Millions of euros	31.12.2023	31.12.2022
Networks	3,556	3,103
Renewables and Sustainable Generation	4,716	5,290
Customers	318	432
Other business, Corporation and adjustments	46	38
Total	**8,636**	**8,863**

Fully depreciated property, plant and equipment still in use at 31 December 2023 and 2022 amounted to EUR 3,029 million and EUR 3,075 million, respectively.

At 31 December 2023 and 2022, the IBERDROLA Group had commitments to acquire property, plant and equipment totalling EUR 8,002 million and EUR 4,992 million, respectively.

Additional information on litigated assets in Mexico

- In 2022, the interconnection agreement to operate the Enertek (Mexico) plant on a self-supply basis came to an end and the corresponding permit to operate on a market basis was applied for. This permit, which had not been received as at the end of 2022, was ultimately granted in November 2023 and the plant was reconnected to the National Electrical System on 15 December 2023.

- The interconnection contracts to operate the Monterrey III and IV plants (Mexico) also ended in 2022. These plants are part of the sale agreement to MIP and were granted permits on 17 November 2023. They are due to be reconnected in 2024.

- Meanwhile, the Topolobambo II plant in Mexico, which is also one of the assets to be transferred to MIP, and which was not in operation at year-end 2022, was brought online on 1 December 2023.

- The Santiago Eólico wind farm, which had been disconnected from the Mexican electrical system in late 2022 owing to certain regulatory discrepancies, commenced operation in November as part of the wholesale electricity market scheme, within the framework of Mexico's Electricity Industry Act. The Energy Regulatory Commission (CRE) granted Iberdrola Renovables del Bajío, S. A. de C. V. the permit to generate electricity on 9 June 2023.

Further information on other litigated assets

- The Administrative Chamber of the High Court of Justice of Extremadura ruled to partially uphold the appeal lodged by one of the three owners of the land on which the Usagre Núñez de Balboa (Badajoz) photovoltaic plant is located, against the expropriation resolution of the Provincial Compulsory Expropriation Board of Badajoz. The judgment finds that the request for compulsory purchase lacked cause or justification and recognises the right to reinstatement of the affected land. IBERDROLA lodged an appeal before the Supreme Court in 2022, which was ultimately admitted for processing by the court on 14 December 2023. The cumulative investment to date is approximately EUR 246 million.

- Construction of the New England Clean Energy Connect (NECEC) project began in January 2021, having previously obtained the necessary permits from the public authorities, but was halted in November 2021 pending a court decision determining the lawfulness of a citizens' initiative which, among other matters, required House approval for certain transmission lines when they cross or use public land. Lastly, in April 2023, a jury verdict unanimously upheld earlier rulings by the Maine Supreme Judicial Court that the NECEC project can legally go ahead. In August 2023, limited building work resumed and evaluation is ongoing of the project's expected timeline, commercial aspects related to the operating date and its total cost, including the potential impacts of rising construction costs, disputes with external suppliers about contracts and a decrease in expected returns. Negotiations continue with the Massachusetts power distribution companies and Hydro-Quebec to review the agreements and to update them in view of the delay in construction of the project.

  On 4 December 2023, the Massachusetts General Court passed and the Governor signed into law a bill authorising the Massachusetts Department of Public Utilities to allow Massachusetts electric distribution companies to be compensated in tariff for the incremental costs that NECEC may charge under existing Transmission Service Agreements for the delay in construction due to the process described above ("Change in Law").

  The cumulative investment as at 31 December 2023 was approximately EUR 729 million (USD 807 million).

An analysis of the impact of the current status of these proceedings in terms of the recoverability of the amounts capitalised has been carried out and no impairment has been detected at the date of preparation of this financial information.

12. Right-of-use assets

Changes in 2023 and 2022 in right-of-use assets resulting from contracts in which the IBERDROLA Group is the lessor were as follows:

Millions of euros	Balance at 01.01.2022	Translation differences	Additions and (charges)/ reversals	Restatement/ modification of lease liabilities (Note 32)	Derecognitions	Balance at 31.12.2022	Translation differences	Modification of the consolidation scope (Note 7)	Additions and (charges)/ reversals	Restatement/ modification of lease liabilities (Note 32)	Derecognitions	Classification as held for sale (Note 18)	Balance at 31.12.2023
Cost:													
Land	1,903	23	128	36	(9)	2,081	(24)	43	210	14	(15)	(31)	2,278
Buildings	434	5	45	24	(8)	500	(3)	1	13	22	(2)	—	531
Equipment	168	2	30	2	(2)	200	(4)	—	35	11	(1)	—	241
Fleet	105	(2)	9	4	(2)	114	—	—	7	21	(3)	(1)	138
Other	129	6	—	(7)	(14)	114	(4)	—	—	—	—	—	110
Total cost	**2,739**	**34**	**212**	**59**	**(35)**	**3,009**	**(35)**	**44**	**265**	**68**	**(21)**	**(32)**	**3,298**
Accumulated depreciation and provisions:													
Land	(197)	(1)	(84)	—	2	(280)	3	(5)	(91)	—	2	4	(367)
Buildings	(134)	(3)	(45)	—	2	(180)	2	(1)	(44)	—	2	—	(221)
Equipment	(31)	—	(19)	—	2	(48)	1	—	(21)	—	—	—	(68)
Fleet	(61)	1	(19)	—	1	(78)	—	—	(23)	—	2	1	(98)
Other	(54)	(2)	(8)	—	13	(51)	2	—	(5)	—	—	—	(54)
Total accumulated depreciation	**(477)**	**(5)**	**(175)**	**—**	**20**	**(637)**	**8**	**(6)**	**(184)**	**—**	**6**	**5**	**(808)**
Impairment allowance	(2)	—	—	—	—	(2)	—	—	—	—	—	—	(2)
Total accumulated depreciation and provisions	**(479)**	**(5)**	**(175)**	**—**	**20**	**(639)**	**8**	**(6)**	**(184)**	**—**	**6**	**5**	**(810)**
Total net cost	**2,260**	**29**	**37**	**59**	**(15)**	**2,370**	**(27)**	**38**	**81**	**68**	**(15)**	**(27)**	**2,488**

IBERDROLA Group is the holder of lease agreements enabling the assignment of use of the land used for the installation of wind farms, solar plants and other renewable facilities, as well as electricity distribution and transmission infrastructures. These are long-term agreements and/or include extension options which may adjust the lease term to the useful life of property, plant and equipment installed there. The payment of the rent includes fixed and variable amounts calculated based on parameters such as electricity generation or the sales of the facilities.

Moreover, the Group maintains long-term lease contracts with options to be extended on certain office buildings.

Many of the lease contracts for land and buildings are indexed to consumer price indices or similar indicators.

13. Concession agreements

A description of the electricity business concession agreements in Brazil is shown below (Note 3.b):

Distribution

Company	Location	Concession date	Expiry date	No. of municipalities	Tariff cycle	Last review
Elektro Redes, S.A.	State of São Paulo	27/08/1998	27/08/2028	223	4 years	2023
Elektro Redes, S.A.	State of Mato Grosso do Sul	27/08/1998	27/08/2028	5	4 years	2023
Companhia de Eletricidade do Estado da Bahia, S.A.	State of Bahia	08/08/1997	08/08/2027	415	5 years	2023
Companhia Energética de Pernambuco, S.A.	State of Pernambuco	30/03/2000	30/03/2030	184	4 years	2021
Companhia Energética de Pernambuco, S.A.	District of Fernando de Noronha	30/03/2000	30/03/2030	1	4 years	2021
Companhia Energética de Pernambuco, S.A.	State of Paraíba	30/03/2000	30/03/2030	1	4 years	2021
Companhia Energética do Rio Grande do Norte, S.A.	State of Rio Grande do Norte	31/12/1997	31/12/2027	167	5 years	2023
Neoenergia Distribuição Brasilia S.A.	Federal District	26/08/1999	07/07/2045	1	5 years	2021

Transmission in operation

Company	Location	Concession date	Expiry date	Tariff cycle	Last review
Afluente Transmissão de Energia Elétrica, S.A.	State of Bahia	08/08/1997	08/08/2027	5 years	2020
S.E. Narandiba, S.A. (SE Narandiba)	State of Bahia	28/01/2009	28/01/2039	5 years	2019
S.E. Narandiba, S.A. (SE Extremoz)	State of Rio Grande do Norte	10/05/2012	10/05/2042	5 years	2022
S.E. Narandiba, S.A. (SE Brumado)	State of Bahia	27/08/2012	27/08/2042	5 years	2023
Potiguar Sul Transmissao de Energia, S.A.	States of Paraíba and Rio Grande do Norte	01/08/2013	01/08/2043	5 years	2019
Neoenergia Sobral Transmissão de Energia, S.A.	State of Ceará	31/07/2017	31/07/2047	5 years	2023
Neoenergia Atibaia Transmissão de Energia, S.A.	State of São Paulo	31/07/2017	31/07/2047	5 years	2023
Neoenergia Biguaçu Transmissão de Energia, S.A.	State of Santa Catarina	31/07/2017	31/07/2047	5 years	2023
Neoenergia Dourados Transmissão de Energia, S.A.	States of Mato Grosso do Sul and São Paulo	31/07/2017	31/07/2047	5 years	2023
Neoenergia Santa Luzia Transmissão de Energia, S.A.	States of Paraíba and Ceará	08/03/2018	08/03/2048	5 years	2023
Neoenergia Jalapão Transmissão de Energia, S.A.	States of Tocantins, Bahia and Piauí	08/03/2018	08/03/2048	5 years	2023
Neoenergia Rio Formoso Transmissão e Energia S.A.	State of Bahia	20/03/2020	20/03/2050	5 years	—

Transmission under construction

Company	Location	Concession date	Expiry date
Neoenergia Guanabara Transmissão de Energia, S.A.	State of Rio de Janeiro	22/03/2019	22/03/2049
Neoenergia Itabapoana Transmissão de Energia, S.A.	State of Rio de Janeiro	22/03/2019	22/03/2049
Neoenergia Lagoa dos Patos Transmissão de Energia, S.A.	Rio Grande do Sul and Santa Catarina	22/03/2019	22/03/2049
Neoenergia Vale do Itajaí Transmissão de Energia, S.A.	Paraná and Santa Catarina	22/03/2019	22/03/2049
Morro do Chapéu A Serviços de Transmissão de Energia Elétrica SPE S.A.	State of Bahia	31/03/2021	31/03/2051
EKTT 8 A Serviços de Transmissão de Energia Elétrica SPE S.A.	State of Minas Gerais	31/03/2022	31/03/2052
EKTT 9 A Serviços de Transmissão de Energia Elétrica SPE S.A.	States of Minas Gerais and São Paulo	30/09/2022	30/09/2052
Neoenergia Transmissora 11 SPE S.A.	States of Minas Gerais and São Paulo	30/09/2022	30/09/2052

The duration of the transmission and distribution concessions is 30 years, and they may be extended for up to a further 30 years upon request by the concession holder and at the discretion of the awarding authority, which is the *Agência Nacional de Energia Elétrica* (*ANEEL*). The concession holder may not transfer such assets or use them as collateral without the prior written consent of the regulatory body. For distribution concessions, at the end of the concession ownership automatically reverts to the concession grantor and the amount of compensation due to the concession holder is assessed and determined.

Income from previous concession agreements includes the provision of construction services (Note 38) and operation and maintenance services for facilities owned by the awarding authority. The provisions of said services constitute two separate execution obligations incorporating different margins.

Construction services have a length of 3 to 5 years, whereas the provision of operation and maintenance services for facilities starts on the date they are delivered. In general, the latter date determines when the agreed annual payments are collected as part of the concession agreements. Such annual payments are collected during the concession period (normally 30 years), so they have a significant financial component.

14. Impairment of non-financial assets

Methodology for designing impairment tests

At least yearly, the IBERDROLA Group analyses its assets for indications of impairment. If such indications are found, an impairment test is conducted.

The IBERDROLA Group also conducts a systematic analysis of the impairment of cash-generating units (or group of cash-generating units) that include goodwill or intangible assets in progress or with indefinite useful life, typically by applying the value in use method. Recovery of goodwill is analysed at country level (unit or group of cash-generating units) according to the Group's management structure.

The projections used in the impairment tests are based on the best forecast information held by the IBERDROLA Group and include the investment plans for each country prevailing at that time. These plans are designed on the basis of the IBERDROLA Group's strategy, taking into account the objectives of the Paris Agreement (Note 6), and are based on the electrification of the economy with renewable energy sources, to advance towards decarbonisation and climate neutrality, and the objective of the IBERDROLA Group becoming carbon neutral ahead of the European Union's target date.

Recovery of goodwill is analysed at country level (considering all cash-generating units in each country) according to the Group's management structure, which mainly comprises:

- United Kingdom includes electricity and gas retail supply, electricity transmission and distribution licences in Scotland, Wales and England, and onshore and offshore renewable energy production.
- United States includes electricity and gas transmission and distribution licences in New York, Maine, Connecticut and Massachusetts and onshore and offshore renewable energy production.
- Brazil includes electricity retail supply, transmission and distribution licences in Bahia, Rio Grande do Norte, Pernambuco, São Paulo and Brasilia, and renewable energy production.
- Other countries such as Australia and France produce renewable energy both onshore and offshore.

a) Assumptions used in the cash-generating units of the Customers segment:

- Number of customers: expectations of the evolution of the number of customers have been used in the markets where the company operates and its relative position therein.

- Unit margin for electricity and gas retail supply: existing sales and purchase contracts have been used, as well as expectations of unit margins based on knowledge of the markets where the company operates and its relative position therein.
- Investment: the projections are based on the best available information about the cost of the investments to be made in the coming years.

b) Assumptions used in the cash-generating units of the Networks segment:

- Regulated remuneration: approved remuneration has been used for years in which it is available, while in subsequent periods revision mechanisms of such remuneration set in different regulations have been used, and these have been applied in line with the estimated costs of the corresponding cash-generating units.
- Investment: the projections were based on investment plans consistent with the expected demand growth and undertakings in each concession, with the minimums set by each regulator and with the estimate of future remuneration used.
- Operation and maintenance costs: the best available estimation of the performance of the operation and maintenance cost was used, which is in line with the remuneration assumed to be received in each year.

c) Assumptions used in the cash-generating units of the Renewables and Sustainable Generation segment:

- Facilities' production: the operation hours of each plant were consistent with their historical output. In this respect, the long-term predictability of wind output was taken into account, which was also covered by regulatory mechanisms in practically all countries that enabled wind farms to produce whenever meteorological and network conditions allowed it.
- Electricity sales prices: the prices stipulated in the purchase and sales agreements signed have been used, where applicable. For unsold production, futures prices of the markets in which the IBERDROLA Group operates have been used. Existing support mechanisms have been taken into consideration in all cases.
- Investment: the projections were based on the best information available about the plants that are expected to be put into operation in the coming years, taking into account the fixed prices stated in the contracts to buy equipment from various suppliers, as well as the technical and financial capacity of the IBERDROLA Group to successfully fulfil the planned projects.
- *Operating and maintenance costs*: the prices set in land leases and maintenance agreements for the useful life of the facilities were used.

d) Forecast period and nominal growth rate:

The table below summarises the forecast period of future cash flows and the nominal growth rate (g) used to extrapolate these projections beyond the forecast period for the different groups of cash-generating units.

	2023		2022	
	No. of years	g	No. of years	g
United Kingdom				
Electricity and gas retail supply	10	2.0%	10	2.0%
Transmission and distribution of electricity	10	2.0 %	10	2.0 %
Renewable energies onshore/offshore	Useful life	-	Useful life	-
United States				
Electricity and gas transmission and distribution	10	1.5 %	10	1.0 %
Renewable energies onshore/offshore	Useful life	-	Useful life	-
Brazil				
Electricity retail supply	Useful life / 10	- / 3.0 %	Useful life / 10	- / 3.0 %
Transmission and distribution of electricity	Life of concession	-	Life of concession	-
Renewable energies	Useful life	-	Useful life	-
Renewable energies in Australia	Useful life	-	Useful life	-
Renewable energies in France onshore/offshore	Useful life	-	Useful life	-

Although under IAS 36: "Impairment of Assets", it is recommended to use projections not exceeding five years for impairment test purposes, IBERDROLA has decided to use the periods included in this table for the following reasons:

- The most appropriate method for production assets in the energy business is using their remaining useful lives. This is due to the fact that in the liberalised business there are long-term energy sale contracts in force and long-term estimated prices curves are frequently used in the operating activity of the IBERDROLA Group (contracts, hedges, etc.).
- Energy is a basic necessity. Therefore, the business of electricity and gas retail supply is influenced by long-term governmental policies and is based on stable relationships with customers, using in certain cases infrastructures such as smart meters with long recoverability periods.
- Electricity transmission and distribution concessions include longer regulatory periods and the method that the regulator will use to calculate the new tariff at the beginning of the new regulatory period is known.
- The IBERDROLA Group considers its projections to be reliable and that past experience demonstrates its ability to predict cash flows in periods such as those under consideration.

Moreover, the nominal growth rate considered in the electricity and gas transmission and distribution activities in Brazil, the United Kingdom and the United States is consistent with the market and inflation growth forecasts used by the IBERDROLA Group for these markets.

e) Discount rate

The methodology for calculating the discount rate used by IBERDROLA is to add the specific asset risks or risk premium of the asset or business to the temporary value of money or risk-free rate of each market.

The risk-free rate is effectively that of the 10-year Treasury bond in the market in question, which must have sufficient depth and solvency. For countries whose economies or currencies have insufficient depth and solvency, country risk and currency risk are estimated and the total of all these components is assimilated to the cost of funding without the risk spread of the asset.

The asset's risk premium corresponds to the specific risks of the asset, which is calculated taking into account the unlevered betas estimated on the basis of peer companies performing the same main activity.

The following pre-tax discount rates are used in the impairment tests for the different groups of cash-generating units:

	Rates – 2023	**Rates – 2022**
United Kingdom		
Electricity and gas retail supply	7.92 %	7.08 %
Transmission and distribution of electricity	5.62 %	4.58 %
Renewable energies onshore/offshore	6.48% / 7.35 %	5.52% - 6.14 %
United States		
Electricity and gas transmission and distribution	5.46 %	5.04 %
Renewable energies onshore/offshore	6.19% / 7.17 %	5.67% - 6.60 %
Brazil		
Electricity retail supply	15.21 %	13.07 %
Transmission and distribution of electricity	13.64 %	10.95 %
Renewable energies	14.34 %	12.50 %
Renewable energies in Australia	6.42 %	6.77 %
Renewable energies in France onshore/offshore	5.67% / 6.24 %	5.10% - 5.60%

Impairment and write-offs recognised in 2023 and 2022

Note 42 shows the amounts recognised as write-downs and provisions/(reversals) of provisions for non-financial assets affecting the 2023 and 2022 Consolidated Income statement.

Sensitivity analysis

The IBERDROLA Group has performed several sensitivity analyses of the impairment test results carried out in a systematic way including reasonable changes in a series of basic assumptions defined for each cash-generating unit (or groups of cash generating units) that have goodwill assigned to them:

- Electricity and gas retail supply in the United Kingdom and Brazil:
  - Decrease of 10% in the unit margin.
  - No increase in the electricity and gas customer base.
  - Increase of 10% in investment costs.
- Electricity transmission and distribution in the United Kingdom, the United States and Brazil:

    - Decrease of 10% in rate of return on which regulated remuneration is based.
    - Increase of 10% in operating and maintenance costs.
    - Decrease of 10% in investment (resulting in a subsequent decrease in remuneration).
- Renewable energies in the United Kingdom, the United States, Brazil, Australia and France:
    - Decrease of 5% in produced energy.
    - Decrease of 10% in total price per kWh, solely applicable to production for which there are no long-term sales agreements.
    - Increase of 10% in operating and maintenance costs.
    - Increase of 10% in investment costs.

The IBERDROLA Group has also conducted an additional sensitivity analysis, in which it raised the applicable discount rate in the United Kingdom, the United States, Australia and France by 50 basis points and in Brazil by 100 basis points.

The individual sensitivity analyses performed on the underlying assumptions do not reveal any significant impairment.

15. Financial assets

15.a) Equity-accounted investees

Changes in 2023 and 2022 in the carrying amount of equity-accounted investments in associates and joint ventures of the IBERDROLA Group (Appendix I) are as follows:

	Associates		Joint ventures						
Millions of euros	**NORTE ENERGIA Restated (Note 2.c)**	**Other associates**	**TELES PIRES**	**EAPSA**	**Flat Rock Subgroup**	**Vineyard Wind 1**	**Neoenergia Trasmissora**	**Other joint ventures**	**Total**
Balance at 01.01.2022	**124**	**219**	**130**	**119**	**117**	**109**	**—**	**364**	**1,182**
Investment/ Additions	2	30	9	—	—	2	—	24	67
Change in the consolidation perimeter	—	(13)	—	—	—	—	—	—	(13)
Profit for the year from continuing activities	(12)	6	(100)	7	8	(4)	—	1	(94)
Impairment loss	12	—	—	—	—	—	—	—	12
Other comprehensive income	—	3	—	—	—	24	—	—	27
Dividends	—	(15)	—	(12)	(12)	(13)	—	(25)	(77)
Translation differences	16	9	20	17	7	11	—	8	88
Disposals / Derecognitions	—	—	—	—	—	(129)	—	(12)	(141)
Classification as held for sale (Note 18)	—	—	(59)	—	—	—	—	—	(59)
Other	—	6	—	—	—	2	—	(1)	7
Balance at 31.12.2022	**142**	**245**	**—**	**131**	**120**	**2**	**—**	**359**	**999**
Investment/ Additions	—	18	—	—	—	265	—	45	328
Change in the consolidation method (Note 7)	—	(66)	—	(139)	—	—	204	—	(1)
Profit for the year from continuing activities	(16)	8	—	5	(2)	(8)	5	11	3
Impairment loss	16	—	—	—	—	—	—	—	16
Other comprehensive income	—	(4)	—	—	—	4	—	—	—
Dividends	—	(15)	—	—	(10)	—	(8)	(48)	(81)
Translation differences	7	(4)	—	3	(4)	(5)	10	(8)	(1)
Other	—	—	—	—	—	—	—	43	43
Balance at 31.12.2023	**149**	**182**	**—**	**—**	**104**	**258**	**211**	**402**	**1,306**

The IBERDROLA Group holds its stakes in Companhia Hidrelétrica Teles Pires, S.A (TELES PIRES), Energética Águas da Pedra, S.A. (EAPSA), Norte Energia S.A. (NORTE ENERGÍA) and Neoenergia Transmissora through NEOENERGIA (Note 7).

Main activity

- In 2023, BP and IBERDROLA created a joint venture to deploy a network of fast and ultra-fast charging stations in Spain and Portugal. IBERDROLA's contribution to the joint venture from this line of business amounted to approximately EUR 51 million.

- The IBERDROLA Group, through the company Vineyard Wind 1 is continuing to develop a large scale offshore wind farm off the coast of Massachusetts, in the United States. The IBERDROLA Group has a commitment to contribute future capital to finance the costs of the project in the amount of EUR 404 million, having contributed a total of EUR 265 million in 2023.

  On 24 October 2023, Vineyard Wind 1 closed a Tax Equity Financing agreement, under which Vineyard Wind 1 is expected to receive approximately USD 1,200 million from tax equity investors (Note 6.d). Disbursements are made monthly up to 20% of the total amount depending on the number of turbines that reach, or are about to reach, final installation, until the entire project reaches the date of commercial operation, whereupon the remaining 80% will be received. As of 31 December 2023, Vineyard Wind 1 had received initial funding of USD 85 million. The remainder is expected to be received in 2024. Coupled with the disbursements received since the closing of the deal, the Group has issued guarantees based to its percentage share. As at 31 December 2023, total guarantees stood at USD 43 million.

Condensed financial information

The condensed financial information at 31 December 2023 and 2022 (at 100% and before intercompany eliminations) for the main subgroups accounted for using the equity method is as follows:

Millions of euros	**NORTE ENERGIA**		**Neoenergia Trasmissora**	**Flat Rock Subgroup**		**Vineyard Wind 1**	
	2023	**2022**	**2023**	**2023**	**2022**	**2023**	**2022**
Segment	Renewables and Sustainable Generation- Brazil			Renewables and Sustainable Generation – United States			
Percentage ownership	5.10%		26.75 %	40.75%		40.75 %	
Current assets	511	452	367	12	18	183	106
Non-current assets	7,551	7,287	1,309	203	230	2,531	1,436
Total assets	**8,062**	**7,739**	**1,676**	**215**	**248**	**2,714**	**1,542**
Current liabilities	430	401	194	7	6	2,197	117
Non-current liabilities	5,525	5,181	594	35	39	17	1,442
Total liabilities	**5,955**	**5,582**	**788**	**42**	**45**	**2,214**	**1,559**
Income from ordinary activities	1,017	1,003	187	(13)	(28)	—	—
Depreciation and amortisation	(318)	(313)	(1)	(16)	(17)	(1)	—
Interest income	51	43	34	(1)	—	(119)	(40)
Interest expenses	(475)	(464)	(70)	2	1	125	42
Tax (expense)/income	28	21	(15)	—	—	—	—
Profit for the year from continuing operations	(157)	(119)	(8)	(1)	18	(17)	(11)
Total comprehensive income	**(157)**	**(119)**	**(8)**	**(1)**	**18**	**(17)**	**(11)**
Other information			—				
Cash and cash equivalents	146	132	58	11	14	132	18
Current financial liabilities (*)	159	143	17	—	—	8	—
Non-current financial liabilities (*)	5,234	5,066	363	17	21	17	1,442

(*) Excluding trade and other payables.

15.b) Other financial assets

Details of the "Other non-current financial assets" and "Other current financial assets" headings of the IBERDROLA Group's Consolidated statement of financial position are as follows:

Millions of euros	31.12.2023	31.12.2022
Non-current (Note 4)		
Collection rights in Brazil (Notes 3.b and 13)	5,260	4,187
Non-current deposits and guarantees	360	319
Non-current financial deposits (Note 22)	128	80
Other non-current investments	41	45
Assets for pension plans (Note 27)	298	392
Other investments in equity-accounted investees	2	43
Other	1,119	892
Total	**7,208**	**5,958**
Current (Note 4)		
Current financial assets (between 3 and 12 months) (Note 22)	14	18
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	61	45
Accounts receivable for financing imbalance in revenues in 2022	—	43
Accounts receivable for financing imbalance in revenues in 2023	10	—
Other investments in equity-accounted investees	94	16
CSA derivatives security deposits (Note 22)	101	107
Other current deposits and guarantees (*)	810	2,447
Other	608	304
Bad debt provisions	(19)	(16)
Total	**1,679**	**2,964**

(*) This item includes the collateral required for the operation of the business in the markets (see Note 32).

Collection rights in Brazil

The "Collection rights in Brazil" heading relates to receivables by the Brazilian companies upon termination of their service concession arrangements. Law 12.783/13 provides that such indemnification must be determined by the replacement value (*Valor Novo de Reposiçao*, VNR) of the concession assets which have not been amortised by the end of the concession period, using the residual value of the Asset regulatory base (*Base de Remuneração Regulatória*, BRR) at the end of the concession agreement.

The methodology established by the regulator enables reasonable estimates to be made of the amounts to be collected at the end of the concession, to the extent that the granting government protects the value of the Regulatory Asset Base once each ordinary tariff review has been passed. These ordinary reviews are conducted every four or five years, depending on the concession. This means that after the regulator has conducted a tariff review, the value of the Regulatory Asset Base prior to that date is modified by the Brazilian Large Consumers Prices General Index (*Índice Nacional de Preços ao Consumidor Amplo*) (IPCA). The next tariff review will determine the value of the regulatory asset base only with regard to additions in the interval between two tariff reviews.

To estimate the amount of the financial asset, observable values are used. Specifically, the net replacement value, as calculated by the energy regulator in the course of the latest tariff review. The amount is updated in the intervals between tariff reviews by additions to the underlying fixed assets or, as the case may be, any changes in the method of calculation of the net realizable value and the IPCAM.

Non-current deposits and guarantees

"Non-current deposits and guarantees" essentially corresponds to the portion of guarantees and deposits received from customers at the time their contracts are arranged as security of electricity supply (recorded under the "Non-current financial liabilities — Other non-current financial liabilities" heading of the Consolidated statement of financial position — Note 33) and have been filed with the competent public authorities in accordance with the current legislation in Spain.

Receivable for financing the system imbalance

Law 24/2013, on the electricity sector, states that if an imbalance occurs due to revenue shortfalls in the settlement of the electricity sector, the amount may not exceed 2% of the estimated revenue of the system for that year. Further, the accumulated debt due to imbalances from previous years may not exceed 5% of the estimated revenue of the system. If these limits are exceeded, access tariffs will be reviewed at least in an amount equivalent to the total excess beyond those limits. This law also states that the part of the imbalance due to revenue shortfalls which, without exceeding these limits, is not compensated by increasing tariffs and charges, will be temporarily financed by the subjects of the settlement system in proportion to the remuneration pertaining to them for the activities they perform.

The final settlement of the Spanish electricity system for 2022, as estimated in that year, presented a shortfall which was offset by unused surpluses from previous years. In 2023, IBERDROLA Group estimated that the final settlement of the Spanish electricity system would again present a shortfall, which would also be offset by unused surpluses from previous years. The deficit financed by the IBERDROLA Group at 31 December 2023 and 2022 amounts to EUR 10 million and EUR 53 million, respectively.

At 31 December 2022, a total of EUR 10 million was subject to a factoring agreement involving the non-recourse assignment of receivables. As a result, this amount was derecognised from the Consolidated statement of financial position at 31 December 2022.

The deficit financed by the IBERDROLA Group at 31 December 2022 was collected in 2023.

16. Trade and other receivables

Details of the "Non-current trade and other receivables" and "Current trade and other receivables" headings of the Consolidated statement of financial position are as follows:

Millions of euros	31.12.2023	31.12.2022
Non-current		
Receivables from equity-accounted investees	1	1
PIS/COFINS Brazil (Notes 33 and 36)	367	575
Adjustments for market price deviations (Vadjm) (Notes 3.t and 34)	71	—
Other receivables	564	675
Contract assets:		
Concessions in Brazil (Notes 3.u and 13)	2,332	2,848
CFE (Notes 18 and 38)	—	508
Other	8	8
Valuation changes for impairment	—	(1)
Total	**3,343**	**4,614**

Millions of euros	31.12.2023	31.12.2022
Current		
Customers (Note 5)	8,909	9,515
Other receivables	993	1,425
Receivables from equity-accounted investees	16	11
Contract assets:		
Construction contracts	36	61
Concessions in Brazil (Notes 3.u and 13)	129	127
CFE (Notes 18 and 38)	—	29
Valuation changes for impairment	(1,177)	(1,299)
Total	**8,906**	**9,869**

Concessions under IFRS 15

Activity in contract assets in relation to concessions in Brazil under the scope of IFRS 15 was as follows:

Millions of euros	2023	2022
Opening balance	**2,975**	**2,022**
Modification of the consolidation scope (Note 7)	(927)	—
Investment	1,497	1,480
Amounts allocated to the income statement	11	279
Transfers	(898)	(975)
Proceeds	(82)	(79)
Translation differences	108	262
Classification as held for sale (Note 18)	(216)	—
Other	(7)	(14)
Closing balance	**2,461**	**2,975**

PIS/COFINS Brazil

In September 2019, the Brazilian federal government issued a favourable decision for NEOENERGIA COSERN and NEOENERGIA COELBA regarding the recognition of the credit right related to unduly paid amounts for including the Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação (ICMS) tax in the calculation base for Programas de Integração Social (PIS) and the Contribuição para Financiamento da Seguridade Social (COFINS). A decision upholding NEOENERGIA PERNAMBUCO's claim was handed down in December 2020.

As a result, the IBERDROLA Group recognises receivables due to the exclusion of the ICMS from the tax base credited to payables under "Other non-current financial liabilities" of the Consolidated statement of financial position (Note 33), on the understanding that the tax credit would be passed on to end customers in accordance with the legal and regulatory rules in the Brazilian electricity sector, although it would not be paid in the short term. The current balance of the account receivable was recognised under "Current trade and other receivables — Other public administration receivables" in the Consolidated statement of financial position (Note 36).

Valuation changes for impairment

The movements in valuation changes resulting from credit losses expected from previous balances are as follows:

Millions of euros	2023	2022
Opening balance	**1,300**	**1,040**
Modification of the consolidation scope (Note 7)	—	(4)
Charges	876	842
Applications	(751)	(325)
Excess	(258)	(288)
Translation differences	10	35
Closing balance	**1,177**	**1,300**

Most of this provision relates to gas and electricity consumers.

17. Measurement and netting of financial instruments

With the exception of derivative financial instruments, most of the financial assets and liabilities recognised in the Consolidated statements of financial position correspond to the financial instruments classified at amortised cost.

The fair value of "Bank borrowings, bonds and other marketable securities" under current and non-current liabilities in IBERDROLA Group's Consolidated statement of financial position at 31 December 2023 and 2022 amounted to EUR 48,016 million and EUR 45,120 million, with the carrying amount being EUR 48,278 million and EUR 46,587 million, respectively. Said value is classified in Level 2 of the valuation hierarchy. The fair value of the remaining financial instruments does not differ significantly from their carrying amount.

The IBERDROLA Group measures equity instruments and derivative financial instruments at fair value, provided they can be measured reliably, classifying them into three levels:

- Level 1: assets and liabilities quoted in liquid markets.
- Level 2: assets and liabilities whose fair value is determined using valuation techniques that use observable market assumptions.
- Level 3: assets and liabilities whose fair value is determined using valuation techniques that do not use observable market assumptions.

Details of derivative financial instruments measured at fair value by level are as follows:

Millions of euros	**31.12.2023**	**Level 1**	**Level 2**	**Level 3**
Derivative financial instruments (financial assets)	1,975	3	1,520	452
Derivative financial instruments (financial liabilities)	(2,637)	(1)	(2,035)	(601)
Total (Note 30)	**(662)**	**2**	**(515)**	**(149)**

Millions of euros	**31.12.2022**	**Level 1**	**Level 2**	**Level 3**
Derivative financial instruments (financial assets)	5,510	3	4,653	854
Derivative financial instruments (financial liabilities)	(7,088)	(5)	(6,553)	(530)
Total (Note 30)	**(1,578)**	**(2)**	**(1,900)**	**324**

The reconciliation between opening and closing balances for derivative financial instruments classified as Level 3 in the fair-value hierarchy is as follows:

Millions of euros	Derivative financial instruments	
	2023	2022
Opening balance	**324**	**(235)**
Income and expense recognised in the Consolidated income statement	(25)	736
Income and expense recognised in equity	206	(222)
Purchases	36	10
Sales and settlements	(43)	21
Translation differences	7	(12)
Transfers and other	(654)	26
Closing balance	**(149)**	**324**

The income recorded in the 2022 Consolidated income statement for Level 3 derivative financial instruments was mainly due to the measurement of commodity derivatives. The effect was offset in the Consolidated income statement for 2022 due to the measurement of Level 2 derivative financial instruments.

The transfer in 2023 to Level 2 of commodity derivative financial instruments that were classified as Level 3 at 31 December 2022 is due to the fact that the measurement of these instruments at 31 December 2023 was based entirely on market-observable assumptions.

The fair value of Level 3-classified financial instruments has been determined using the discounted cash flow method. Projections of these cash flows are based on assumptions not observable in the market, and mainly correspond to purchase and sale price estimates that the Group normally uses, based on its experience in the markets.

None of the possible foreseeable scenarios of the assumptions given would result in a material change in the fair value of the financial instruments classified at this level.

In addition, the IBERDROLA Group´s financial assets and liabilities are offset and presented net on the Consolidated statement of financial position when a legally enforceable right exists to offset the amounts recognised and the Group intends to settle the assets and liabilities net or simultaneously. The breakdown of netted financial assets and liabilities at 31 December 2023 and 2022 is as follows:

	31.12.2023					
				Amounts not netted under netting agreements		
Millions of euros	**Gross amount**	**Amount netted (Note 30)**	**Net amount**	**Financial instruments**	**Financial guarantees**	**Net amount**
ASSET DERIVATIVES:						
Current						
Commodities	692	(426)	266	(5)	—	261
Other	3	(2)	1	—	—	1
Non-current						
Commodities	172	(18)	154	(11)	—	143
Other	29	—	29	—	(18)	11
Total	**896**	**(446)**	**450**	**(16)**	**(18)**	**416**
OTHER FINANCIAL ASSETS:						
Receivables	278	(204)	74	(7)	—	67
LIABILITIES DERIVATIVES:						
Current						
Commodities	855	(451)	404	(5)	(216)	183
Other	44	(2)	42	—	(28)	14
Non-current						
Commodities	229	(24)	205	(11)	(20)	174
Other	261	—	261	—	(253)	8
Total	**1,389**	**(477)**	**912**	**(16)**	**(517)**	**379**
OTHER FINANCIAL LIABILITIES:						
Payables	370	(204)	166	(7)	—	159

	31.12.2022					
				Amounts not netted under netting agreements		
Millions of euros	**Gross amount**	**Amount netted (Note 30)**	**Net amount**	**Financial instruments**	**Financial guarantees**	**Net amount**
ASSET DERIVATIVES:						
Current						
Commodities	1,561	(1,097)	464	(14)	—	450
Other	93	(3)	90	—	(1)	89
Non-current						
Commodities	349	(92)	257	(7)	(30)	220
Other	31		31	—	(26)	5
Total	**2,034**	**(1,192)**	**842**	**(21)**	**(57)**	**764**
OTHER FINANCIAL ASSETS:						
Receivables	502	(397)	105	(20)	—	85
LIABILITIES DERIVATIVES:						
Current						
Commodities	2,877	(1,107)	1,770	(14)	(696)	1,060
Other	18	(3)	15	—	(14)	1
Non-current						
Commodities	583	(94)	489	(7)	(51)	431
Other	315	—	315	—	(247)	68
Total	**3,793**	**(1,204)**	**2,589**	**(21)**	**(1,008)**	**1,560**
OTHER FINANCIAL LIABILITIES:						
Payables	1,008	(397)	611	(20)	—	591

18. Assets and liabilities held for sale

At 31 December 2023 and 2022, the following transactions met the requirements set out in IFRS 5 “Non-current assets held for sale and discontinued operations” for classification as such in the Consolidated statement of financial position. The assets and liabilities in the Consolidated statement of financial position are reclassified to a separate line item after eliminating intercompany balances.

Divestment in Mexico

In April 2023, IBERDROLA signed a memorandum of understanding (MoU) between subsidiaries of Iberdrola México and México Infrastructure Partners FF, S.A.P.I. de C.V. (MIP), whereby IBERDROLA undertook to divest a portfolio of 13 power generation assets in the country, including combined cycle plants and an onshore wind farm. IBERDROLA retains 13 plants, all the private customer activity and the portfolio of renewable energy projects to be developed.

In June 2023, Iberdrola Generación México, S.A. de C.V., Iberdrola Renovables México, S.A. de C.V. and certain subsidiaries thereof, all fully owned, directly or indirectly, by the IBERDROLA Group’s country subholding company in Mexico, Iberdrola México, S.A. de C.V., executed the sale and purchase agreement envisaged in the MoU for the sale of their shares.

In terms of enterprise value, net of cash and debt, the price of the transaction amounted to approximately USD 6,000 million. This amount may be modified depending on the closing date of the transaction and other potential adjustments commonly found in this type of agreement.

The spin-off to other subsidiaries of Iberdrola Mexico of certain generation projects and other assets excluded from the transaction had been completed as at 31 December 2023, and all necessary regulatory approvals obtained, except for that of the Federal Economic Competition Commission (Cofece).

At 31 December 2023, the IBERDROLA Group reports the assets and liabilities subject to sale in these transactions in the Consolidated statement of financial position under “Assets held for sale” and “Liabilities linked to assets held for sale”.

At 31 December 2023, the carrying amounts of the assets and liabilities held for sale for this transaction are as follows:

Millions of euros	
Intangible assets	2
Property, plant and equipment	3,383
Right-of-use asset	27
Non-current financial investments	2
Non-current trade and other receivables	586
Deferred tax assets	165
NON-CURRENT ASSETS	**4,165**
Current trade and other receivables	355
Current financial assets	2
CURRENT ASSETS	**357**
TOTAL ASSETS	**4,522**
Non-current provisions	102
Non-current financial liabilities	144
Other non-current liabilities	56
Deferred tax liabilities	384
TOTAL NON-CURRENT LIABILITIES	**686**
Current financial liabilities	156
Other current liabilities	108
TOTAL CURRENT LIABILITIES	**264**
TOTAL LIABILITIES	**950**

The contribution of assets and liabilities held for sale to the IBERDROLA Group's EBITDA at 31 December 2023 was EUR 404 million.

Divestment in Brazil

- At 31 December 2022, the IBERDROLA Group presented the interests in the companies Teles Pires (Note 15.a) and Baguari through its subsidiary NEOENERGIA under the headings "Assets held for sale" and "Liabilities held for sale" in the Consolidated statement of financial position for an amount of EUR 166 million and EUR 27 million, respectively. These interests were sold in 2023 (Note 7).
- In 2023 the IBERDROLA Group's stake in Neoenergia Itabapoana Transmissão de Energía, S.A. was classified as "Assets held for sale" and "Liabilities held for sale", for a total of EUR 197 million and EUR 147 million, respectively.

19. Nuclear fuel

The changes in the "Nuclear fuel" heading of the Consolidated statement of financial position in 2023 and 2022, as well as details thereof at 31 December 2023 and 2022, are as follows:

Millions of euros	Fuel put in reactor core	Nuclear fuel in progress	Total
Balance at 01.01.2022	**209**	**58**	**267**
Acquisitions	—	96	96
Capitalised finance expenses (Notes 3.g and 43)	—	1	1
Transfers	85	(85)	—
Fuel consumed (Note 3.g)	(105)	—	(105)
Balance at 31.12.2022	**189**	**70**	**259**
Acquisitions	—	119	119
Transfers	124	(124)	—
Fuel consumed (Note 3.g)	(100)	—	(100)
Balance at 31.12.2023	**213**	**65**	**278**

The IBERDROLA Group's nuclear fuel purchase commitments at 31 December 2023 and 2022 amounted to EUR 597 million and EUR 539 million, respectively.

20. Inventories

The details of the "Inventories" heading (Note 3.h) of the Consolidated statement of financial position at 31 December 2023 and 2022 are as follows:

Millions of euros	31.12.2023	31.12.2022
Energy resources	215	330
Emission allowances and renewable certificates	755	720
Real estate inventories	1,078	1,195
Land and plots	999	996
Developments under construction	58	197
Developments completed	21	2
Other inventories	756	79
Real estate inventories impairment allowance	(254)	(165)
Total	**2,550**	**2,159**

The heading "Other inventories" at 31 December 2023 mainly includes the power transmission line built by East Anglia Three Limited (EA3) amounting to EUR 652 million, which will be sold and transferred to an OFTO (Offshore Transmission Owner).

Changes in impairment allowances in 2023 and 2022 are as follows:

Millions of euros	2023	2022
Opening balance	**165**	**167**
Charges	99	—
Reversals	(8)	(1)
Applications and others	(2)	(1)
Closing balance	**254**	**165**

The 2023 and 2022 Consolidated income statement includes EUR 9 million and EUR 16 million, respectively, in sales of real estate inventories.

Sensitivity analysis

The Company has commissioned the independent expert to conduct sensitivity analyses on land and plots with no building permit valued at more than EUR 1 million. The key variable considered is the developer profit required for each project, with all other variables remaining constant.

The following tables show the impacts on realisable value found by these sensitivity analyses in response to 10% and 15% increases and decreases in developer profit for 2023 and 2022:

2023

Millions of euros	Baseline scenario	Developer profit			
		+10%	-10 %	+15%	-15 %
Change in the market value of land and plots	770	(57)	57	(86)	90
Impact on accumulated impairment (before tax)		(30)	19	(47)	27

2022

Millions of euros	Baseline scenario	Developer profit			
		+10%	-10 %	+15%	-15 %
Change in the market value of land and plots	855	(61)	57	(92)	91
Impact on accumulated impairment (before tax)		(35)	17	(51)	25

The Company has commissioned the independent expert to conduct a sensitivity analysis for land with planning permission pending in the planning management periods where such permission is required.

The following table shows the analysis of the sensitivity of the value of land and plots to increases and reductions of 20% and 40% in the variable “pre-construction period”, for 2023 and 2022:

2023

Millions of euros	Baseline scenario	Pre-construction period			
		+20%	-20 %	+40%	-40 %
Change in market value	432	(5)	4	(8)	9
Impact on accumulated impairment (before tax)		(3)	2	(4)	5

2022					
Millions of euros	**Baseline scenario**	**Pre-construction period**			
		+20%	**-20 %**	**+40%**	**-40 %**
Change in market value	443	(15)	15	(28)	32
Impact on accumulated impairment (before tax)		(13)	2	(25)	4

21. Cash and cash equivalents

The breakdown of this heading in the Consolidated statement of financial position is as follows:

Millions of euros	31.12.2023	31.12.2022
Cash	922	2,192
Cash equivalents	2,097	2,416
Total (Note 4)	**3,019**	**4,608**

Cash equivalents mature or expire within a period of three months and bear market interest rates. There are no restrictions on cash withdrawals for significant amounts.

22. Equity

Subscribed capital

Changes in 2023 and 2022 in the different items of share capital of IBERDROLA are as follows:

	Date of filing at the Mercantile Registry	% Capital	Number of shares	Nominal amount	Euros
Balance at 01.01.2022			**6,366,088,000**	**0,75**	**4,774,566,000**
Scrip issue	3 February 2022	1.123 %	71,475,000	0.75	53,606,250
Reduction in share capital	6 July 2022	3.069 %	(197,563,000)	0.75	(148,172,250)
Scrip issue	2 August 2022	1.957 %	122,094,000	0.75	91,570,500
Balance at 31.12.2022			**6,362,094,000**	**0,75**	**4,771,570,500**
Scrip issue	1 February 2023	1.325 %	84,270,000	0.75	63,202,500
Reduction in share capital	6 July 2023	3.201 %	(206,364,000)	0.75	(154,773,000)
Scrip issue	1 August 2023	1.767 %	110,278,000	0.75	82,708,500
Balance at 31.12.2023			**6,350,278,000**	**0,75**	**4,762,708,500**

The scrip issues carried out in 2023 and 2022 correspond to the different runs of the Iberdrola Retribución Flexible optional dividend system approved by the shareholders at the General Shareholders' Meeting.

Additionally, on 1 July 2022 and 1 July 2023, it was resolved to reduce capital through the redemption of own shares. These resolutions were approved by the shareholders at their General Meetings held on 17 June 2022 and 28 April 2023, respectively.

The shareholders acting at the General Shareholders' Meeting held on 28 April 2023 approved, under item 8 of the agenda, the engagement dividend in the general meeting and its payment to all shareholders entitled to participate in the meeting (i.e. with shares registered in their name on 21 April), having fulfilled all conditions to which payment of the dividend was subject, i.e. the approval of the dividend itself (under item 8 of the agenda), and that a quorum of 70% of share capital was reached. The dividend amounted to EUR 31 million (EUR 0.005 gross per share) and was paid out on 3 May 2023.

There were no changes to IBERDROLA's share capital beyond those resulting from the transactions described above. There are no claims on IBERDROLA's share capital other than those established by the Spanish Companies Act.

IBERDROLA shares are listed in the four Spanish stock exchanges and are traded through the Continuous Market. The company also has an American Depositary Receipt (ADR) programme whose depositary is Bank of New York Mellon, and the subsidiary Avangrid is listed on the New York Stock Exchange (NYSE). The subsidiary NEOENERGIA is listed on the Brazilian stock exchange. IBERDROLA is also on more than 65 international indices such as the Dow Jones EuroStoxx 50, which lists the 50 most significant stocks in the eurozone, or the Dow Jones Sustainability Index, which contains the companies with the best sustainability profile.

Powers delegated by the General Shareholders' Meeting

On 2 April 2020, shareholders at the General Meeting resolved, in respect of items 22 and 23 on the agenda, to delegate powers to the Board of Directors, with express powers of sub-delegation, for a period of five years, to:

- increase share capital in the terms and to the limits stipulated in Article 297.1 b) of the Spanish Companies Act (*Ley de Sociedades de Capital*), with authorisation to exclude preferential subscription rights, and

- issue long- or short-term bonds swappable for and/or convertible into shares in the Company or other companies, and warrants on new or existing shares in the Company or other companies, subject to a cap of EUR 5,000 million. This authorisation includes further powers to: (i) set the terms and conditions and forms of the conversion, exchange or exercise; (ii) increase capital to the extent necessary to meet the conversion requests; and (iii) exclude limited pre-emptive rights in relation to the issues.

Both authorisations have an aggregate limit equal to a maximum nominal amount of 20% of the share capital.

Major shareholders

Since IBERDROLA's shares are represented by the book-entry system, the exact stakes held by its shareholders are not known. The table below summarises major direct and indirect shareholdings in the share capital of IBERDROLA at 31 December 2023 and 2022, as well as the holdings of financial instruments disclosed by the owners of these stakes in compliance with Royal Decree 1362/2007 of 19 October. This information is based on filings by the owners of the shares in the official registers of the Spanish National Securities Market Commission or the company's financial statements or press releases, and it is presented in the IBERDROLA Group's Annual Corporate Governance Report 2023.

In accordance with Section 23.1 of Royal Decree 1362/2007 of 19 October, enacting the Securities Market Act 24/1988 of 28 July, in relation to transparency requirements regarding information on issuers whose securities are admitted to trading on an official secondary market or other regulated market in the European Union, a shareholder who holds at least 3% of the voting rights is considered to hold a significant holding.

The direct or indirect holders of voting rights exceeding 3% of share capital at 31 December 2023 and 2022 are as follows:

	% of voting rights 2023			% of voting rights 2022		
Holder	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Qatar Investment Authority	—	8.71	8.71	—	8.69	8.69
Norges Bank	3.45	—	3.45	3.65	—	3.65
Blackrock, Inc.	—	5.30	5.30	—	5.29	5.29

Capital structure

IBERDROLA is committed to maintaining a policy of financial prudence, ensuring a financial structure that optimises the cost of capital.

Leverage ratios at 31 December 2023 and 2022 were as follows

Millions of euros	31.12.2023	31.12.2022
Parent	43,111	41,119
Non-controlling interests	17,181	16,995
Equity	**60,292**	**58,114**
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed.	82	436
Adjusted equity	**60,374**	**58,550**
Bank borrowings, bonds and other marketable securities (Note 29)	48,278	46,587
CSA derivatives security deposits (Note 33)	76	95
Derivative financial liabilities	1,034	960
Leases	2,592	2,438
Gross financial debt (A)	**51,980**	**50,080**
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed (B)	82	436
Adjusted gross financial debt (C=A-B)	**51,898**	**49,644**
Non-current financial deposits (Note 15.b)	128	80
Derivative financial assets	804	1,082
CSA derivatives security deposits (Note 15.b)	101	107
Current financial assets (between 3 and 12 months) (Note 15.b)	14	18
Cash and cash equivalents (Note 21)	3,019	4,608
Total cash assets (D)	**4,066**	**5,895**
Net financial debt (A-D)	**47,914**	**44,185**
Adjusted net financial debt (C-D)	**47,832**	**43,749**
Adjusted net leverage	**44.20 %**	**42.77 %**

Derivatives of treasury stock with physical settlement not executed to date and those that at this date are not expected to be executed:

Millions of euros	31.12.2023	31.12.2022
Accumulators (potential shares)	82	436
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed.	**82**	**436**

The derivative financial instruments shown in the table above do not include those related to the price of commodities, nor price indexes. The details are as follows (Note 30):

Millions of euros	2023					
	Asset derivatives			Liability derivatives		
	Current	Non-current	Total	Current	Non-current	Total
Interest rate hedges	55	408	463	(85)	(140)	(225)
Exchange rate hedges	84	215	299	(343)	(347)	(690)
Total hedging derivatives	**139**	**623**	**762**	**(428)**	**(487)**	**(915)**
Exchange rate derivatives	4	—	4	(81)	—	(81)
Treasury shares derivatives	—	38	38	—	(38)	(38)
Total non-hedging derivatives	**4**	**38**	**42**	**(81)**	**(38)**	**(119)**
Total	**143**	**661**	**804**	**(509)**	**(525)**	**(1,034)**

Millions of euros	2022					
	Asset derivatives			Liability derivatives		
	Current	Non-current	Total	Current	Non-current	Total
Interest rate hedges	10	477	487	(71)	(258)	(329)
Exchange rate hedges	182	352	534	(255)	(278)	(533)
Total hedging derivatives	**192**	**829**	**1,021**	**(326)**	**(536)**	**(862)**
Exchange rate derivatives	16	6	22	(59)	—	(59)
Treasury shares derivatives	—	39	39	—	(39)	(39)
Total non-hedging derivatives	**16**	**45**	**61**	**(59)**	**(39)**	**(98)**
Total	**208**	**874**	**1,082**	**(385)**	**(575)**	**(960)**

Legal reserve

Under the Consolidated Text of the Spanish Companies Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased amount of share capital. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Share premium

The Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

Other restricted reserves

"Other restricted reserves" of the "Equity" heading of the Consolidated statement of financial position primarily includes the restricted reserve set up by IBERDROLA in accordance with Article 335.c) of the Spanish Companies Act arising from the capital reductions carried out in prior years through the retirement of treasury shares. The restricted reserves relating to group companies other than the parent IBERDROLA are included under "Retained earnings" of the same heading.

Non-controlling interests

Changes in this heading in 2023 and 2022 are as follows:

Millions of euros	AVANGRID Subgroup	NEOENERGIA Subgroup	East Anglia	Wikinger	Baltic Eagle	Other	Perpetual subordinated bonds	Total
Balance at 01.01.2022	**3,812**	**2,131**	**1,282**	**—**	**—**	**172**	**8,250**	**15,647**
Profit for the year from non-controlling interests	181	375	85	8	—	72	—	721
Other comprehensive income	12	(48)	—	—	—	9	—	(27)
Dividends	(120)	(118)	(142)	—	—	(25)	—	(405)
Translation differences	236	295	(49)	—	—	1	—	483
Transactions with non-controlling interests (Note 7)	—	(67)	—	625	—	—	—	558
Other	8	12	—	—	—	(2)	—	18
Balance at 31.12.2022	**4,129**	**2,580**	**1,176**	**633**	**—**	**227**	**8,250**	**16,995**
Capital increase/Right issue	—	—	—	—	—	6	—	6
Profit for the year from non-controlling interests	45	344	105	71	—	26	—	591
Other comprehensive income	47	(10)	—	—	—	8	—	45
Dividends	(116)	(146)	(499)	(139)	—	(43)	—	(943)
Translation differences	(158)	130	9	—	—	(4)	—	(23)
Modification of the consolidation scope (Note 7)	—	—	—	—	—	100	—	100
Transactions with non-controlling interests (Note 7)	—	—	(1)	—	318	93	—	410
Other	3	(3)	—	—	—	—	—	—
Balance at 31.12.2023	**3,950**	**2,895**	**790**	**565**	**318**	**413**	**8,250**	**17,181**

The summarised financial information related to subgroups in which IBERDROLA Group does not have a 100% interest refers to amounts consolidated before intercompany eliminations:

Millions of euros	**AVANGRID Subgroup**		**NEOENERGIA Subgroup**		**East Anglia**		**Wikinger**		**Baltic Eagle**	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Current assets	2,468	2,559	4,326	3,847	265	1,177	120	223	49	8
Non-current assets	44,779	43,306	15,262	13,744	2,256	2,337	1,127	1,193	1,068	554
Total assets	**47,247**	**45,865**	**19,588**	**17,591**	**2,521**	**3,514**	**1,247**	**1,416**	**1,117**	**562**
Current liabilities	4,917	4,384	4,003	3,156	76	130	(10)	17	466	291
Non-current liabilities	21,271	19,441	9,408	8,932	478	455	102	106	3	215
Total liabilities	**26,188**	**23,825**	**13,411**	**12,088**	**554**	**585**	**92**	**123**	**469**	**506**
Gross operating profit-EBITDA	2,067	2,600	2,122	2,285	457	392	227	241	(1)	(1)
Valuation adjustment of trade receivables and other assets	(171)	(158)	(117)	(93)	—	—	—	—	—	—
Amortisation, depreciation and provisions	(1,301)	(1,280)	(570)	(517)	(111)	(118)	(58)	(61)	—	—
Result of equity-accounted investees — net of taxes	5	243	238	(91)	—	—	—	—	—	—
Finance income	(346)	(276)	(907)	(711)	(1)	(3)	—	35	—	—
Income tax	(24)	(163)	(39)	(80)	(82)	(59)	(24)	(55)	—	—
Non-controlling interests	(3)	(3)	(343)	(375)	—	—	—	—	—	—
Net profit/(loss) for the year	**227**	**963**	**384**	**418**	**263**	**212**	**145**	**160**	**(1)**	**(1)**

Millions of euros	**AVANGRID Subgroup**		**NEOENERGIA Subgroup**	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
Net cash flows from operating activities	1,179	1,242	928	1,345
Net cash flows used in investing activities	(2,868)	(2,421)	(660)	1,152
Net cash flows from/(used in) financing activities	1,710	(155)	(149)	38
Net increase/(decrease) in cash and cash equivalents	**21**	**(1,334)**	**119**	**231**

Perpetual subordinated bonds

In January 2023, Iberdrola Finanzas, S.A. fixed the price and the terms and conditions of an issue of perpetual subordinated bonds with the subordinated guarantee of Iberdrola, S.A. for a total amount of EUR 1,000 million. The issuance has been structured as a single tranche, with each bond having a unit nominal amount of EUR 100,000. The bonds have been issued at a price equivalent to 100% of their nominal value. The funds raised from this issuance have been utilised to repurchase a previous issue of perpetual subordinated bonds made by Iberdrola International B.V. in 2017 (also with the subordinated guarantee of Iberdrola, S.A.) and valued at EUR 1,000 million. The repurchase took place on 18 May 2023.

The bonds bear interest at a fixed annual rate of 4.875% from (and including) the issue date to (but excluding) 25 July 2028 ("first review date"), payable annually.

From the first review date (inclusive), interest will accrue at a rate equal to the applicable 5-year swap rate plus a margin of:

- 2.262% per annum for five years following the first review date;
- 2.512% per annum for each of the five-year review periods beginning on 25 July 2033, 25 July 2038, and 25 July 2043; and
- 3.262 % per annum for the subsequent five-year review periods.

The issue was closed and disbursed on 25 January 2023.

These bonds do not have a contractual maturity date. After analysing the issue conditions, the IBERDROLA Group recognised the cash received with a credit to the "From non-controlling shares" heading under equity in the Consolidated statement of financial position, as it considers that it does not qualify for classification as a financial liability, given that the IBERDROLA Group does not have a commitment to deliver cash, as the circumstances that would require it to do so — namely distribution of dividends and exercising of its right to redeem the bonds — are fully under its control.

The interest accrued on these bonds will not be callable but rather cumulative. However, the IBERDROLA Group will be obliged to settle the interest accrued in the event it distributes dividends.

Total interest paid in 2023 and 2022 amounted to EUR 193 million and EUR 169 million, respectively. Meanwhile, interest accrued in 2023 and 2022 amounted to EUR 203 million and EUR 169 million, respectively, as recognised under "Other reserves" in the Consolidated statement of financial position.

The IBERDROLA Group had outstanding perpetual subordinated bonds worth EUR 8,250 million at 31 December 2023 and 2022.

Valuation adjustments

The change in this reserve arising from valuation adjustments to derivatives designated as cash flow hedges in 2023 and 2022 is as follows:

Millions of euros	01.01.2022	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to income	31.12.2022	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to income	31.12.2023
Valuation adjustments of equity-accounted investees (net of tax):	**(10)**	**27**	**—**	**—**	**17**	**3**	**—**	**(3)**	**17**
Cash flow hedges:									
Interest rate swaps	(464)	765	—	122	423	(99)	—	36	360
Collars	(7)	1	—	6	—	—	—	—	—
Commodities derivatives	1,294	(1,279)	—	(1,297)	(1,282)	(977)	—	2,263	4
Currency forwards	7	20	(1)	(46)	(20)	(6)	1	(39)	(64)
Other	(165)	(180)	—	4	(341)	43	—	17	(281)
	665	**(673)**	**(1)**	**(1,211)**	**(1,220)**	**(1,039)**	**1**	**2,277**	**19**
Hedging costs	**4**	**(66)**	**—**	**58**	**(4)**	**(78)**	**—**	**79**	**(3)**
Tax effect:	**(112)**	**170**	**—**	**217**	**275**	**256**	**—**	**(562)**	**(31)**
Total	**547**	**(542)**	**(1)**	**(936)**	**(932)**	**(858)**	**1**	**1,791**	**2**

Treasury shares

The IBERDROLA Group buys and sells treasury shares in accordance with the prevailing law and the resolutions of the General Shareholders' Meeting. Such transactions include purchases and sales of the Company's shares and derivatives thereon.

At 31 December 2023 and 2022 the balances of the various instruments are as follows:

	31.12.2023		31.12.2022	
	No. of shares	Millions of euros	No. of shares	Millions of euros
Treasury shares held by IBERDROLA	105,786,997	1,211	64,447,436	632
Treasury shares held by SCOTTISH POWER	639,668	8	647,085	8
Total return swaps	6,997,405	55	13,110,816	110
Put options sold	17,500,000	191	11,338,853	115
Accumulators (exercised shares)	—	—	25,716,062	253
Accumulators (potential shares)	—	—	64,452,306	638
Total	**130,924,070**	**1,465**	**179,712,558**	**1,756**

(a) Treasury shares

Changes in 2023 and 2022 in the own shares of IBERDROLA and SCOTTISH POWER (Note 3.m) are as follows:

	IBERDROLA		SCOTTISH POWER	
	No. of shares	Millions of euros	No. of shares	Millions of euros
Balance at 01.01.2022	**82,915,340**	**823**	**695,770**	**8**
Acquisitions	186,499,093	1,881	212,631	2
Reduction in share capital	(197,563,000)	(1,985)	—	—
Disposals (1)	(8,807,646)	(87)	(346,665)	(2)
Iberdrola Retribución Flexible (2)	1,403,649	—	85,349	—
Balance at 31.12.2022	**64,447,436**	**632**	**647,085**	**8**
Acquisitions	256,119,934	2,785	197,082	2
Reduction in share capital	(206,364,000)	(2,112)	—	—
Disposals (1)	(9,492,205)	(94)	(284,836)	(2)
Iberdrola Retribución Flexible (2)	1,075,832	—	80,337	—
Balance at 31.12.2023	**105,786,997**	**1,211**	**639,668**	**8**

(1) Includes awards to employees.

(2) Shares received.

SCOTTISH POWER's own shares correspond to the matching shares held by the trust in the Share Incentive Plan (Note 23.1).

In 2023 and 2022, treasury shares held by the IBERDROLA Group were always below the relevant legal limits.

(b) Physically settled derivatives

The IBERDROLA Group recognises these transactions directly in equity under the "Treasury shares" heading and records the obligation to purchase said shares under the "Bank borrowings, bonds and other marketable securities" heading in current liabilities of the Consolidated statement of financial position.

- Total return swaps

The IBERDROLA Group has swaps on treasury shares in which it pays the financial institution the 3-month Euribor plus a spread on the underlying notional amount and receives the corresponding dividends on the shares paid out to the financial institution over the life of the contract. On the expiration date IBERDROLA will buy the shares at the strike price set out in the contract.

The characteristics of these contracts at 31 December 2023 and 2022 are as follows:

2023	**No. of shares at 31.12.2023**	**Strike price**	**Expiry date**	**Interest rate**	**Millions of euros**
Total return swap	6,997,405	7.824	15/11/2024	Euribor 3M + 0.50%	55
Total	**6,997,405**				**55**

2022	**No. of shares at 31.12.2022**	**Strike price**	**Expiry date**	**Interest rate**	**Millions of euros**
Total return swap	2,171,234	9.303	01/09/2023	Euribor 3M + 0.36%	20
Total return swap	10,939,582	8.170	17/11/2023	Euribor 3M + 0.50%	90
Total	**13,110,816**				**110**

- Treasury share accumulators

The IBERDROLA Group holds several purchase accumulators on treasury shares. These accumulators are obligations to buy in the future, with a notional amount of zero on the start date. The number of shares to be accumulated depends on the market price quoted on a range of observation dates throughout the life of the options — in this case, on a daily basis. A strike price is set, and a knockout level above which the structured product is "knocked out" and shares are no longer accumulated.

The accumulation mechanism is as follows:

- when the spot price is below the strike price, two units of the underlying security are accumulated;
- when the spot price is between the strike price and the knockout level, only one unit of the underlying security is accumulated; and
- when the spot price is above the knockout level, no shares are accumulated.

There were no outstanding contracts as at 31 December 2023 and the key terms of these contracts at 31 December 2022 were as follows:

2022	No. of shares	Average price in the period	Expiry date	Millions of euros
Exercised	25,716,062	9.8207	28/03/2023 to 12/06/2023	253
Potential maximum (1)	64,452,306	9.9309	28/03/2023 to 12/06/2023	640

(1) Maximum number of additional shares that could accumulate under the mechanism described above through to the maturity of the structures (assuming that the spot price over the remaining life of the structure remains below the strike price at all times).

– Sold put with physical settlement

The IBERDROLA Group has sold put options on treasury shares that grant the counterparty the option to sell these shares on the expiry date at the strike price set in the contract.

The characteristics of these contracts at 31 December 2023 and 2022 are as follows:

2023	No. of shares	Average price in the period	Expiry date	Millions of euros
Put options sold	17,500,000	10.9360	19/07/2024 to 28/02/2025	191

2022	No. of shares	Average price in the period	Expiry date	Millions of euros (1)
Put options sold	11,338,853	10.2664	10/03/2023 to 24/03/2023	115

(1) Net of premiums collected in the amount of EUR 2 million.

Distribution of dividends charged to 2023 profit

The Board of Directors of IBERDROLA has agreed to propose to the General Shareholders' Meeting the payment, out of earnings for 2023 and retained earnings from previous years, a dividend the aggregate gross amount of which will be equal to the sum of the following amounts:

(a) the EUR 427 million that was paid out as an interim dividend for 2023 on 31 January 2024 to the holders of 2,115,059,909 IBERDROLA shares who chose to receive their remuneration in cash under the second application of the optional "*Iberdrola Retribución Flexible*" optional dividend system for 2023 and therefore received EUR 0.202, gross, per share (the *Interim Dividend*); and

(b) the amount to be determined by multiplying:

(i) the gross amount per share that the Company will pay out as final dividends for 2023 under the framework of the first-time application of the *Iberdrola Flexible Remuneration* optional dividend system (*Final Dividend*) for 2024; by

(ii) the total number of shares upon which the holders have opted to receive the *Final Dividend* within the framework of the first application of the *"Iberdrola Retribución Flexible"* optional dividend system for 2024.

As at the date of authorisation of these Consolidated financial statements, it is not possible to determine the amount of the *Final dividend* or, consequently, the amount of the dividend chargeable to 2022 earnings.

The *Final dividend* will be paid in tandem with a scrip issue that the Board of Directors will propose at the General Shareholders' Meeting, to offer the shareholders the possibility of receiving their remuneration in cash (through the payment of the *Final dividend*) or in newly issued shares of the Company (through the aforementioned capital increase).

The payment of the *Final dividend* will be one of the alternatives that the shareholder may choose between when receiving their remuneration within the scope of the first settlement of the *"Iberdrola Retribución Flexible"* optional dividend system for 2024, which will be carried out via the aforementioned capital increase.

Subject to shareholder approval at the General Shareholders' Meeting of the resolutions relating to the "*Iberdrola Retribución Flexible"* optional dividend system for 2024, the gross amount of the *Final dividend* is estimated to be at least EUR 0.348 per share. The final amount of the *Final dividend* will be disclosed as soon as the Board of Directors (or the body to which it delegates this power) makes its decision in accordance with the terms of the dividend distribution and capital increase resolution that the Board of Directors will propose to the shareholders at the General Shareholders' Meeting in relation to the "*Iberdrola Retribución Flexible"* optional dividend system for 2024. Additionally, once the first implementation of the "I*berdrola Retribución Flexible*" optional dividend system for 2024 is completed, the Board of Directors (with express authority to sub-delegate) will specify the aforementioned distribution proposal and determine the final amount of the dividend and the amount to be allocated to retained earnings.

23. Long-term remuneration plans

23.1 Share-based long-term compensation plans

Share-based long-term compensation plans in the settlement period

The main features of the plans are as follows:

Long-term compensation programme	Settled in shares	Measurement period	Settlement period	Maximum number of beneficiaries	Maximum number of shares	Level of achievement
IBERDROLA 2017-2019	IBERDROLA	2017-2019	2020-2022	300	14,000,000 (1)	100% (2)
AVANGRID 2016-2019	Avangrid	2016-2019	2020-2022	80	2,500,000	17.4% (3)
IBERDROLA 2020-2022	IBERDROLA	2020-2022	2023-2025	300	14,000,000 (1)	100% (4)
AVANGRID 2020-2022	Avangrid	2021-2022	2023-2025	125	1,500,000	65% (5)
NEOENERGIA 2020-2022	Neoenergia	2020-2022	2023-2025	125	3,650,000	80% (6)

(1) Includes shares relating to executives who are also directors.

(2) Level of achievement and settlement approved by the Board of Directors of IBERDROLA on the recommendation of the Remuneration Committee. In the first quarter of 2022, following confirmation that the eligibility requirements continued to be met, the third and last of the annual settlements was completed.

(3) Degree of fulfilment and settlement approved by the Board of Directors of AVANGRID upon the proposal of the Compensation, Nominating and Corporate Governance Committee (CNCGC). In the first quarter of 2022, following confirmation that the eligibility requirements continued to be met, the third and last of the annual settlements was completed.

(4) Level of achievement and settlement approved by the Board of Directors of NEOENERGIA on the recommendation of the Remuneration Committee. The first of the three annual settlements was made during the first half of 2023.

(5) Degree of fulfilment and settlement approved by the Board of Directors of AVANGRID upon the proposal of the Compensation, Nominating and Corporate Governance Committee (CNCGC). The first of the three annual settlements was made during the first half of 2023.

(6) Level of achievement and settlement approved by the Board of Directors of Neoenergia on the recommendation of the Remuneration Committee. The first of the three annual settlements was made during the first half of 2023.

The following is the movement of the shares granted in these plans:

No. of shares	**IBERDROLA 2017-2019**	**AVANGRID 2016-2019**	**IBERDROLA 2020-2022**	**AVANGRID 2020-2022 (3)**	**NEOENERGIA 2020-2022**
Balance at 31.12.2021	**4,053,043**	**66,850**	**12,392,469**	**1,251,342**	**3,650,000**
Additions	—	—	315,444	215,235	140,804
Cancellations	(23,334)	(580)	(283,098)	(412,196)	(526,120)
Other	(90,276)	—	202,500	—	68,674
Deliveries	(3,939,433) (1) (2)	(66,270)	—	—	—
Balance at 31.12.2022	**—**	**—**	**12,627,315**	**1,054,381**	**3,333,358**
Additions	—	—	—	—	15,000
Cancellations	—	—	(63,335)	(23,866)	(7,500)
Other	—	—	285,890	(366,010)	(468,773)
Deliveries	—	—	(4,277,644) (1) (2)	(225,969)	(950,030)
Balance at 31.12.2023	**—**	**—**	**8,572,226**	**438,536**	**1,922,055**

(1) Includes shares delivered to executives who are also directors (Note 48).

(2) Taxes charged on shares delivered to senior management: EUR 1.7 million and EUR 2.1 million relating to the third delivery of the 2017-2019 Strategic Bonus and the first delivery of the 2020-2022 Strategic Bonus, respectively.

(3) In addition, within the scope of AVANGRID's Omnibus Plan — the general plan that establishes the governance framework for executive remuneration plans in cash and shares — a total of 81,000 notional shares (Phantom Share Units) were granted in 2023. A cash settlement of the value equivalent to 38,598 shares was made in 2022 and to 4,500 shares in 2023. The balance as at 31 December 2023 was 76,750 notional shares.

In relation to the long-term share-based compensation plans described above, the change in the “Other reserves” heading of the Consolidated statement of financial position is as follows:

Millions of euros	IBERDROLA 2017-2019	AVANGRID Strategic bonus 2016-2019 (1)	IBERDROLA 2020-2022	AVANGRID 2020-2022 (1)	NEOENERGIA 2020-2022	Restricted stock programme (1)	Total
Balance at 01.01.2022	**19**	**9**	**48**	**12**	**4**	**1**	**93**
Provision charged to “Personnel expenses”	1	—	43	13	4	2	63
Price effect charged to “Other reserves”	23	1	—	—	—	—	24
Payments in shares	(50)	(3)	—	—	—	(1)	(54)
Transfer	7	(7)	—	1	—	(1)	—
Balance at 31.12.2022	**—**	**—**	**91**	**26**	**8**	**1**	**126**
Provision charged to “Personnel expenses”	—	—	37	8	3	—	48
Price effect charged to “Other reserves”	—	—	16	(1)	—	—	15
Payments in shares	—	—	(67)	(7)	(4)	—	(78)
Transfers and other	—	—	—	(2)	—	—	(2)
Balance at 31.12.2023	**—**	**—**	**77**	**24**	**7**	**1**	**109**

(1) Submitted for 100%. Non-controlling interests account for 18.5%.

Share-based long-term compensation plans in the measurement period

The key features of the plans are as follows:

Long-term compensation programme	Settled in shares	Measurement period	Settlement period	Maximum number of beneficiaries	Maximum number of shares	Expected shares (4)
IBERDROLA 2023-2025 (1)	IBERDROLA	2023-2025	2026-2028	300	14,000,000 (2)	(9,007,560) (2) (5)
AVANGRID 2023-2025 (3)	Avangrid	2023-2025	2026-2028	125	1,500,000	1,007,500

(1) Approval by the shareholders at the General Meeting of Iberdrola, S.A. in 2023.
(2) Includes shares relating to executives who are also directors.
(3) Approval by the AVANGRID Board of Directors in 2023, within the scope of the Omnibus Plan.
(4) Foreseeable number of shares to be delivered, depending on the level of success in attaining the related targets.
(5) Includes the foreseeable number of shares to be delivered to senior management: 532,800 shares.

The reference metrics for the global performance evaluation over the assessment period are similar under the above plans, adapted to each company:

Achievement targets related to (1)	Type of target	Relative weight
Consolidated net profit	Performance	30%
Total shareholder return	Market	20%
Financial strength / ESG finance	Performance	20%
Sustainable Development Goals	Performance	30%

(1) For the IBERDROLA 2023-2025 Strategic Bonus, the subholding companies' targets will be 50% linked to the Iberdrola Group's targets set by the shareholders at the 2023 General Meeting and the remaining 50% to the specific financial, business and sustainable development targets of each subholding company.

"Personnel expenses" in the 2023 Consolidated income statement includes EUR 4 million for the long-term share-based payment plans during the evaluation period described above. This amount was credited to "Other reserves" in the Consolidated statement of financial position, with the following breakdown:

Millions of euros	2023
IBERDROLA 2023-2025	1
AVANGRID 2023-2025	3
Balance at 31.12.2023	**4**

Other share-based compensation plans

SCOTTISH POWER has two share-based plans for its employees:

- *Sharesave Schemes*: savings plan under which employees may, at the end of a three-year period, use the money saved to buy IBERDROLA shares at a discounted option price set at the beginning of the plan or otherwise receive the amount saved in cash.

Share plan	Type	Term	Start year	Option price	Employee contribution	Company contribution
Sharesave 2020	Iberdrola shares	3 years	2020	7.43 £	5-500 £	20% discount
Sharesave 2023	Iberdrola shares	3 years	2023	7.66 £	5-500 £	20% discount

Changes in the plan are as follows:

	Sharesave 2020 (outstanding options)	Sharesave 2023 (outstanding options)
Balance at 31.12.2021	**3,265,260**	**—**
Exercised	(66,670)	—
Cancelled	(157,967)	—
Balance at 31.12.2022	**3,040,623**	**—**
Granted	—	4,291,033
Exercised	(2,962,787)	(52)
Cancelled	(75,900)	(128,247)
Balance at 31.12.2023	**1,936**	**4,162,734**

- Share Incentive Plan: this plan has an option for purchasing IBERDROLA shares with tax incentives (partnership shares) plus a share contribution from the company up to a maximum amount (matching shares). The matching shares vest three years after purchase.

Plan	Type	Start year	Employee contribution	Company contribution
Share Incentive Plan	Iberdrola shares	2008	10-150 £	10-50 £

Changes in the number of shares are as follows:

	Number of shares
Shares acquired with employee contribution (partnership shares) in 2022	615,769
Total balance of partnership shares at 31.12.2022	**4,633,688**
Shares acquired with employee contribution (partnership shares) in 2023	561,540
Total balance of partnership shares at 31.12.2023	**4,442,102**
Shares acquired with company contribution (matching shares) in 2022	267,631
Shares acquired with company contribution (matching shares) with a term shorter than 3 years in 2022	644,536
Total balance of matching shares at 31.12.2022	**2,194,140**
Shares acquired with company contribution (matching shares) in 2023	247,282
Shares acquired with company contribution (matching shares) with a term shorter than 3 years in 2023	637,291
Total balance of matching shares at 31.12.2023	**2,066,391**

The “Personnel expenses” heading of the Consolidated Income statement for 2023 and 2022 includes EUR 5 million and EUR 3 million for these plans, respectively, as credited to the “Other reserves” heading of the Consolidated Statement of financial position.

Further, in 2023 and 2022 payments for options and shares were made in the amount of EUR 12 million and EUR 2 million, respectively.

23.2 Cash-based long-term compensation plans

Cash-based long-term compensation plans in the settlement period

The key features of the long-term cash-based plans currently in the settlement period are summarised below:

Long-term incentive	Measurement period	Settlement period	Maximum number of beneficiaries	Level of achievement
2017-2019 IBERDROLA DISTRIBUCIÓN ELÉCTRICA	2017-2019	2020-2022	12	100%(1)
2018-2019 NEOENERGIA	2018-2019	2020-2022	100	97.64% (2)
2020-2022 I-DE REDES ELÉCTRICAS INTELIGENTES	2020-2022	2023-2025	7	100% (1)

(1) Degree of achievement and settlement approved by the Board of Directors of i-DE REDES ELÉCTRICAS INTELIGENTES, formerly IBERDROLA DISTRIBUCIÓN ELÉCTRICA.

(2) Level of achievement and settlement approved by the Board of Directors of NEOENERGIA on the recommendation of the Remuneration Committee. In the first quarter of 2022, following confirmation that the eligibility requirements continued to be met, the third and last of the annual settlements was completed.

The "Personnel expenses" heading of the Consolidated Income statement for 2023 and 2022 includes EUR 1 million and EUR 2 million, respectively.

Cash-based long-term compensation plan in the evaluation period

The key features of the plan are summarised below.

Long-term compensation programme	Measurement period	Settlement period	Maximum number of beneficiaries
NEOENERGIA 2023-2025 (1)	2023-2025	2026-2028	70

(1) Approval by the shareholders at the Neoenergia General Meeting in 2023.

The reference metrics for the global performance evaluation over the assessment period are:

Achievement targets related to	Type of target	Relative weight
Consolidated net profit	Performance	30%
Total shareholder return	Market	20%
Financial strength / ESG financing	Performance	20%
Sustainable Development Goals	Performance	30%

24. Equity instruments having the substance of a financial liability

In the United States, the IBERDROLA Group has signed several contracts that have brought in third parties as non-controlling interests at some of its wind farms, primarily in exchange for cash and other financial assets.

The main characteristics of these contracts are as follows:

- The IBERDROLA Group retains the control and management of the wind farms, regardless of the interest acquired by the non-controlling interests. Accordingly, they are fully consolidated in these Consolidated financial statements.
- The non-controlling interests have the right to a substantial portion of the profits and tax credits generated by these wind farms up to the return level established at the beginning of the contract.
- The non-controlling interests remain in the equity of the wind farms until they achieve the stipulated returns.
- Once these returns have been obtained, the non-controlling interests must renounce their stake in the wind farms, thus losing their right to the profits and tax credits generated.
- Whether or not the non-controlling interests of the IBERDROLA Group obtain the agreed upon returns depends on the economic performance of the wind farms. Although the IBERDROLA Group is obliged to operate and maintain these facilities in an efficient manner and to take out the appropriate insurance policies, it is not obliged to deliver cash to the non-controlling interests over and above the aforementioned profits and tax credits.

Following an analysis of the economic substance of these agreements, the IBERDROLA Group classifies the consideration received at the outset of the transaction under the "Non-current equity instruments having the substance of a financial liability" and "Current equity instruments having the substance of a financial liability" headings of the Consolidated statement of financial position. Subsequently, this consideration is measured at amortised cost.

At 31 December 2023 and 2022, the amount shown in this heading accrued an average interest in USD of 7.57% and 6.88% respectively.

Changes in this heading of the Consolidated statement of financial position for 2023 and 2022 are as follows:

Millions of euros	2023	2022
Opening balance	**663**	**625**
Finance expenses accrued in the year (Note 44)	45	46
Payments	(195)	(177)
Translation differences	(26)	39
Additions	184	130
Closing balance	**671**	**663**

25. Capital grants

The change in this heading of the Consolidated statement of financial position for 2023 and 2022 is as follows (Note 3.m):

Millions of euros	Capital grants	Investment Tax Credits	Total
Balance at 01.01.2022	**266**	**995**	**1,261**
Additions	1	—	1
Transfers	(1)	—	(1)
Translation differences	5	63	68
Amounts allocated to the income statement (Note 3.m)	(20)	(62)	(82)
Balance at 31.12.2022	**251**	**996**	**1,247**
Additions	9	—	9
Derecognitions	(1)	—	(1)
Translation differences	(2)	(37)	(39)
Amounts allocated to the income statement (Note 3.m)	(20)	(60)	(80)
Balance at 31.12.2023	**237**	**899**	**1,136**

26. Facilities transferred or financed by third parties

The change in this heading of the Consolidated statement of financial position for 2023 and 2022 is as follows (Note 3.n):

Millions of euros	Facilities transferred by third parties	Facilities financed by third parties	Total
Balance at 01.01.2022	**2,660**	**2,764**	**5,424**
Additions	201	302	503
Derecognitions	—	(3)	(3)
Transfers	(4)	(6)	(10)
Translation differences	7	(26)	(19)
Amounts allocated to the income statement (Note 3.n)	(136)	(86)	(222)
Balance at 31.12.2022	**2,728**	**2,945**	**5,673**
Additions	273	342	615
Derecognitions	(12)	(1)	(13)
Translation differences	(13)	(11)	(24)
Amounts allocated to the income statement (Note 3.n)	(141)	(89)	(230)
Balance at 31.12.2023	**2,835**	**3,186**	**6,021**

27. Provision for pensions and similar obligations

The breakdown of this heading of the consolidated statements of financial position is as follows:

Millions of euros	31.12.2023	31.12.2022
Defined benefit plans (Spain)	306	261
Long-service bonuses and other long-term benefits (Spain)	43	38
Defined benefit plans (United Kingdom)	142	116
Defined benefit plans (United States)	545	514
Defined benefit plans (Brazil)	218	162
Defined benefit plans and other non-current employee benefits (Spain and other countries)	36	41
Restructuring plans	206	136
Total	**1,496**	**1,268**

Each year IBERDROLA estimates, based on an independent actuarial report, the payments for pensions and similar benefits that it will have to meet in the following financial year. These are recognised as current liabilities in the Consolidated statement of financial position.

27.a) Defined benefit plans and other non-current employee benefits

Spain

IBERDROLA Group's main commitments to providing defined benefits for its employees in Spain, in addition to those provided by Social Security, are as follows:

- Employees subject to the IBERDROLA Group's Collective Bargaining Agreement who retired before 9 October 1996 are covered by a defined benefit retirement pension scheme, the actuarial value of which was fully externalised at 31 December 2023 and 2022.

  IBERDROLA Group has no liability of any kind for this segment of employees and has no claim on any potential excess generated in the assets of this plan above and beyond the defined benefits.

- Also, in relation to serving employees and employees who have retired after 1996 and are subject to the Iberdrola Group's Collective Bargaining Agreement and members/beneficiaries of the Iberdrola Pension Plan, risk benefits (e.g. widowhood, permanent disability or orphanhood) which guarantee a defined benefit at the time the event giving rise to such benefits occurs, are instrumented through a multi-year insurance policy. The guaranteed benefit consists of the difference between the present actuarial value of the above mentioned defined benefit at the time of the event and the member's vested rights at the time the event was processed, if the latter were lower. The premiums on the insurance policy for 2023 and 2022 are recognised under "Personnel expenses" in the Consolidated income statement and amounted to EUR 7 million and EUR 8 million, respectively.

- IBERDROLA also maintains a provision to cover certain commitments with its employees other than those indicated above. These further commitments are covered by internal funds linked to social security benefits, consisting mainly of free electricity supply, with an annual consumption limit, for retired employees and other long-term benefits, primarily consisting of a long-service bonus for active employees at 10, 20 and 30 years of service.

United Kingdom (SCOTTISH POWER)

The main pension commitments held by the IBERDROLA Group with its employees in the United Kingdom are as follows:

- Employees from SCOTTISH POWER who joined before 1 April 2006 are guaranteed a defined benefit upon retirement, the exact nature of which depends on the employee's company and length of service:
    - ScottishPower Pension Scheme (SPPS). Own scheme set up on 31 March 1990 for personnel legally protected under the Electricity Protected Act or otherwise protected by regulation. In 1999, the "Final Salary Life Plan (FSLP)" section was created for new entrants. On 1 April 2006 it was closed to new entrants.
    - Manweb Group of Electricity Supply Pension Scheme (Manweb) Sectoral scheme set up on 1 April 1983 as part of the "Electricity Supply Pension Scheme" (ESPS) (currently with 23 promoters) for personnel legally protected under the Electricity Protected Act or otherwise protected by regulations. On 6 April 1997 it was closed to new entrants.
- In the case of active employees covered by one of the aforementioned defined benefit plans, their risk benefits (death, widowhood and orphanhood), which guarantee a defined benefit from the time the triggering event occurs, have been assured through a multi-year insurance policy. A benefit equal to the actuarial present value of the defined benefit at the time of the contingency is guaranteed. The risk benefit for active employees adhered to the defined contribution plan is also assured through a multi-year insurance policy. A benefit equal to four times the employee's salary is guaranteed.
- The longevity risk has been hedged by arranging a longevity swap for former employees (SPPS plan in December 2014 and Manweb plan in July 2016).
- One-off capital sums have been offered to pensioners and deferred beneficiaries, reducing the defined benefit burden.
- A Pension Increase Exchange (PIE) exercise was carried out in 2018, whereby SPPS plan members were able to exchange part of their inflation-linked increasing pension for a higher initial amount, thus reducing the obligation and deficit under that plan.
- The benefits of the deferred segment of the "Final Salary Life Plan (FSLP)" section of the SPPS plan were modified in 2021, thus reducing the obligations.

United States (AVANGRID)

The main pension commitments held by the IBERDROLA Group with its employees in the United States are as follows:

- The Networks business has a number of defined-benefit company pension plans, both for employees covered by collective bargaining agreements and those not covered thereunder, where the contribution is paid by the company, with benefits based on salary, years of service and/or a fixed "multiplier". Effective 1 January 2014, all the corporate defined benefit retirement plans were closed to new entrants with the exception of "The Berkshire Gas Company Pension Plan", "Connecticut Natural Gas Corporation Pension Plan", and "Southern Connecticut Gas Company Pension Plan for Salaried and Certain Other Employees". These plans were closed to new affiliates with effect from 1 January 2018. Meanwhile, with effect from 31 December 2020, past service benefits were frozen for affiliates of the "United Illuminating Company Pension Plan". With effect from 30 June 2021, past service benefits were frozen for affiliates of the "The Southern Connecticut Gas Company Pension Plan". With effect from 31 July 2021, past service benefits were frozen for SCG affiliates of the "The Southern Connecticut Gas Company Pension Plan for Salaried and Certain Other Employees".

- With effect from 30 June 2022, past service benefits were frozen for affiliates of the "CNG Pension Plan B" and affiliates of all pension plans not covered by collective agreements. With effect from 31 August 2022, past service benefits were frozen for RGE affiliates of the "NYSEG and RGE Pension Plan". Several pension plans have been merged with effect from 1 January 2023, reducing the total number of pension plans from 12 to seven. In addition, the "CNG Retirement Pension Plan (Hartford Union)" was frozen as of 31 March 2023.

- The Renewables business has a defined benefit company pension plan, where the Company makes contributions, with benefits based on salary and years of service. Past services under this scheme were frozen with effect from 30 April 2011.

- In the case of active employees covered by one of the aforementioned defined benefit plans, their risk benefits (in the event of death), which guarantee a defined benefit from the time the triggering event occurs, have been assured through a multi-year insurance policy. The beneficiary is guaranteed to receive an insurance benefit equivalent to the actuarial present value, at the time of the contingency, of the benefit defined in the plan.

- One-off capital sums have been offered to pensioners and deferred beneficiaries, reducing the defined benefit burden.

- In addition, both the Networks business and the Renewables business have defined benefit plans for disability and post-retirement health contingencies.

Brazil

On 27 August 2011, the IBERDROLA Group acquired a controlling stake in ELEKTRO. ELEKTRO's employees were covered by a defined benefit pension plan covering their eventual retirement.

On 24 August 2017 NEOENERGIA was acquired through the incorporation of ELEKTRO. ELEKTRO, CELPE, COELBA and COSERN employees are covered by several defined benefit retirement schemes. COELBA employees are also covered by a post-employment health plan.

The takeover of CEB Distribuição was completed on 2 March 2021. CEB Distribuição has been renamed Neoenergia Distribuição Brasília. The distributor Neoenergia Distribuição Brasília operates two defined benefit plans (one of which is frozen).

The main pension commitments held by the IBERDROLA Group with its employees in Brazil are as follows:

- ELEKTRO runs a mixed pension plan (70% of salary as defined benefit and 30% as defined contribution).
- The distributors CELPE, COELBA and COSERN operate a defined benefit plan.
- Distributor company Neoenergia Distribuição Brasília operates two defined benefit plans.

In addition, for active employees covered by ELEKTRO's defined benefit plan, its risk benefits (death and disability) guarantee a defined benefit as soon as they occur.

In some cases, the triggering event is instrumented through a multi-year insurance policy. The beneficiary is guaranteed to receive an insurance benefit equivalent to the actuarial present value, at the time of the contingency, of the benefit defined in the plan.

For active employees covered by defined-contribution plans (AD CELPE, AD COELBA, AD COSERN, AD NÉOS), their risk benefits (death and disability) are also covered by multi-year insurance policies. An equivalent benefit is guaranteed to the employee or his or her dependant.

The value of the benefit is equal to the value of the future contributions to be made to the plan until the theoretical retirement age is reached.

Other commitments with employees

In addition, some IBERDROLA Group companies have provisions to meet certain commitments with their employees, other than those described above, which are met by in-house pension funds.

The most significant information about pension plans is as follows:

Millions of euros	Spain		United Kingdom		United States		Brazil (1)		Other		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Present value of the obligation	(349)	(299)	(3,729)	(3,621)	(2,571)	(2,621)	(912)	(794)	(36)	(41)	(7,597)	(7,376)
Fair value of plan assets	—	—	3,871	3,893	2,026	2,107	730	671	10	—	6,637	6,671
Net asset / (Net provision)	**(349)**	**(299)**	**142**	**272**	**(545)**	**(514)**	**(182)**	**(123)**	**(26)**	**(41)**	**(960)**	**(705)**
Amounts recognised in the Consolidated statement of financial position:												
Provision for pensions and similar obligations	(349)	(299)	(142)	(116)	(545)	(514)	(218)	(162)	(36)	(41)	(1,290)	(1,132)
Assets for pensions and similar obligations (Note 15.b)	—	—	284	388	—	—	4	4	10	—	298	392
Net asset / (Net provision)	**(349)**	**(299)**	**142**	**272**	**(545)**	**(514)**	**(214)**	**(158)**	**(26)**	**(41)**	**(992)**	**(740)**

(1) A surplus of EUR 32 and EUR 35 million was not recognised at 31 December 2023 and 2022, respectively, under the terms of IFRIC 14: "IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

The average length at the end of the year of the liability for the employee benefits described previously is:

	Spain			United States			Brazil		
Year	Electricity tariff	Length of service bonus	United Kingdom	ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA	NEOENERGIA BRASILIA
Average length	15	7	14	11	10	9	11	9	10

The changes in provisions for the commitments detailed in the previous section in 2023 and 2022 is as follows:

Millions of euros	Spain						
	Electricity tariff	Length of service bonus	United Kingdom	United States	Brazil [1]	Other	Total
Balance at 01.01.2022	**378**	**46**	**5,931**	**3,505**	**692**	**59**	**10,611**
Normal cost (Note 40)	5	4	56	29	1	5	100
Cost for past services rendered (Note 40)	—	—	(6)	(89)	(1)	—	(96)
Other costs charged to “Personnel expenses” (Note 40)	—	—	—	—	—	(1)	(1)
Finance expense (Note 44)	3	—	113	117	69	1	303
Actuarial gains and losses							
To Profit or loss (Note 40)	—	(10)	—	—	—	—	(10)
To reserves	(100)	—	(1,974)	(787)	3	(25)	(2,883)
Member contributions	—	—	6	—	1	—	7
Payments	(25)	(2)	(307)	(385)	(71)	(1)	(791)
Translation differences	—	—	(198)	231	100	3	136
Balance at 31.12.2022	**261**	**38**	**3,621**	**2,621**	**794**	**41**	**7,376**
Normal cost (Note 40)	2	4	25	12	1	2	46
Cost for past services rendered (Note 40)	—	—	—	—	(9)	—	(9)
Finance expense (Note 44)	10	1	169	126	76	2	384
Actuarial gains and losses							
To Profit or loss (Note 40)	—	2	—	—	—	—	2
To reserves	45	—	85	149	95	(1)	373
Member contributions	—	—	5	—	1	—	6
Payments	(12)	(2)	(227)	(234)	(85)	—	(560)
Classification as held for sale (Note 18)	—	—	—	—	—	(10)	(10)
Translation differences	—	—	51	(103)	39	2	(11)
Balance at 31.12.2023	**306**	**43**	**3,729**	**2,571**	**912**	**36**	**7,597**

(1) As the surplus was not recognised, the actuarial differences recognised in reserves were adjusted upwards in 2023 and 2022 by EUR 8 million and EUR 1 million, respectively, under the terms of the current standard IFRIC 14: “IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. Moreover, in 2023 and 2022, and for the same concept, the finance expenses recognised were raised by EUR 3 million and EUR 2 million, respectively.

The changes in the fair value of plan assets in 2023 and 2022 are as follows:

Millions of euros	United Kingdom	United States	Brazil	Other	Total
Fair value at 01.01.2022	**6,118**	**2,836**	**591**	**—**	**9,545**
Revaluation (Note 44)	119	100	57	—	276
Actuarial gains and losses to reserves	(1,991)	(676)	(9)	—	(2,676)
Company contributions	158	45	19	—	222
Member contributions	6	—	1	—	7
Proceeds	(307)	(385)	(71)	—	(763)
Translation differences	(210)	187	83	—	60
Fair value at 31.12.2022	**3,893**	**2,107**	**671**	**—**	**6,671**
Revaluation (Note 44)	186	102	61	—	349
Actuarial gains and losses to reserves	(193)	97	29	—	(67)
Company contributions	151	37	19	10	217
Member contributions	5	—	1	—	6
Proceeds	(227)	(234)	(85)	—	(546)
Translation differences	56	(83)	34	—	7
Fair value at 31.12.2023	**3,871**	**2,026**	**730**	**10**	**6,637**

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the aforementioned commitments at 31 December 2023 and 2022 are as follows:

2023	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
Spain						
Electricity tariff ⁽¹⁾	2.81 %	—	2024 0.20066; 2025 0.19752; 2026 0.17330; 2027 0.16119[...]	— %	PER 2020	—
Length of service bonus ⁽¹⁾	3.04 %	1.00 %	—	— %	PER 2020	—
United Kingdom	4.35 %	3.04 %	—	3.04 %	SPPS Pre/post-retirement Men: 85% AMC00 / 115% - 113% S3PMA (non-pensioner – pensioner) CMI2022 M (1.25% improvement rate) Women: 85% AMC00 / 115% - 122% S3PFA (non-pensioner – pensioner) CMI2022 M (1.25% improvement rate) Manweb Pre/post-retirement Men: 85% AMC00 / 111% - 113% S3PMA (non-pensioner – pensioner) CMI2022 M (1.25% improvement rate) Women: 85% AMC00 / 106% - 112% S3PFA (non-pensioner – pensioner) CMI2022 M (1.25% improvement rate)	—
United States						
ARHI	4.79 %	n/a	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	n/a

2023	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
UIL	4.70 %	Specific flat rates (Union). N/A for non-union	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	Function year RX: 8.10%(pre-65)/8.60% (post-65) (2024), dropping to 4.50% (2031 et seq.) /4.50% (2032 et seq.)
AVANGRID NETWORKS	4.67 %	Specific flat rates (Union). N/A for non-union	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	Function year RX: 8.10%(pre-65)/8.60% (post-65) (2024), dropping to 4.50% (2031 et seq.) /4.50% (2032 et seq.)
Brazil						
ELEKTRO	8.62 %	4.42 %	—	3.25 %	AT - 2000 male - 10%	—
NEOENERGIA						
CELPE BD	8.62 %	4.78 %	—	3.25 %	AT-2000 men & women	—
Coelba BD	8.62 %	— %	—	3.25 %	BR-EMS-sb 2015 men & women -15%	—
COELBA Med. Healthcare Plan	8.62 %	— %	—	3.25 %	AT-2000 Basic	—
Cosern BD	8.62 %	— %	—	3.25 %	AT - 2000 men & women	—
NEOENERGIA BRASILIA						
CEB BD	8.62 %	— %	—	3.25 %	AT - 2000 men & women -10%	—
CEB Settled	8.62 %	— %	—	3.25 %	AT - 2000 men & women -10%	—

2022	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
Spain						
Electricity tariff (1)	4.02 %	— %	2023 0.17302; 2024 0.24978; 2025 0.28251; 2026 0.23537[...]	— %	PER 2020	—
Length of service bonus (1)	3.76 %	1.00 %	—	— %	PER 2020	—
United Kingdom	4.75 %	3.17 %	—	3.17 %	Pre/post-retirement Men: 85% AMC00 / 95%S2PMA CMI2021 M (1.25% improvement rate) Women: 85%AFC00 / 100%S2PFA CMI2021 F (1,25% improvement rate)	—
United States						
ARHI	5.22 %	n/a	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	— %
UIL	5.20 %	Specific flat rates (Union). N/A for non-union	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	Function year RX: 6.00%(pre-65)/6.50% (post-65) (2023), dropping to 4.50% (2029 et seq.) /4.50% (2027 et seq.)
AVANGRID NETWORKS	5.15 %	Specific flat rates (Union). N/A for non-union	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	Function year RX: 6.00%(pre-65)/6.50% (post-65) (2023), dropping to 4.50% (2029 et seq.) /4.50% (2027 et seq.)
Brazil						
ELEKTRO	9.60 %	5.07 %	—	3.25 %	AT - 2000 male - 10%	—
NEOENERGIA						
CELPE BD	9.60 %	4.28 %	—	3.25 %	AT-2000 men & women -10%	—
Coelba BD	9.60 %	— %	—	3.25 %	BR-EMS-sb 2015 men & women -15%	—
COELBA Med. Healthcare Plan	9.60 %	— %	—	3.25 %	AT-2000 Basic	—
Cosern BD	9.60 %	— %	—	3.25 %	AT - 2000 men & women	—
NEOENERGIA BRASILIA						
CEB BD	9.60 %	— %	—	3.25 %	AT - 2000 men & women -10%	—
CEB Settled	9.60 %	— %	—	3.25 %	AT - 2000 men & women -10%	—

(1) In both cases, the retirement age has been established pursuant to Law 27/2011, of 1 August, on the update, adjustment and modernisation of the Social Security system, providing for a gradual increase in the retirement age in accordance with the law.

The most relevant figures for these commitments in recent years are as follows:

Millions of euros	2023	2022	2021	2020	2019
Spain					
Present value of the obligation	(349)	(299)	(424)	(432)	(453)
Fair value of plan assets	—	—	—	—	—
Net asset / (Net provision)	(349)	(299)	(424)	(432)	(453)
Experience adjustments arising on plan liabilities	6	27	(8)	—	(9)
Experience adjustments arising on plan assets	—	—	—	—	—
United Kingdom					
Present value of the obligation	(3,729)	(3,621)	(5,931)	(6,181)	(6,081)
Fair value of plan assets	3,871	3,893	6,118	5,566	5,315
Net asset / (Net provision)	142	272	187	(615)	(767)
Experience adjustments arising on plan liabilities	(145)	(253)	114	42	13
Experience adjustments arising on plan assets	(192)	(1,991)	161	633	144
United States					
Present value of the obligation	(2,571)	(2,621)	(3,505)	(3,529)	(3,723)
Fair value of plan assets	2,026	2,107	2,836	2,658	2,692
Net asset / (Net provision)	(545)	(514)	(669)	(871)	(1,031)
Experience adjustments arising on plan liabilities	(24)	64	(20)	(5)	(30)
Experience adjustments arising on plan assets	97	(676)	150	284	(336)
ELEKTRO					
Present value of the obligation	(366)	(327)	(285)	(304)	(361)
Fair value of plan assets	343	323	278	278	363
Net asset / (Net provision)	(23)	(4)	(7)	(26)	2
Experience adjustments arising on plan liabilities	14	(10)	(42)	(54)	(8)
Experience adjustments arising on plan assets	—	(1)	(1)	14	22
NEOENERGIA					
Present value of the obligation	(454)	(386)	(329)	(375)	(505)
Fair value of plan assets	300	268	240	270	379
Net asset / (Net provision)	(154)	(118)	(89)	(105)	(126)
Experience adjustments arising on plan liabilities	(43)	(52)	1	(29)	(13)
Experience adjustments arising on plan assets	25	(6)	(30)	(3)	46
NEOENERGIA BRASILIA					
Present value of the obligation	(92)	(81)	(78)	—	—
Fair value of plan assets	87	80	73	—	—
Net asset / (Net provision)	(5)	(1)	(5)	—	—
Experience adjustments arising on plan liabilities	(1)	(5)	(8)	—	—
Experience adjustments arising on plan assets	4	(2)	(4)	—	—

The sensitivity at 31 December 2023 of the present value of the obligation under these commitments to changes in different variables is as follows:

	Spain			United States	Brazil		
Increase / decrease	**Electricity tariff**	**Length of service bonus**	**United Kingdom**		**ELEKTRO**	**NEOENERGIA**	**NEOENERGIA BRASILIA**
Discount rate (basis points)							
10	(4.14)	(0.30)	(49.64)	(23.59)	(3.67)	(3.63)	(0.82)
(10)	4.24	0.30	50.67	23.99	4.02	3.93	0.89
Inflation (basis points)							
10	—	—	36.62	—	—	—	—
(10)	—	—	(38.70)	—	—	—	—
Wage growth (basis points)							
10	—	0.33	—	0.44	—	—	—
(10)	—	(0.32)	—	(0.44)	—	—	—
Mortality tables (years)							
1	—	—	131.98	106.20	—	—	—
Health cost (basis points)							
25	—	—	—	1.29	—	—	—
(25)	—	—	—	(1.24)	—	—	—
Price increase kWh (basis points)							
10	4.61	—	—	—	—	—	—
(10)	(4.35)	—	—	—	—	—	—

Category of assets

The main categories of plan assets, as a percentage of total plan assets at year end, are shown in the table below:

2023	Equities	Fixed income	Cash and cash equivalents	Other
United Kingdom	—%	43%	11%	46%
United States	27%	61%	2%	10%
ELEKTRO	11%	84%	—%	5%
NEOENERGIA	2%	97%	—%	2%
NEOENERGIA BRASILIA	1%	90%	—%	8%

2022	Equities	Fixed income	Cash and cash equivalents	Other
United Kingdom	3%	43%	13%	41%
United States	28%	60%	1%	11%
ELEKTRO	17%	79%	—%	4%
NEOENERGIA	1%	97%	—%	2%
NEOENERGIA BRASILIA	—%	99%	—%	1%

The assets associated with these plans include neither financial instruments issued by the IBERDROLA Group nor tangible nor intangible assets.

Moreover, the liquidity of plan assets measured at fair value is reviewed by an independent third party, and is as follows:

Thousands of euros	Value at 31.12.2023	Level 1	Level 2	Level 3
United Kingdom	3,871	546	2,038	1,287
AVANGRID	2,026	320	1,600	106
ELEKTRO	344	290	38	16
NEOENERGIA	299	—	292	7
NEOENERGIA BRASILIA	87	—	80	7
Total	**6,627**	**1,156**	**4,048**	**1,423**

Thousands of euros	Value at 31.12.2022	Level 1	Level 2	Level 3
United Kingdom	3,893	1,084	1,439	1,370
AVANGRID	2,107	320	1,651	136
ELEKTRO	323	235	71	17
NEOENERGIA	268	—	259	9
NEOENERGIA BRASILIA	80	—	72	8
Total	**6,671**	**1,639**	**3,492**	**1,540**

The strategic distribution of pension plans investments is supported by periodic specific Asset Liability Management studies for each of the plans. This guarantees the match with the funding policy and the expected time to fully finance the commitment in accordance with flows resulting therefrom. Those studies provide the level of sensitivity to the different expected return rates of asses and discount of obligations. It also guarantees that plans are adequately funded while recovering regulated cash flows. There are also prudential investment rules applicable to pensions within the scope of the Group.

Assets managed at global level have been progressively switched to passive management. Provisions for death and permanent disability have been covered with pension plans through insurance policies and managing entities and investment assets have been qualified through independent third parties, resulting in investments with lower liquidity. Additionally, in the United Kingdom, longevity risk has been hedged through the use of swaps and inflation risk has been partially hedged.

Defined benefit pension plan arrangements at the Group

United Kingdom

Plan	ScottishPower Pension Scheme (“SPPS”)	Manweb Group of Electricity Supply Pension Scheme (“Manweb”)
How the Company’s contributions are determined	Agreement between the Trustees and the Company subject to actuarial valuation (last valuation: 31 March 2021)	Agreement between the Trustees and the Company subject to actuarial valuation (last valuation: 31 March 2021)
Current contributions by the company (% of salary)	53.4 %	52.9 %
Additional contributions in 2023 (million euros)	44.6	56.4
Expected additional contributions in 2024 (million euros)	4.4	62.1

The schemes are approved by HMRC and subject to UK pension and tax legislation. Defined benefit plans are subject to the funding requirements set out in Section 224 of the Pensions Act 2004. As required, an actuarial valuation of funding is carried out every three years to determine the appropriate level of both the ongoing contributions for future service and the recovery plan in relation to the deficit existing at the valuation date. These actuarial valuations will be based on assumptions agreed between the Trustees and the Company. The assumptions used to calculate the obligations (or technical provisions) in a triennial funding valuation may differ from the closing valuations under IAS 19 — Employee Benefits. The Trustees are required to establish a set of assumptions prudently (no level of risk), whereas the valuation assumptions under IAS 19 are established with respect to the Company’s best estimate. In addition, the discount rate used to value the technical provision in the triennial valuation will take account of the investment strategy, rather than being based on the “AA” corporate bond curve as required under IAS 19. The most recent funding valuation was carried out on 31 March 2021.

Given the improved funding position of the SPPS and the desire to avoid an immobilised surplus, the Company agreed to a revised contribution schedule with the Trustees of the SPPS in December 2023. The previously agreed deficit contributions are suspended from 31 December 2023 until the outcome of the triennial funding valuation exercise is known (31 March 2024) and a new recovery plan (where applicable) is agreed.

United States

For funding purposes in the United States, in 2023 all defined benefit pension plans were above 80% and no further contributions are required at present. The funding level of each fund is calculated on the basis of assumptions set/negotiated by the Regulator – other than accounting assumptions.

Brazil

The defined benefit pension plans are subject to Brazilian pension and tax legislation. The defined benefit plans are subject to the funding requirements prescribed by local law and regulations. Accordingly, if, after the actuarial valuation, there is a deficit above the level set by the actuarial valuation, a corresponding funding plan is drawn up. In particular:

Neoenergia Brasilia: Following the suspension and closure of the Neoenergia Brasilia plans to new entrants, the existing debts from 2016, 2017, 2018 and the shortfall under the defined benefit developer liability plan were consolidated into a single debt contract. This is updated by inflation (INPC-IBGE index) and a rate equivalent to 5% per year, applied monthly. The debt will be repaid in July 2038. At 31 December 2023, the amount of this debt contract was EUR 14.8 million.

Expected current contributions in 2024 to defined benefit pension plans at the Group

Millions of euros	Expected contributions – 2024
United Kingdom	55
United States	29
Brazil	4

27.b) Defined contribution plans

Spain

Active employees of IBERDROLA and employees who have retired after 9 October 1996, who are members of the IBERDROLA pension plan with joint sponsors, are covered by an occupational, defined-contribution retirement pension system independent of the Social Security system.

In accordance with this system and IBERDROLA's Collective Bargaining Agreement, the periodic contribution to be made is calculated as a percentage of the annual pensionable salary of each employee, except for employees joining the Company after 9 October 1996, who are subject from 1 January 2023 to a contributory system whereby the Company pays 72.5% and the employee 27.5% (from 1 January 2022, 70% paid by the Company and 30% by the employee). For those hired after 20 July 2015, the Company pays 1/3 and the employee 2/3 of the total contribution, until the date on which the employee joins the Base Salary Rating (BSR), whereupon the same criterion as for employees joining after 9 October 1996 will apply. The Company finances these contributions for all of its current employees.

United Kingdom (SCOTTISH POWER)

The company has a pension scheme in the form of a percentage of each employee's annual pensionable salary. The scheme is optional for employees and is co-funded by the employer and employees:

By selected tier	Employee	Employer	Total
"Gold"	5%	10%	15%
"Silver"	4%	8%	12%
"Bronze"	3%	6%	9%

United States (AVANGRID)

The Grids business and the Renewables business have separate defined contribution plans ("401(k)") with separate and distinct operating procedures for employees covered by and outside the collective bargaining agreement.

Effective 2 August 2021, the 401(k) plans for salaried employees were merged into the new "Avangrid 401(k) Plan". In addition, effective 1 July 2022, there is only one company contribution formula for employees outside the collective bargaining agreement: 150% of 8%

The "Avangrid Union 401(k) Plan" has different matching formulas depending on negotiations. Employees can make gross salary and net salary contributions as a percentage of their pensionable compensation, up to 75%. Virtually the entire workforce is eligible to participate in a 401(k) plan. As of 30 December 2022, the "Avangrid Non-Union 401(k) Plan" was merged with the "Avangrid Union 401(k) Plan" and renamed the "Avangrid 401(k) Plan". With effect from 1 January 2023, employees can make after-tax salary contributions in addition to gross salary and net salary contributions.

Brazil (NEOENERGIA)

The Neoenergia Group offers defined contribution plans. The Group is in the process of migrating to a single defined contribution plan (Neos), available to all employees at any Group company. The new plan will have the following contribution formula: 2.75% up to a given wage level plus 9.5% of the excess.

The contribution made on behalf of employees in 2023 and 2022, as recognised under the "Personnel expenses" heading of the Consolidated income statement, is shown below.

Defined contribution plans	**2023**	**2022**
Spain	23	22
United Kingdom	24	20
United States	83	82
Brazil	13	12
Other	2	1
Total	**145**	**137**

27.c) Restructuring plans

Given the interest shown by some of the employees in requesting early retirement, IBERDROLA Group has offered these employees the mutually agreed termination of the employment relationship, thus carrying out a process of individual termination contracts in Spain. At 31 December 2023 and 2022, the existing provisions in this regard pertain to the following restructuring plans:

Millions of euros	**31.12.2023**		**31.12.2022**	
	Provisions	**No. of individual contracts**	**Provisions**	**No. of individual contracts**
2014 restructuring plan	1	18	3	31
2015 restructuring plan	—	3	1	13
2016 restructuring plan	—	2	—	6
2017 restructuring plan	10	107	20	180
2019 restructuring plan	6	74	11	99
2020 restructuring plan	21	131	31	158
2021 restructuring plan	46	201	59	212
2023 restructuring plan	116	327	—	—
Total	**200**	**863**	**125**	**699**

In addition, the following provisions had been posted at 31 December 2023 and 2022 to honour these commitments outside Spain and for the subsidiary company Iberdrola Ingeniería y Construcción, S.A.U. (IIC):

Millions of euros	**31.12.2023**	**31.12.2022**
SCOTTISH POWER	—	4
IIC	6	7
Total	**6**	**11**

The discount to present value of the provisions is charged under the heading "Finance expense" heading of the Consolidated income statement.

The change in provisions for the commitments detailed in the previous section in 2023 and 2022 is as follows:

Millions of euros	2023	2022
Opening balance	**136**	**206**
Charge (Note 40)	117	6
Financial cost	3	—
Actuarial gains and losses and other	—	(11)
Payments	(50)	(65)
Closing balance	**206**	**136**

The main assumptions applied in the actuarial reports drawn up to determine the provisions needed to meet the Group's commitments under the aforementioned restructuring plans at 31 December 2023 and 2022 are as follows:

	2023		2022	
	Discount rate	Inflation	Discount rate	Inflation
Restructuring plans	3.37%-3.48%-3.60%	1.00% - 0.70%	3.13% - 3.26%	1.00% - 0.70%

28. Other provisions

The movement and breakdown of "Other provisions" on the liabilities side of the Consolidated statement of financial position in 2023 and 2022 is as follows:

Millions of euros	Provisions for litigation, indemnity payments and similar costs	Provision for CO2 emissions	Provision for facility closure costs (Notes 3.r and 5)	Other provisions	Total
Balance at 31.12.2021	**693**	**627**	**2,860**	**320**	**4,500**
Amendments to IAS 37 (Note 2.a)	—	—	—	92	92
Charge or reversals for the year with a debit/credit to "Property, plant and equipment" (Note 3.d)	15	—	(835)	7	(813)
Charges for discount to present value (Note 44)	43	—	34	1	78
Charges for the year to the income statement	147	797	8	61	1,013
Reversal due to excess	(57)	—	(8)	(104)	(169)
Translation differences	46	(19)	35	21	83
Transfers	(4)	—	—	(4)	(8)
Payments made and other	(99)	—	(22)	(27)	(148)
Delivery of emission allowances and green certificates	—	(749)	—	—	(749)
Balance at 31.12.2022	**784**	**656**	**2,072**	**367**	**3,879**
Charge or reversals for the year with a debit/credit to "Property, plant and equipment" (Note 3.o)	21	—	91	8	120
Charges for discount to present value (Note 44)	54	—	75	2	131
Charges for the year to the income statement	185	737	15	64	1,001
Reversal due to excess	(54)	(1)	(1)	(43)	(99)
Modification of the consolidation scope (Note 7)	(7)	—	10	(1)	2
Translation differences	12	5	(17)	(7)	(7)
Transfers	(1)	—	—	—	(1)
Payments made and other	(88)	—	(9)	(88)	(185)
Classification as held for sale (Note 18)	(9)	—	(82)	(3)	(94)
Delivery of emission allowances and green certificates	—	(787)	—	—	(787)
Balance at 31.12.2023	**897**	**610**	**2,154**	**299**	**3,960**

In addition, the IBERDROLA Group has provisions for responsibilities arising from litigation in progress and from indemnity payments, obligations, collateral and other similar guarantees, and those aimed at covering environmental risks. The latter have been determined using a case-by-case analysis of the polluted assets status and the cost that will have to be incurred in cleaning them.

The IBERDROLA Group also maintains provisions to meet a series of costs needed for decommissioning at its nuclear and thermal power plants, its wind farms, and at other facilities.

The cost arising from decommissioning obligations is recalculated on a regular basis to incorporate how reasonable future cost estimates may be on past decommissioning carried out, or to include new bylaw or regulatory requirements.

Details of provision for plants closure costs are as follows:

Millions of euros	31.12.2023	31.12.2022
Nuclear power plants	603	565
Wind-powered farms and other alternative stations	1,277	1,181
Combined cycle power plants	100	172
Thermal power plants	46	38
Other facilities	116	101
Right-of-use assets	12	15
Total	**2,154**	**2,072**

The amount related to nuclear plants covers the costs which the plant operator will incur from the end of its useful life until ENRESA (Note 3.q) takes control of them.

The discount rates (minimum and maximum range) before taxes of the main countries in which the IBERDROLA Group operates used in the present value of the operating provisions are as follows:

Country	Currency	Discount rate 2023		Discount rate 2022	
		5 years	30 years	5 years	30 years
Spain	Euro	2.66 %	3.70 %	3.00 %	3.75 %
United Kingdom	Pound sterling	3.68 %	4.34 %	3.58 %	3.78 %
United States	US dollar	3.83 %	3.93 %	3.80 %	3.72 %

The estimated dates on which the IBERDROLA Group considers that it will have to meet the payments relating to the provisions included in this heading of the Consolidated statement of financial position at 31 December 2023 are as follows:

Millions of euros	
2024	880
2025	245
2026	60
2027 onwards	2,775
Total	**3,960**

29. Bank borrowings, bonds and other marketable securities

Details of bank borrowings, bonds and other marketable securities outstanding at 31 December 2023 and 2022, once foreign exchange hedges are considered, and the repayment schedule are as follows:

	Bank borrowings, bonds and other marketable securities at 31 December 2023 maturing in							
		Current	Non-current					
Millions of euros	**Balance at 31.12.2023(*)**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029 and beyond**	**Total non-current**
Euros								
Debentures and bonds	10,462	1,838	1,977	1,747	820	819	3,261	8,624
Promissory notes	3,610	3,610	—	—	—	—	—	—
Loans and drawdowns of credit facilities	6,932	1,398	881	952	712	1,152	1,837	5,534
Other financing transactions	254	194	—	—	—	—	60	60
Unpaid accrued interest	196	196	—	—	—	—	—	—
	21,454	**7,236**	**2,858**	**2,699**	**1,532**	**1,971**	**5,158**	**14,218**
In foreign currency								
US dollars	13,038	2,411	1,740	614	863	576	6,834	10,627
Pounds sterling	4,697	486	616	442	452	1	2,700	4,211
BRL	8,443	1,534	1,037	1,002	985	1,177	2,708	6,909
Other	359	5	5	6	300	40	3	354
Unpaid accrued interest	287	287	—	—	—	—	—	—
	26,824	**4,723**	**3,398**	**2,064**	**2,600**	**1,794**	**12,245**	**22,101**
Total	**48,278**	**11,959**	**6,256**	**4,763**	**4,132**	**3,765**	**17,403**	**36,319**

(*) At 31 December 2023, the balance includes EUR 4,813 million corresponding to domestic commercial paper (USCP) and Euro Commercial Paper (ECP) issues as well as EUR 350 million of drawdowns under credit lines and facilities.

The average balance under the domestic commercial paper (USCP) and Euro Commercial Paper (ECP) programme amounted to EUR 4,607 million and EUR 4,121 million, respectively, in 2023 and 2022.

Millions of euros	Bank borrowings, bonds and other marketable securities at 31 December 2022 maturing in							
		Current	Non-current					
	Balance at 31.12.2022(*)	2023	2024	2025	2026	2027	2028 and beyond	Total non-current
Euros								
Debentures and bonds	11,163	1,592	1,818	1,957	1,745	802	3,249	9,571
Promissory notes	3,843	3,843	—	—	—	—	—	—
Loans and drawdowns of credit facilities	6,973	927	390	803	870	731	3,252	6,046
Other financing transactions	1,214	1,214	—	—	—	—	—	—
Unpaid accrued interest	154	154	—	—	—	—	—	—
	23,347	**7,730**	**2,208**	**2,760**	**2,615**	**1,533**	**6,501**	**15,617**
In foreign currency								
US dollars	10,839	805	1,711	1,332	630	890	5,471	10,034
Pounds sterling	4,190	496	405	608	436	444	1,801	3,694
BRL	7,621	1,168	1,076	814	824	894	2,845	6,453
Other	336	5	5	5	5	309	7	331
Unpaid accrued interest	254	254	—	—	—	—	—	—
	23,240	**2,728**	**3,197**	**2,759**	**1,895**	**2,537**	**10,124**	**20,512**
Total	**46,587**	**10,458**	**5,405**	**5,519**	**4,510**	**4,070**	**16,625**	**36,129**

(*) At 31 December 2022, the balance included EUR 4,216 million of domestic commercial paper (USCP) and Euro Commercial Paper (ECP) issues. At 31 December 2022 there were EUR 33 million of drawdowns under credit lines and facilities.

The structure of bank borrowings, bonds and other marketable securities at 31 December 2023 and 2022, once the corresponding interest rate hedges are considered, is as follows:

Millions of euros	31.12.2023	31.12.2022
Fixed interest rate	27,702	26,049
Floating interest rate	20,576	20,538
Total	**48,278**	**46,587**

At 31 December 2023 and 2022, the IBERDROLA Group was fully up to date on all its financial debt payments and there had been no circumstances affecting the change of control or adverse changes in its credit quality, and consequently it had not been necessary to meet the early maturity of the debt or modify the cost related to the loans of which it is the holder.

The average cost of debt of the IBERDROLA Group in 2023 and 2022 was 5.11% and 4.14%, respectively.

The breakdown by maturity of future unaccrued interest payment commitments at 31 December 2023 and 2022, after factoring in the effect of exchange rate and interest rate hedges and considering that the prevailing interest rates and exchange rates remain constant through to maturity, is as follows:

Millions of euros	2024	2025	2026	2027	2028	2028 and beyond	Total
Euros	409	307	292	244	194	431	1,877
US dollars	532	473	412	386	376	2,430	4,609
Pounds sterling	194	135	125	100	80	337	971
BRL	793	647	575	436	338	946	3,735
Other	20	19	18	10	2	—	69
Total	**1,948**	**1,581**	**1,422**	**1,176**	**990**	**4,144**	**11,261**

Thousands of euros	2023	2024	2025	2026	2027	2027 and beyond	Total
Euros	321	285	233	212	184	404	1,639
US dollars	452	428	345	306	279	2,535	4,345
Pounds sterling	186	162	102	92	68	216	826
BRL	752	623	528	489	340	1,086	3,818
Other	18	18	17	16	9	1	79
Total	**1,729**	**1,516**	**1,225**	**1,115**	**880**	**4,242**	**10,707**

Significant transactions carried out by the IBERDROLA Group during 2023 are as follows:

Borrower	Transaction	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
First quarter						
Neoenergia Distribuiçao Brasilia (1)	Loan 4131	Mar-23	38	USD	—	Mar-27
Coelba (1)	Loan 4131	Mar-23	96	USD	—	Mar-26
Neoenergia Morro do Chapeu (1)	Loan 4131	Mar-23	58	USD	—	Mar-24
Coelba (1)	Loan 4131	Mar-23	89	EUR	—	Apr-25
Neoenergia Morro do Chapeu (1)	Loan 4131	Mar-23	49	USD	—	May-24
Iberdrola Financiación (2)	Green BEI loan	Feb-23	150	EUR	—	To be determined
Renovables de Buniel	Green BEI loan	Feb-23	55	EUR	—	To be determined
Celpe (1)	Green loan with JICA collateral	Mar-23	12,000	JPY	—	Mar-28
Celpe (1)	Green loan with JICA collateral	Mar-23	6,175	JPY	—	Mar-33
Second quarter						
NY State Electric & Gas	Tax exemption bond	Jun-23	100	USD	4.00 %	Apr-34
Neoenergia Lagos dos Patos (1)	Loan 4131	Jun-23	10,449	JPY	—	Jun-24
Neoenergia Lagos dos Patos (1)	Loan 4131	Jun-23	7,820	JPY	—	Jun-24
Neoenergia Morro do Chapeu (1)	Loan 4131	Jun-23	9,766	JPY	—	Jun-24
Elektro (1)	Loan 4131	Apr-23	39	USD	—	May-25
Neoenergia Distribuição Brasília	Green loan 4131	Jun-23	150	BRL	—	Jan-26
Iberdrola Financiación (2)	Green BEI loan	Jun-23	1,000	EUR	—	To be determined

Borrower	Transaction	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
Elektro	Green IFC loan	May-23	800	BRL	—	May-31
Neoenergia [1]	Green ICO loan	Jun-23	100	USD	—	Jul-33
Cosern	Green public infrastructure bond (debenture)	Jun-23	500	BRL	IPCA+6.45%	Jul-28
Coelba	Green public bond (debenture)	Jun-23	300	BRL	CDI+0.9%	Jul-24
Third quarter						
Iberdrola Finanzas	Green public bond	Jul-23	850	EUR	3.63 %	Jul-33
Coelba	Green public bond (debenture)	Jul-23	400	BRL	CDI+1.95%	Aug-28
Coelba	Green public infrastructure bond (debenture)	Jul-23	800	BRL	IPCA+6.25%	Aug-30
NY State Electric & Gas	Green public bond	Aug-23	400	USD	5.85 %	Aug-33
NY State Electric & Gas	Green public bond	Aug-23	350	USD	5.65 %	Aug-28
The United Iluminating Company	Tax exemption bond	Sep-23	64	USD	4.50 %	Oct-33
Coelba	Bilateral loan	Sep-23	100	BRL	—	Aug-26
Companhia Electrica Pernanbuco	Bilateral loan	Sep-23	100	BRL	—	Aug-26
Iberdrola Financiación [2]	Green loan with EKSFIN collateral	Jul-23	500	EUR	—	Jul-39
Fourth quarter						
Rochester Gas and Electric Corporation	Green private bond	Dec-23	100	USD	5.62 %	Dec-28
Central Maine Power Company	Green private bond	Dec-23	55	USD	5.65 %	Dec-29
The United Iluminating Company	Green private bond	Dec-23	156	USD	6.09 %	Dec-34
Connecticut Natural Gas Company	Private Bond	Dec-23	36	USD	6.20 %	Dec-32
The Southern Connecticut Gas Company	Private Bond	Dec-23	30	USD	6.04 %	Dec-34
Rochester Gas and Electric Corporation	Green private bond	Dec-23	25	USD	5.89 %	Dec-34
Rochester Gas and Electric Corporation	Green private bond	Dec-23	50	USD	5.99 %	Dec-36
Rochester Gas and Electric Corporation	Green private bond	Dec-23	75	USD	6.22 %	Dec-53
Central Maine Power Company	Green private bond	Dec-23	70	USD	6.04 %	Dec-38
Connecticut Natural Gas Company	Private Bond	Dec-23	19	USD	6.49 %	Dec-38
The Southern Connecticut Gas Company	Private Bond	Dec-23	30	USD	6.24 %	Dec-38
The United Iluminating Company	Green private bond	Dec-23	34	USD	6.29 %	Dec-38
Celpe	Green public infrastructure bond (debenture)	Nov-23	500	BRL	IPCA+6.10%	Dec-33
Celpe	Public bond (debenture)	Nov-23	700	BRL	CDI+1.18%	Dec-28
Coelba	Green public infrastructure bond (debenture)	Nov-23	700	BRL	IPCA+6.10%	Nov-33

Borrower	Transaction	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
Coelba	Public bond (debenture)	Nov-23	800	BRL	CDI+1.18%	Dec-28
Neoenergia Morro do Chapeu [2]	Green BNDES loan	Oct-23	1,200	BRL	—	May-47
Neoenergia Paraíso [1]	Loan 4131	Oct-23	40	USD	—	Apr-25
Neoenergia Estreito [1]	Loan 4131	Nov-23	38	EUR	—	May-25
Neoenergia Alto Paranaíba [1]	Loan 4131	Nov-23	103	EUR	—	Nov-24
Iberdrola Financiación [2]	Green IFC loan	Dec-23	300	EUR	—	Dec-31
Elektro	Bilateral loan	Dec-23	200	BRL	—	Dec-26
Cosern	Bilateral loan	Dec-23	100	BRL	—	Dec-26
Coelba	Bilateral loan	Dec-23	200	BRL	—	Dec-26
Iberdrola Financiación	Sustainable syndicated credit facility	Dec-23	5,300	EUR	—	Dec-28

[1] Currency swap contracts for the company's functional currency.

[2] Financing expected to be drawn down in 2024.

The main extensions arranged by the IBERDROLA Group in 2023 were as follows:

Borrower	Transaction	Maturity	Extension signed in	Millions	Currency	Option to extend
Iberdrola México [1]	Syndicated loan	dec-25	Jan-23	500	USD	1 year
Iberdrola Financiación	Sustainable syndicated credit facility	Apr-28	Mar-23	2,500	EUR	—
Iberdrola Financiación [2]	Bilateral loan	Jan-25	May-23	125	EUR	6 months
Iberdrola Financiación [1]	Sustainable bilateral credit facility	Jun-28	Jun-23	16,000	JPY	1 year
Iberdrola Financiación	Sustainable bilateral loan	Jul-28	Jun-23	120	EUR	—
Iberdrola Financiación [1]	Sustainable syndicated credit facility	Jul-28	Jun-23	2,500	EUR	1 year
Iberdrola Financiación	Bilateral loan	Jan-24	Jul-23	300	EUR	—
Neoenergia	Bilateral loan	Aug-26	Sep-23	300	BRL	—
Elektro	Bilateral loan	Aug-26	Sep-23	200	BRL	—
Neoenergia Distribuição Brasília	Bilateral loan	Aug-26	Sep-23	200	BRL	—
Elektro	Bilateral loan	Aug-26	Sep-23	200	BRL	—
Cosern	Bilateral loan	Aug-26	Sep-23	100	BRL	—
Coelba	Bilateral loan	Aug-26	Sep-23	200	BRL	—
Iberdrola Financiación	Bilateral loan	Apr-24	Oct-23	50	EUR	—

[1] One-year extension option.
[2] 5 options to extend for 6 months.

Certain Group investment projects, mainly related to renewable energies, have been financed specifically through loans that include covenants such as the compliance with certain financial ratios or the obligation to pledge in benefit of creditors the shares of the project-companies (Note 46). The outstanding balance of this loan type at 31 December 2023 and 2022 was EUR 1,520 million and EUR 1,089 million, respectively. These loans also require that a deposit be set aside for the fulfilment of obligations under the loan agreements. If the ratios are not met and/or the security deposit does not reach the agreed amount, it is impossible to distribute dividends in the year in which they are not met.

With respect to the clauses relating to credit ratings, the IBERDROLA Group had arranged financial transactions at 31 December 2023 and 2022 amounting to EUR 5,623 million and EUR 5,000 million, respectively. These arrangements would require renegotiation of their cost or additional guarantees in the event of a rating downgrade (if such a downgrade were to occur in the manner set out in each contract).

At 31 December 2023 and 2022, the IBERDROLA Group had also drawn on loans and credits totalling EUR 620 million, the cost of which would be revised were its credit rating to drop. However, the increase in cost would not be significant in either case.

In addition, at 31 December 2023 there were bonds issued, borrowings and other agreements between financial institutions and the IBERDROLA Group whose maturity dates could be impacted or may require additional collateral or guarantees to those already existing should a control change take place in the manner and subject to the timeframes stipulated in each contract. The most significant changes are those described in the following paragraphs:

- Bond issues amounting to EUR 11,661 million in the European market and USD 350 million (equivalent to EUR 316 million) in the US market.

- EIB and ICO loans for a combined total of EUR 4,623 million.

- Bank and ECA borrowings amounting to EUR 3,280 million and USD 900 million (equivalent to EUR 813 million).

- Lastly, BRL 16,281 million (equivalent to EUR 3,046 million) from issuances and BRL 27,812 million (equivalent to EUR 5,203 million) from loans to Brazilian subsidiary NEOENERGIA and its subsidiaries.

30. Derivative financial instruments

The breakdown of balances at 31 December 2023 and 2022, including valuation of derivative financial instruments at those dates, is as follows:

	2023				2022			
	Assets		Liabilities		Assets		Liabilities	
Millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
INTEREST RATE HEDGES	**55**	**408**	**(85)**	**(140)**	**10**	**477**	**(71)**	**(258)**
Cash flow hedges	**48**	**407**	**4**	**(5)**	**10**	**469**	**(2)**	**(1)**
– Interest rate swap [1]	48	407	4	(5)	10	469	(2)	(1)
Fair value hedges	**7**	**1**	**(89)**	**(135)**	**—**	**8**	**69**	**(257)**
- Interest rate swap	7	1	(89)	(135)	—	8	(69)	(257)
EXCHANGE RATE HEDGES	**84**	**215**	**(343)**	**(347)**	**182**	**352**	**(255)**	**(278)**
Cash flow hedges	**70**	**146**	**(242)**	**(339)**	**168**	**250**	**(231)**	**(242)**
- Currency swap	45	145	(122)	(325)	3	246	(68)	(240)
- Exchange rate insurance	25	1	(120)	(14)	165	4	(163)	(2)
Fair value hedges	**12**	**69**	**(24)**	**(8)**	**14**	**102**	**(9)**	**(36)**
- Currency swap	12	69	(24)	(8)	14	102	(9)	(36)
Hedging of net investment abroad	**2**	**—**	**(77)**	**—**	**—**	**—**	**(15)**	**—**
- Currency swap	—	—	—	—	—	—	(2)	—
- Exchange rate insurance	2	—	(77)	—	—	—	(13)	—
COMMODITIES HEDGES	**508**	**209**	**(742)**	**(293)**	**861**	**330**	**(2,537)**	**(659)**
Fair value hedges	**—**	**—**	**(3)**	**—**	**2**	**—**	**(160)**	**(1)**
- Exchange rate insurance	—	—	(2)	—	—	—	(160)	—
- Other	—	—	(1)	—	2	—	—	(1)
Cash flow hedges	**508**	**209**	**(739)**	**(293)**	**859**	**330**	**(2,377)**	**(658)**
- Futures	503	183	(704)	(243)	845	301	(2,317)	(534)
- Other	5	26	(35)	(50)	14	29	(60)	(124)
PRICE INDEX HEDGES	**—**	**—**	**(28)**	**(248)**	**—**	**—**	**(15)**	**(315)**
- Other	—	—	(28)	(248)	—	—	(15)	(315)
NON-HEDGING DERIVATIVES	**559**	**383**	**(607)**	**(281)**	**1,896**	**2,594**	**(1,630)**	**(2,274)**
Shares derivatives	**—**	**38**	**—**	**(38)**	**—**	**39**	**—**	**(40)**
- Treasury shares derivatives	—	38	—	(38)	—	39	—	(39)
- Shares derivatives of Group companies	—	—	—	—	—	—	—	(1)
Exchange rate derivatives	**4**	**—**	**(81)**	**—**	**16**	**6**	**(59)**	**—**
- Currency forwards	4	—	(43)	—	16	6	(33)	—
- Other	—	—	(38)	—	—	—	(26)	—
Derivatives on commodity prices	**555**	**337**	**(526)**	**(243)**	**1,880**	**2,549**	**(1,571)**	**(2,234)**
- Futures	554	315	(525)	(241)	1,876	2,531	(1,568)	(2,232)
- Other	1	22	(1)	(2)	4	18	(3)	(2)
Other non-hedging derivatives	**—**	**8**	**—**	**—**	**—**	**—**	**—**	**—**
NETTED OPERATIONS (Note 17)	**(428)**	**(18)**	**453**	**24**	**(1,100)**	**(92)**	**1,110**	**94**
Total	**778**	**1,197**	**(1,352)**	**(1,285)**	**1,849**	**3,661**	**(3,398)**	**(3,690)**

The maturity schedule of the notional underlyings of derivative instruments arranged by the IBERDROLA Group and outstanding at 31 December 2023 is as follows:

Millions of euros	2024	2025	2026	2027	2028 and beyond	Total
INTEREST RATE HEDGES	**1,730**	**68**	**70**	**1,076**	**5,906**	**8,850**
Cash flow hedges	**1,115**	**54**	**56**	**62**	**4,548**	**5,835**
– Interest rate swap [(1)]	1,115	54	56	62	4,548	5,835
Fair value hedges	**615**	**14**	**14**	**1,014**	**1,358**	**3,015**
- Interest rate swap	615	14	14	1,014	1,358	3,015
EXCHANGE RATE HEDGES	**9,766**	**2,134**	**444**	**979**	**3,379**	**16,702**
Cash flow hedges	**6,162**	**1,819**	**428**	**969**	**3,103**	**12,481**
- Currency swap	1,538	1,289	134	825	2,993	6,779
- Exchange rate insurance	4,624	530	294	144	110	5,702
Fair value hedges	**200**	**315**	**16**	**10**	**276**	**817**
- Currency swap	200	315	16	10	276	817
Hedging of net investment abroad	**3,404**	**—**	**—**	**—**	**—**	**3,404**
- Exchange rate insurance	3,404	—	—	—	—	3,404
COMMODITIES HEDGES	**3,323**	**900**	**175**	**127**	**1,272**	**5,797**
Fair value hedges	**41**	**3**	**—**	**—**	**—**	**44**
- Other	41	3	—	—	—	44
Cash flow hedges	**3,282**	**897**	**175**	**127**	**1,272**	**5,753**
- Futures	3,236	851	146	99	1,153	5,485
- Other	46	46	29	28	119	268
PRICE INDEX HEDGES	**—**	**—**	**—**	**—**	**324**	**324**
- Other	—	—	—	—	324	324
NON-HEDGING DERIVATIVES	**3,643**	**1,455**	**1,335**	**1,537**	**8,270**	**16,240**
Shares derivatives	**—**	**—**	**—**	**900**	**—**	**900**
- Treasury shares derivatives	—	—	—	900	—	900
Exchange rate derivatives	**568**	**—**	**—**	**—**	**—**	**568**
- Exchange rate insurance	351	—	—	—	—	351
- Other	217	—	—	—	—	217
Derivatives on commodity prices	**2,938**	**1,261**	**723**	**635**	**8,250**	**13,807**
- Futures	2,922	1,242	660	633	8,233	13,690
- Other	16	19	63	2	17	117
Other non-hedging derivatives	**137**	**194**	**612**	**2**	**20**	**965**
Total	**18,462**	**4,557**	**2,024**	**3,719**	**19,151**	**47,913**

(1) Includes the derivatives arranged by the IBERDROLA Group at December 2023 to hedge the interest rate risk of future financing for a nominal amount of EUR 4,448 million, thus helping to mitigate interest rate risk (EUR 4,449 million at 31 December 2022).

The information presented in the table above includes notional amounts of derivative financial instruments arranged in absolute terms (without offsetting assets and liabilities or purchase and sale positions). This does not reflect the risk assumed by the IBERDROLA Group since this amount only records the basis on which the calculations to settle the derivative are made.

The "Finance expense" heading of the 2023 and 2022 Consolidated income statements includes EUR 485 million and EUR 477 million, respectively, in connection with derivatives linked to financial indices that fail to meet the conditions to qualify as hedging instruments or, having met the conditions, are partially ineffective, as explained in Notes 3.k and 44. In addition, the "Finance income" heading in the Consolidated income statements for those years includes EUR 315 million and EUR 238 million, respectively, for the items described above (Note 43).

The nominal value of bank borrowings, bonds and other marketable securities subject to exchange rate hedging (Note 4) is as follows:

	2023				
Type of hedge	Millions of US dollars	Millions of Japanese yen	Millions of Norwegian kroner	Millions of pounds sterling	Millions of euros
Cash flows	1,839	58,536	1,800	—	309
Fair value	756	10,000	—	500	—

	2022				
Type of hedge	Millions of US dollars	Millions of Japanese yen	Millions of Norwegian kroner	Millions of pounds sterling	Millions of euros
Cash flows	1,696	30,345	2,250	—	80
Fair value	795	13,000	—	500	—

The nominal value of bank borrowings, bonds and other marketable securities subject to interest rate hedging (Note 4) is as follows:

	2023			
Type of hedge	Millions of euros	Millions of US dollars	Millions of pounds sterling	Millions of Brazilian reais
Cash flows	4,190	—	—	—
Fair value	2,306	750	—	156

	2022			
Type of hedge	Millions of euros	Millions of US dollars	Millions of pounds sterling	Millions of Brazilian reais
Cash flows	2,482	—	150	—
Fair value	2,308	750	—	155

31. Changes in financing activities shown on the statement of cash flows

In 2023 y 2022 liabilities classified as financing activities in the statement of cash flows and excluded from the “Equity”, “Equity instruments having the substance of a financial liability” (Note 24) and “Leases” (Note 32) headings were as follows:

		Cash flows			Non-cash exchanges						
Millions of euros	**Balance at 01.01.2023**	**Issues and disposals (1)**	**Repayments/ Instalments paid**	**Interest paid**	**Interest accrued**	**Foreign currency exchange (2)**	**Changes in fair value**	**Accrual of transaction costs**	**Modification of the consolidation scope (Note 7)**	**Potential treasury shares accumulated and other**	**Balance at 31.12.2023**
Debentures, bonds and promissory notes	30,717	7,433	(6,524)	—	—	(270)	101	50	—	—	31,507
Loans and other financing transactions	14,344	3,302	(1,637)	—	—	146	43	22	(181)	—	16,039
Unpaid accrued interest	410	—	—	(2,068)	2,205	(64)	—	—	3	—	486
Derivatives on the company’s own shares with physical settlement (Note 22)	1,116	—	(1,716)	—	—	—	—	—	—	846	246
Total (Note 29)	**46,587**	**10,735**	**(9,877)**	**(2,068)**	**2,205**	**(188)**	**144**	**72**	**(178)**	**846**	**48,278**
Derivative financial instruments associated with financing	(79)	(73)	(36)	(301)	92	475	(25)	—	(21)	—	32
Total	**46,508**	**10,662**	**(9,913)**	**(2,369)**	**2,297**	**287**	**119**	**72**	**(199)**	**846**	**48,310**

		Cash flows			Non-cash exchanges						
Millions of euros	**Balance at 01.01.2022**	**Issues and disposals [1]**	**Repayments/ Instalments paid**	**Interest paid**	**Interest accrued**	**Foreign currency exchange [2]**	**Changes in fair value**	**Accrual of transaction costs**	**Modification of the consolidation scope (Note 7)**	**Potential treasury shares accumulated, transfers and other**	**Balance at 31.12.2022**
Debentures, bonds and promissory notes	28,278	8,744	(6,829)	—	—	725	(267)	66	—	—	30,717
Loans and other financing transactions	11,514	5,949	(3,514)	—	—	525	(130)	—	—	—	14,344
Unpaid accrued interest	342	—	—	(1,526)	1,678	(84)	—	—	—	—	410
Derivatives on the company's own shares with physical settlement (Note 22)	1,029	—	(1,374)	—	—	—	—	—	—	1,461	1,116
Total Financial debt - loans and other (Note 29)	**41,163**	**14,693**	**(11,717)**	**(1,526)**	**1,678**	**1,166**	**(397)**	**66**	**—**	**1,461**	**46,587**
Derivative financial instruments associated with financing	(63)	133	71	(158)	37	208	(307)	—	—	—	(79)
Total	**41,100**	**14,826**	**(11,646)**	**(1,684)**	**1,715**	**1,374**	**(704)**	**66**	**—**	**1,461**	**46,508**

(1) Issues net of expenses.

(2) Includes translation differences.

32. Leases

Lessee

Changes in lease liabilities in 2023 y 2022 are as follows:

Millions of euros	2023	2022
Opening balance	**2,438**	**2,411**
Modification of the consolidation scope (Note 7)	40	—
Translation differences	(30)	26
New lease contracts (Note 12)	265	212
Discount to present value (Note 44)	89	85
Payments made from principal	(163)	(175)
Interest paid	(85)	(61)
Restatement/changes of lease liabilities (Note 12)	62	56
Derecognitions and other	(10)	(116)
Classification as held for sale (Note 18)	(14)	—
Closing balance	**2,592**	**2,438**

The breakdown of undiscounted lease liabilities at 31 December 2023 y 2022 is as follow:

Millions of euros	31.12.2023
2024	184
2025	271
2026	195
2027	183
2028	189
2029 and beyond	2,893
Total	**3,915**
Financial cost	1,323
Present value of the payments	2,592
Total	**3,915**

Millions of euros	31.12.2022
2023	151
2024	265
2025	180
2026	173
2027	164
2028 and beyond	2,621
Total	**3,554**
Financial cost	1,116
Present value of the payments	2,438
Total	**3,554**

Furthermore, the IBERDROLA Group is potentially exposed to future cash outflows that are not reflected in the lease liability measurement mainly due to variable lease payment commitments. During 2023 y 2022, the IBERDROLA Group accrued an amount of EUR 46 and 40 million for variable leases recognised under the "External services" heading of the Consolidated income statement. Said amounts correspond mainly to lease rents depending on output and operating income from wind farms located on leased land.

Expenses in 2023 related to current leases excluded from the scope of IFRS 16 amounted to EUR 21 million, as recognised under "External services" in the Consolidated income statement (EUR 17 million in 2022).

There was no income from subleasing of right-of-use assets in 2023 or 2022.

Operating lessor

The IBERDROLA Group acts as lessor under certain operating leases consisting essentially of the rental of investment property (Note 10) and items of property, plant and equipment. The breakdown by type is as follows:

Millions of euros	31.12.2023	31.12.2022
Buildings	303	253
Land	158	107
Other	45	24
Total	**506**	**384**

The "Revenue" and "Other operating income" headings of the Consolidated Income statement for 2023 include EUR 27 million and EUR 15 million, respectively (EUR 23 million and EUR 16 million, respectively, in 2022).

The estimate of non-deducted future minimum payments for contracts in force at 31 December 2023 and 2022 is as follows:

Millions of euros	31.12.2023
2024	32
2025	30
2026	29
2027	27
2028	25
2029 and beyond	150
Total	**293**

Millions of euros	31.12.2022
2023	31
2024	28
2025	24
2026	23
2027	20
2028 and beyond	116
Total	**242**

33. Other financial liabilities

Details of the “Other non-current financial liabilities” and “Other current financial liabilities” headings of the Consolidated statement of financial position are as follows:

Millions of euros	31.12.2023	31.12.2022
Non-current		
Non-current deposits and guarantees (Note 15.b.)	153	154
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	173	125
Loans with equity-accounted investees	—	19
Financial lease suppliers	86	44
PIS/COFINS Brazil (Notes 16 and 36)	348	559
Other	442	633
Total	**1,202**	**1,534**
Current		
Current deposits and guarantees (*)	278	1,128
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	81	22
Loans with equity-accounted investees	77	92
Financial lease suppliers	2,395	2,016
Payment deferral agreements with suppliers	263	586
PIS/COFINS Brazil (Notes 16 and 36)	278	259
Dividend payable on perpetual subordinated bonds (Note 22)	205	178
CSA derivatives security deposits (Note 22)	76	95
Staff pending remuneration	446	388
Other	304	294
Total	**4,403**	**5,058**

(*) This item includes the collateral required for the operation of the business in the markets (see Note 15.b).

Payment deferral agreements with suppliers

In 2023 and 2022, the IBERDROLA Group negotiated the extension of payment periods with certain suppliers (mainly in respect of PP&E) with which the relevant IBERDROLA Group companies operate. The average payment period for these suppliers in 2023 was approximately 120 days. Due to deferrals beyond the normal payment period in the applicable economic environment, the IBERDROLA Group has determined that the original liabilities have been discharged or substantially modified. Therefore, the balances are reclassified in the Consolidated statement of financial position from “Other current financial liabilities – Suppliers of fixed assets” and “Trade payables” to “Other current financial liabilities – Payment deferral agreements with suppliers”. The cash flows associated with these payments are included in Cash flows from investing and from operating activities, respectively, in the Consolidated statement of cash flows.

The IBERDROLA Group also manages a series of financing arrangements for those suppliers to enable the latter to settle their invoices early with a bank. This is a form of reverse factoring with the purpose of providing financing services through which suppliers can collect from a bank prior to the due date of the invoices issued to the IBERDROLA Group. Under these agreements, the IBERDROLA Group has no economic interest in whether suppliers enter into reverse factoring arrangements. The IBERDROLA Group’s obligations to its suppliers, including the amounts owed and the agreed payment terms and conditions are not affected by the suppliers’ decision to choose to bring forward collection under these arrangements.

34. Other liabilities

Details of the “Other non-current liabilities” and “Other current liabilities” headings of the Consolidated statement of financial position are as follows:

Millions of euros	31.12.2023	31.12.2022
Non-current		
Contract liabilities		
CFE (Notes 18 and 38)	—	53
Other	116	111
Adjustments for market price deviations (Vadjm) (Notes 3.t and 16)	194	15
Other liabilities	125	130
Total	**435**	**309**
Current		
Contract liabilities		
CFE (Notes 18 and 38)	—	13
Other	686	584
Other liabilities	614	796
Total	**1,300**	**1,393**

35. Deferred taxes and income tax

Income tax

Due to the multinational nature of the IBERDROLA Group, it is subject to the regulations in force in other tax jurisdictions.

Taxes in Spain

Iberdrola S.A. is the parent company of two tax consolidation groups in Spain: group 2/86 for the whole of Spain and group 02415BSC in the independently taxed province of Bizkaia, of which the parent company itself is a member.

The 2/86 group is formed by 90 companies, whereas the 02415BSC group is formed by 24 companies.

The other entities that are tax residents in Spain and which are not incorporated into these two groups pay income tax on an individual basis.

Companies taxed under the common tax system were subject to a 25% rate in 2023, while in the fiscally autonomous Basque Country, it was 24%.

Taxation in other countries

Other Group companies whose tax residence is outside Spain are taxed based on the income tax rate applicable in their resident jurisdiction. In the United States, company taxation is based on a consolidated tax system, where there is a federal tax group, and joint or consolidated taxation as a tax group also operating in certain states. In the United Kingdom the group payment arrangement mechanism is used. In France, Australia, Italy, Portugal and Romania, tax is paid in 2023 also under a regime of tax consolidation for entities that meet the requirements. In other tax jurisdictions, Group companies are subject to taxes under the individual tax regime.

Nominal tax rates applicable in the main jurisdictions in which the IBERDROLA Group operates are as follows (OECD figures, including the federal/general rate and, as applicable, the state/local rate):

Country	2023	2022
Australia	30.0	30.0
Brazil	34.0	34.0
Bulgaria	10.0	10.0
Canada	27.0	27.0
Korea	26.4	27.5
Cyprus	12.5	12.5
France	25.8	25.8
Germany	31.9	31.9
Greece	22.0	22.0
Hungary	9.0	9.0
Ireland	12.5	12.5
Italy	28.8	28.8
Japan	38.1	38.1
Luxembourg	24.9	24.9
Mexico	30.0	30.0
Netherlands	25.8	25.8
Poland	19.0	19.0
Portugal	30.7	26.9
Qatar	10.0	10.0
Romania	16.0	16.0
South Africa	27.0	28.0
Spain	25-24	25-24
United Kingdom	25.0	19.0
United States	26.5	26.5
Vietnam	20.0	20.0
Taiwan	20.0	20.0
Norway	22.0	22.0
Singapore	17.0	17.0
Morocco	32.0	31.0

Income tax expense

Income tax expense for 2023 and 2022 is as follows:

Millions of euros	31.12.2023	31.12.2022
Consolidated profit/(loss) for the year from continuing operations before tax	**7,025**	**6,292**
Consolidated profit/(loss) for the year from discontinued operations before tax	**(28)**	**(96)**
Consolidated Profit/(loss) before tax	**6,997**	**6,196**
Non-deductible expenses and non-computable income [(a)]:		
- from individual companies	133	(112)
- from consolidation adjustments	(438)	(474)
Profit/(loss) of equity-accounted investees	(239)	(146)
Adjusted accounting profit	**6,453**	**5,464**
Gross tax calculated at the tax rate in force in each country	**1,624**	**1,442**
Tax credits deductions due to reinvestment of extraordinary profits and other tax credits	(201)	(168)
Adjustment of prior years' income tax expense	26	(22)
Net movement in provisions for litigation, compensation payments, similar costs and other provisions	21	50
Adjustment of deferred tax assets and liabilities [(b)]	108	(175)
Other	25	9
Income tax expense/(income)	**1,603**	**1,136**
Accrued income tax expense/(income) in the Consolidated income statement	**1,610**	**1,161**
Accrued income tax expense/(income) from discontinued operations	**(7)**	**(25)**

a) Includes, in 2023 and 2022, adjustments arising from the exemption of dividends and share of profit received and the transfer of interests; from the application of tax credit in the tax base in certain jurisdictions; and from the deductibility of impairment on equity instruments and other accounting expenses.

b) Including: in 2023, an amount of EUR 155 million for the difference between the tax value of the equity investments transferred in Mexico (Note 18) and their carrying amount; in 2022, the most significant impact was the reverse merger of Neoenergia Distribuição Brasília (BRASILIA) and its shareholder Bahia PCH III, whereby the excess price paid in the acquisition of Neoenergia Brasilia was rendered deductible in Brazil. As a result, the related portion of the deferred tax liability generated in the Neoenergia Brasilia business combination in the amount of EUR 126 million was reversed.

The breakdown between current and deferred income tax is as follows:

Millions of euros	31.12.2023	31.12.2022
Current taxes	1,591	1,082
Deferred taxes	12	54
Expense/(income) from continuing and discontinued operations	**1,603**	**1,136**

Deferred taxes

Details of the "Deferred tax assets" and "Deferred tax liabilities" headings of the Consolidated statement of financial position are as follows:

Millions of euros Restated (Note 2.c)	Balance at 01.01.2022	Amendments to IAS 37 (Note 2.a)	Translation differences	Credit (charge) to the Consolidated income statement	Credit (charge) to "Valuation adjustments"	Credit (charge) to "Other reserves"	Other	Balance at 31.12.2022	Modification of the consolidation scope (Note 7)	Translation differences	Credit (charge) to the Consolidated income statement	Credit (charge) to "Valuation adjustments"	Credit (charge) to "Other reserves"	Classification as held for sale (Note 18)	Other	Balance at 31.12.2023
Deferred tax assets:																
Measurement of derivative financial instruments	487	—	(1)	26	208	—	(65)	655	—	(1)	1	(230)	—	—	42	467
Balance sheet revaluation 16/2012	1,112	—	—	(62)	—	—	—	1,050	—	—	(100)	—	—	—	—	950
Pensions and similar commitments	415	—	16	(24)	—	(56)	(3)	348	—	(2)	2	—	113	—	(34)	427
Allocation of non-deductible negative goodwill arising on consolidation	58	—	—	(2)	—	—	—	56	—	—	2	—	—	—	—	58
Provision for facility closure costs (Note 2.a)	283	—	11	(35)	—	—	(3)	256	—	(9)	6	—	—	—	94	347
Tax credits for losses and deductions	2,353	—	114	193	—	—	86	2,746	(19)	(80)	421	—	—	—	(60)	3,008
Lease liability (Note 2.a)	395	—	10	21	—	—	—	426	—	(5)	(13)	—	—	—	5	413
Other deferred tax assets	1,544	17	91	(129)	—	—	(283)	1,240	(9)	(6)	(61)	—	—	(168)	479	1,475
Total	**6,647**	**17**	**241**	**(12)**	**208**	**(56)**	**(268)**	**6,777**	**(28)**	**(103)**	**258**	**(230)**	**113**	**(168)**	**526**	**7,145**

Millions of euros Restated (Note 2.c)	Balance at 01.01.2022	Credit (charge) to "Other reserves"	Translation differences	Credit (charge) to the Consolidated income statement	Credit (charge) to "Valuation adjustments"	Other	Balance at 31.12.2022	Modification of the consolidation scope (Note 7)	Translation differences	Credit (charge) to the Consolidated income statement	Credit (charge) to "Valuation adjustments"	Credit (charge) to "Other reserves"	Classification as held for sale (Note 18)	Other	Balance at 31.12.2023
Deferred tax liabilities:															
Measurement of derivative financial instruments	590	—	(7)	7	(197)	(4)	389	6	1	(3)	102	—	—	(4)	491
Accelerated depreciation	6,039	—	194	(22)	—	—	6,211	24	(142)	63	—	—	(165)	4	5,995
Overprice assigned in business combinations	3,731	—	135	(157)	—	—	3,709	134	(56)	(75)	—	—	—	44	3,756
Asset for facility closure costs (Note 2.a)	77	—	3	(7)	—	—	73	—	(5)	5	—	—	—	156	229
Right-of-use assets (Note 2.a)	352	—	14	17	—	—	383	—	(5)	8	—	—	—	8	394
Other deferred tax liabilities	1,281	24	68	204	(2)	(202)	1,373	(134)	(1)	272	—	—	(219)	359	1,650
Total	**12,070**	**24**	**407**	**42**	**(199)**	**(206)**	**12,138**	**30**	**(208)**	**270**	**102**	**—**	**(384)**	**567**	**12,515**

Deferred tax assets and liabilities offset in the Consolidated statement of financial position at 31 December 2023 and 2022 amounted to EUR 5,136 million and EUR 5,309 million, respectively.

Minimum Global Tax – Supplementary Tax

As a large multinational group, the IBERDROLA Group is subject to model rules against base erosion of Pillar II (also known as GloBE rules) approved by the Inclusive Framework of the Organisation for Economic Cooperation and Development (OECD)/G20 on Base Erosion and Profit Shifting of 14 December 2021, which were signed by the Member States of the European Union, among many other signatories.

Pursuant to these model rules, the Group is required to pay, as applicable, a supplementary tax on profit earned in any tax jurisdiction in which its effective tax rate is less than the 15% minimum, calculated according to the rules at a jurisdictional level.

Legislation implementing the model rules has been approved, or has reached an advanced stage of approval, in many jurisdictions in which IBERDROLA is present, including Spain, the country of the group's Parent, where a parliamentary bill was published on 20 December 2023.

The new regulations on minimum global taxation for the Iberdrola Group will be effective as of 2024, in accordance with Directive (EU) 2022/2523 of the Council, of 15 December 2022. As a result, the 2023 income statement includes no current tax expense related to this regulation.

Widespread uncertainty currently exists regarding the impact of the GloBE rules on the deferred tax assets and liabilities of subject entities. Consequently, the amendments to IAS 12 issued in May 2023 by the IASB to bring the standard in line with the model rules provide a temporary exception to the new requirements of IAS 12 in this respect. The IBERDROLA Group has applied this temporary exception in its 2023 financial statements.

The Group has made a preliminary assessment of the potential impact of the global minimum tax based on its most recent tax returns, its country-by-country report and the financial statements of Group entities. As a result of this assessment, IBERDROLA expects no significant impact on its equity from the application of the model rules owing to any one, or a combination, of the following circumstances in each of the jurisdictions where it operates: an effective tax rate of 15% that is very approximate or higher; a substantial presence of personnel and fixed assets that will involve an exclusion of income subject to minimum tax; or negligible amounts of income or profit.

Administrative proceedings

Among its principles, IBERDROLA seeks to build stronger ties with the tax authorities, based on the respect for the law, loyalty, trust, professionalism, collaboration, reciprocation and good faith, notwithstanding any legitimate disputes that may arise due to the interpretation of tax rules. When such disputes do arise, IBERDROLA strives to ensure cooperative dealings with the authorities, in accordance with the principles of transparency and mutual trust.

All IBERDROLA actions have been analysed by its internal and external advisers, both for this year and for preceding years, and these advisers have determined that these actions have been carried out in accordance with the Law and are based on the reasonable interpretation of tax law. The existence of contingent liabilities is also scrutinised. IBERDROLA's general approach is to recognise provisions for tax litigation when it is likely that IBERDROLA will be handed an unfavourable decision or ruling, while no recognition is required when the risk is possible or remote.

Undergoing tax inspections at reporting date in 2023 depend on the tax law applicable in each country, but no material impacts arising therefrom not included in these financial statements are expected.

Administrative proceedings in Spain

In March 2023, assessments in agreement or in protest were signed in the limited inspection process undertaken by the Spanish tax agency pursuant to rectification applications presented by the Company in February 2022 for the VAT of 2018 and 2019 and, consequently, of the group of entities subject to that tax.

Therein, Iberdrola, S.A requested the exclusion from the calculation of the pro-rated value in those years of gains earned from the settlement of derivative financial instruments. This request was upheld. The limited inspection process also covered the income tax of 2018 and 2019 of the Company and, consequently, of the tax group, for the purpose of transferring to the tax the implications of the granting of the request made in relation to VAT.

In the same proceeding, also in March 2023, assessments were signed in protest in VAT group 0220/08, of which Iberdrola, S.A is the parent, with respect to requests for the refund of VAT on debt mainly unpaid by natural persons overdue by more than one year and with a tax base of less than EUR 300, relating to Curenergía Comercializador de Último Recurso, S.A.U and Iberdrola Clientes, S.A.U for the years 2018 and 2019. This was on the grounds that Spanish legislation on treatment of VAT in unpaid invoices is contrary to EU law. These requests were denied, whereupon the Company submitted the necessary pleadings.

In early 2024, notification was received of settlements upholding the aforementioned protested assessments with respect to income tax and VAT in 2018 and 2019 and denying the pleadings submitted against them. The tax assessments will be challenged before the central tax appeals board (*Tribunal Económico-Administrativo Central*).

Administrative proceedings in other countries

In those countries where the Group has a significant presence, the main ongoing inspections are as follows:

- In the United States, the AVANGRID Group, given its status as a large taxpayer at both federal and state level, has various tax inspection processes ongoing in relation to several taxes.
- In the United Kingdom, HMRC has classified Scottish Power as a low risk taxpayer. There are currently no general inspection procedures in progress, aside from specific tax notifications received in relation to one of the companies (East Anglia One, Ltd.).
- In Mexico, income tax inspections were conducted in 2020 and 2021 by the Mexican tax authority (SAT) against Iberdrola Ingeniería y Construcción, S.A. de C.V. (2017), Iberdrola Energía Monterrey, S.A. de C.V. (2017), Iberdrola México, S.A. de C.V. (2018) and Iberdrola Energía Escobedo, S.A. de C.V. (2018). In relation to the latter company, the inspection was also extended to sales tax (2018).

In relation to the inspection of Iberdrola México, S.A. de C.V., the SAT notified the amount of the tax credit in February 2023, which was subsequently challenged via an appeal for revocation on 13 April 2023.

In the rest of procedures, important advances were made in 2023, following the request for conclusive resolutions before the Procuraduría de Defensa del Contribuyente (Prodecon) (Taxpayer's Ombudsman's Office) during the last months of 2022.

Thus, the inspection related to Iberdrola Energía Escobedo, S.A. de C.V. (income tax and sales tax for 2018) concluded with no material impact on the company's results. The initiation of inspection proceedings in relation to income tax for 2019 and 2020, which are still in progress, was notified in due course.

In all other cases, the items in dispute have been significantly reduced. For tax credits where additional advances may arise, the appropriate appeals are filed for reversal if the opposite were the case.

In 2022, furthermore, the tax office served notice of the initiation of income tax audits for financial year 2020 upon the companies Iberdrola Energía Noroeste S.A. de C.V., Iberdrola Energía Tamazunchale S.A. de C.V. and Iberdrola Clientes, S.A. de C.V. and, for financial year 2017, upon the companies Iberdrola Energía Altamira, S.A. de C.V. and Iberdrola Energía Baja California, S.A. de C.V. Such audits are still in progress. All requests for information by the tax office have been answered.

Lastly, Brazil is known for being a jurisdiction with a high risk of litigation and there are multiple investigation actions in progress, given Brazil's tax and administrative structure and the usual procedure followed by the tax authorities. However, these procedures are rarely settled in favour of the tax authorities.

The IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to further material liabilities for the IBERDROLA Group beyond those already recognised at 31 December 2023.

Tax litigation

Tax litigation in Spain

In June 2020 IBERDROLA was notified of the rulings of the Central Tax Appeals Board (TEAC) on the appeals lodged in relation to tax assessments disputed in 2016, arising from the general tax inspection of the consolidated tax group in Spain (no. 2/86) for the period 2008 to 2011.

As regards VAT, the TEAC found in favour of IBERDROLA's interests (thus rendering the inspector's assessments and settlements null and void), but ruled against the Company in its income tax decision.

On 7 July 2020, IBERDROLA filed a contentious-administrative appeal against these income tax rulings with the National High Court (Audiencia Nacional). Throughout 2021, the corresponding submissions were made in the proceedings, and the dates for voting and ruling have not yet been set.

The main adjustments included in the settlement agreements resulting from contested tax assessments related to the quantification of goodwill subject to tax amortisation and depreciation, for the acquisition of SCOTTISH POWER, the elimination of the exemption applicable to SCOTTISH POWER's dividends received, as the Tax Authority considers that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of the circumstances envisaged in Section 15.1 of Spain's General Tax Law in a debtor-swap operation in a number of debt issues.

Additionally, in December 2020 IBERDROLA was notified of the rulings of the TEAC on the appeals lodged in relation to the income tax assessments signed in protest arising from the limited tax inspection of the years 2012 to 2014. The dispute with the public administration focuses on the applicability or inapplicability of the temporary imputation standard established in numerous Supreme Court decisions regarding income received by the Group, resulting from payments made based on rules contrary to Law.

This ruling of December 2020 partially upheld IBERDROLA's arguments, accepting its criteria insofar as the taxes declared to be unconstitutional are concerned. On 25 January 2021, IBERDROLA appealed the remaining disputed assessments to the National High Court. Throughout 2021, the corresponding submissions were made in the proceedings, which remains at the present date pending the setting of a date for voting and ruling.

On the same matter, on 6 September 2021 IBERDROLA lodged a claim with the TEAC against the enforcement by the Technical Office of the Central Large Taxpayers Unit of the TEAC's aforementioned partially favourable decision, which not only recognised the effects of the favourable decision in the pertinent years (2012 to 2014), but also extended its effects to the previous years. Said years had already undergone general inspection proceedings, with a final ruling rendered in some cases, thus constituting res judicata. On 3 January 2024, IBERDROLA was notified of the TEAC's ruling rejecting the Company's claims. An appeal will be lodged before the National Court (Audiencia Nacional) within the legal term of two months.

Lastly, and with respect to significant tax litigation for IBERDROLA, on 21 February 2023, the Association of Electrical Energy Companies (AELEC) lodged an appeal against Ministry Order HFP/94/2023, approving self-assessment forms of the new temporary energy tax created by Law 38/2022. IBERDROLA also lodged, on 23 February 2023, an appeal against the ministry order in terms similar to that lodged by AELEC.

The law imposes a temporary energy levy on entities that qualify as main operator in the energy sectors during the years 2023 and 2024. The new levy is legally classified as a non-tax public levy on revenue.

The amount of contribution to be paid is the result of applying 1.2% to the net turnover resulting from the activity carried out in Spain in the calendar year prior to the year in which the obligation arises. The levy paid by IBERDROLA in 2023 amounted to EUR 213 million (Note 41).

The appeals lodged by AELEC and IBERDROLA, which are pending settlement at present, are based on defects inherent to the ordinary legal grounding of the Ministry Order under appeal and on defects of unconstitutionality and violation of Regulation (EU) 2022/1854 of the Council, of 6 October 2022 found to exist in Spanish Law 38/2022, creating the levy.

Tax litigation in other countries

In the United States, the most significant process is the appeal brought before the Appeals Tribunal in relation to the income tax inspection for years 2012 to 2014 in the State of New York. Efforts are ongoing to reach an agreement with the State and settle the matter before the tribunal delivers a decision, with no significant impact on the AVANGRID Group's results.

In the United Kingdom, the only significant matter under discussion concerns the deductibility of certain payments made as required by the electric regulator (OFGEM). The relevant pleadings were submitted in 2021 in relation to the claims brought before the First Tier Tax Tribunal. The Tax Tribunal gave its ruling in February 2022, and disagreeing with it, an appeal was lodged with the Upper Tribunal in May 2022. In September 2023, HMRC was notified of the judgment, which was favourable to HMRC, and in January 2024 Scottish Power was granted leave to appeal to the Court of Appeal.

As a general rule, no significant tax litigation is currently undergoing in the other jurisdictions where the Group operates, except for Brazil, where a large number of litigation and administrative and judicial proceedings are ongoing. The Group considers it probable that the final rulings will be favourable (Note 45).

The IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to further material liabilities for the IBERDROLA Group beyond those already recognised at 31 December 2023.

Further developments in relation to financial goodwill (Article 12.5 of the consolidated text of the Income Tax Law)

In previous years, the Spanish authorities applied the aid and grants reimbursement procedure envisioned in the General Tax Act, thus recovering from the IBERDROLA Group, in accordance with Section 12.5 of the TRLIS, the sum of EUR 665 million (EUR 576 million in principal and EUR 89 million in late payment interest) in the years 2002 to 2015. IBERDROLA settled the required amount by (i) offsetting part of it against the EUR 363 million received under the 2016 income tax rebate; and (ii) paying EUR 302 million in February 2018. All the foregoing by virtue of Decision Three of the European Commission.

Meanwhile, in May 2021 IBERDROLA received notice of a tax settlement agreement under state aid retrieval proceedings for the years 2016 to 2018 for a total of EUR 13 million, which the Company paid on 2 July 2021.

These amounts, together with the additional late payment interest due, were recognised in "Current tax assets" under non-current assets in the Consolidated statement of financial position at 31 December 2023 and 2022.

Moreover, the application of the incentive provided in Section 12.5 of the TRLIS generated a taxable temporary difference, resulting in the subsequent recognition of the deferred tax liability recognised.

Therefore, if the outcome is ultimately contrary to the Company's interests (something considered unlikely based on the information currently available), the impact on equity would by substantially mitigated.

The Judgment of the General Court of the European Union (GCEU) of 27 September 2023 (joined cases T-256/15 and T-260/15) rendered null and void Commission Decision (EU) 2015/314 of the European Commission of 15 October 2014 (Third Decision), as it upheld all the arguments submitted by the affected entities, among them the IBERDROLA Group.

Although this judgment of the GCEU has been appealed against, it is enforceable and mandatory from the day it was rendered, as the recovery order in the Third Decision is null and void. In any event, the IBERDROLA Group and its internal and external advisors consider that no further risks should arise in relation to the application of the financial goodwill, and that the sums recovered by the tax agency should be refunded, as the payment made by the Group was undue.

36. Public administration receivables and payables

The breakdown of the headings "Current tax assets/liabilities" and "Other public administration receivables/payables" on the asset and liability sides, respectively, of the Consolidated statement of financial position is as follows:

Millions of euros	31.12.2023	31.12.2022
Taxes receivable		
Public Treasury, corporate income tax receivable	351	453
VAT	289	519
Tax withholdings and prepayments	72	36
Public Treasury, PIS/COFINS Brazil (Notes 16 and 33)	286	236
Public Treasury, other receivables	135	107
Total	**1,133**	**1,351**
Payable to public entities		
Public Treasury, corporate income tax payable	332	156
VAT	177	217
Withholdings	46	64
Other taxes	1,041	946
Social Security	39	35
Total	**1,635**	**1,418**

37. Information on average payment period to suppliers. Third additional Provision – "Reporting requirement" of Law 15/2010 of 5 July

The required information for 2023 and 2022 breaks down as follows:

	Number of days	
	2023	2022
Average payment period to suppliers	15	13
Paid transactions ratio	15	13
Outstanding transactions ratio	24	20

Millions of euros	2023	2022
Total payments made	13,787	23,763
Total payments due	274	707

Information on invoices paid in a period shorter than the maximum period set out in Law 15/2010 is as follows:

	2023	2022
Monetary volume in millions of euros paid within the maximum period established	13,710	23,641
% of total monetary payments to suppliers	99.44 %	99.49 %
Number of invoices paid within the maximum period established	27,585,997	23,048,484
% of total number of invoices paid to suppliers	99.97 %	99.85 %

The information shown in the above tables has been prepared in accordance with Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures to combat late payments in commercial operations; in accordance with Law 18/2022 of 28 September, on the creation and growth of companies; and in accordance with the Resolution of 29 January 2016 of the Spanish Institute of Accounting and Auditing (*Instituto de Contabilidad y Auditoría de Cuentas*) on the information to be included in the Notes to the financial statements in relation to late payments to suppliers in commercial transactions.

This information has been drawn up on the basis of the following specifications:

- Ratio of paid operations: amount in days of the ratio between the sum of the products of each of the transactions paid by the number of payment days, and the total amount of payments made during the year.
- Ratio of outstanding payment operations: amount in days of the ratio between the sum of products of the the amount of the outstanding payment transaction and the number of unpaid days, and the total amount of outstanding payments.
- Suppliers: trade payables included in current liabilities in the Consolidated statement of financial position generated from debts for goods or services with suppliers.
- Property, plant and equipment and finance lease suppliers are excluded from this information.
- Taxes, levies, indemnifications and certain other headings are likewise excluded from this information since they do not qualify as trade transactions.
- The table below shows information corresponding to Spanish companies included in the consolidated group once the credits and debits between the subsidiary companies are eliminated.

38. Revenue

The breakdown of this heading of the Consolidated income statement is as follows:

2023 Millions of euros	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
In regulated markets								
Electricity	3,247	1,597	4,475	1,729	7,339	—	(4)	18,383
Gas	—	—	1,502	—	—	—	—	1,502
In liberalised markets								
Electricity	13,173	6,227	1,080	1,352	382	988	(172)	23,030
Gas	943	2,610	—	—	—	—	—	3,553
Other	714	380	233	(65)	7	17	91	1,377
Income from construction contracts (Note 13)	**8**	**—**	**—**	**—**	**1,267**	**—**	**—**	**1,275**
Income from lease contracts	**—**	**—**	**1**	**—**	**—**	**—**	**25**	**26**
Valuation and inefficiencies of commodities derivatives	**249**	**—**	**60**	**(5)**	**—**	**2**	**(117)**	**189**
Total	**18,334**	**10,814**	**7,351**	**3,011**	**8,995**	**1,007**	**(177)**	**49,335**

2022 Millions of euros	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
In regulated markets								
Electricity	4,732	1,379	4,716	2,604	6,744	—	(7)	20,168
Gas	—	—	1,836	—	—	—	—	1,836
In liberalised markets								0
Electricity	15,443	5,621	1,132	1,475	382	782	(133)	24,702
Gas	2,023	2,038	—	—	—	—	—	4,061
Other	672	788	209	—	8	1	8	1,686
Income from construction contracts (Note 13)	**30**	**—**	**—**	**—**	**1,479**	**—**	**—**	**1,509**
Income from lease contracts	**2**	**—**	**1**	**—**	**—**	**—**	**20**	**23**
Valuation and inefficiencies of commodities derivatives	**78**	**(13)**	**13**	**—**	**—**	**19**	**(133)**	**(36)**
Total	**22,980**	**9,813**	**7,907**	**4,079**	**8,613**	**802**	**(245)**	**53,949**

2023 Millions of euros	Networks	Renewables and Sustainable Generation	Customers	Other businesses, Corporation and adjustments	Total
Supplies in regulated markets					
Electricity	15,568	504	3,599	(1,288)	18,383
Gas	1,502	—	—	—	1,502
In liberalised markets					
Electricity	—	7,571	21,256	(5,797)	23,030
Gas	—	—	4,207	(654)	3,553
Other	17	1,136	916	(692)	1,377
Income from construction contracts	**1,275**	**—**	**—**	**—**	**1,275**
Income from lease contracts	**1**	**—**	**—**	**25**	**26**
Valuation and inefficiencies of commodities derivatives	**—**	**70**	**109**	**10**	**189**
Total	**18,363**	**9,281**	**30,087**	**(8,396)**	**49,335**

2022 Millions of euros	Networks	Renewables and Sustainable Generation	Customers	Other businesses, Corporation and adjustments	Total
Supplies in regulated markets					
Electricity	14,989	1,265	5,657	(1,743)	20,168
Gas	1,836	—	—	—	1,836
In liberalised markets					
Electricity	—	7,547	22,443	(5,288)	24,702
Gas	—	—	6,052	(1,991)	4,061
Other	18	1,480	853	(665)	1,686
Income from construction contracts	**1,509**	**—**	**—**	**—**	**1,509**
Income from lease contracts	**3**	**—**	**—**	**20**	**23**
Valuation and inefficiencies of commodities derivatives	**—**	**30**	**(66)**	**—**	**(36)**
Total	**18,355**	**10,322**	**34,939**	**(9,667)**	**53,949**

The main activities for which IBERDROLA generates ordinary revenue from customer contracts are as follows:

- Electricity and gas transmission and distribution

IBERDROLA Group's performance obligation is to make transmission and distribution facilities available to customers. This performance obligation is recognised in a linear manner over time, since the customer receives and consumer simultaneously the benefits from IBERDROLA Group's performance insofar as the transmission or distribution network is available.

In the countries where IBERDROLA Group operates, the remuneration on transmission and distribution activities is basically determined by the regulated margin recognised by the corresponding regulator. For certain regulated activities carried out by the IBERDROLA Group, any discrepancies between costs estimated when setting the annual tariff and costs actually incurred are recognised as income or expense for the year in which they arise only if its proceed or payment is certain, regardless of future sales (Note 15.b).

- Gas and electricity sales

The amount of electricity and gas sales is recognised as income at the time the energy is delivered to the customer based on the amounts supplied and include an estimate of unbilled supplied energy (Note 5). Where relevant, depending on the applicable legislation in each country, this item includes incentives received to support vulnerable consumers or to mitigate the effects of the energy crisis.

By countries:

- In Spain, income includes the amount of both sales in the gas regulated market at Tariff of Last Resort (TLR) and of electricity at Voluntary Price for the Small Consumer (VPSC) as well as the sales in the liberalised market.
- In the United States and Brazil income from electricity and gas supply to end customers are based on tariffs subject to the corresponding state regulatory authorities, which determine the prices and other terms of service through the fixing of rates.
- In the United Kingdom, gas and electricity are traded in the liberalised market.
- In Mexico, electricity is supplied at liberalised conditions for consumers with a demand of 1 MW or above.

IBERDROLA Group's retail supply companies act as principal. Purchase and sale of energy between the Group's generation and retail supply companies are left out of the consolidation process.

- Assignment of electricity generation capacity

The electricity generation capacity assignment is an obligation independent from electricity supply whose income is recognised through the term of the contract.

IBERDROLA Group maintains electricity generation capacity assignment agreements for some of its plants that set predetermined collection schedules for assigning energy supply capacity. IBERDROLA Group has electricity generation capacity assignment agreements in Mexico for its combined cycle power plant with the Federal Electricity Commission (*Comisión Federal de la Energía,* CFE). The term of these agreements is 25 years from the date on which each combined cycle plant enters into commercial operation. All these plants are part of the divestment agreement signed with MIP (Note 18).

- Verification, connection and assignment of use of metering equipment

The registration of customers, income for connecting to the receiving electricity and gas grid, as well as income from the verification of installations, are recognised at the time the actions take place since the customer benefits from the service provided and there is no associated future fulfilment obligation. Income for the right of use of meters is recognised as income throughout the period of use.

– Sale of renewable energy certificates

In the sale of renewables energy certificates from the Renewables business associated with supplied energy (joint sale of energy and green certificates), income for the sale is recognised at the time the energy is delivered. When the sale of said certificates takes place separately from the energy produced, the income is recognised at the time the certificate is delivered to the customer.

– Incentives for renewable business

The amount of the turnover of the renewable energy and sustainable generation segment corresponding to the different geographical areas in which the Group operates includes the incentives received according to the applicable legislation in each country, given that the amount of these incentives is granted on an individual basis based on the units of products sold and they are received recurrently.

– Construction contracts

Income from transmission and distribution concession agreements for electric energy IBERDROLA Group has executed in Brazil include two compliance obligations: (1) construction services and (2) following operation and maintenance of built facilities. The consideration for each compliance obligation is assigned once the independent sale price at the beginning of the contract is estimated, using IBERDROLA Group's experience in the provision of similar services, of bidding terms and conditions, as well as any other internal or external information available.

Income from construction projects is recognised through out the construction process, since the control of the asset is transferred to the customer on an ongoing basis.

When revenue related to construction contracts can be reliably estimated, it is recognised at an amount equal to the proportion that the costs incurred to date represent of the total costs required to complete the contract. These costs are reviewed periodically to reflect deviations, if any. When the income from a contract cannot be reliably estimated, all such income is recognised to the extent that costs are incurred, provided that such costs are recoverable. Profit on the contract is only recognised when it is certain, based on budgeted costs and income.

Changes to construction work and any claims are included within contract revenue if amendments to the contract are legally demanded.

– Real property sales

The IBERDROLA Group follows the principle of recognising income on sales of property when legal title is transferred to the purchaser, which is usually the date the respective contracts are notarised.

39. Supplies

The breakdown of this heading of the Consolidated income statement is as follows:

Millions of euros	31.12.2023	31.12.2022
Spain	9,439	16,217
United Kingdom	6,084	6,787
United States	2,483	2,847
Mexico	1,880	2,922
Brazil	5,916	5,503
IEI	337	199
Corporation and adjustments	(106)	(725)
Total	**26,033**	**33,750**

Millions of euros	31.12.2023	31.12.2022
Networks	8,387	8,447
Renewables and Sustainable Generation	2,037	4,165
Customers	23,872	30,765
Other business, Corporation and adjustments	(8,263)	(9,627)
Total	**26,033**	**33,750**

40. Personnel expenses

The breakdown of this heading of the Consolidated income statement is as follows:

Millions of euros	31.12.2023	31.12.2022
Wages and salaries	2,759	2,563
Employer social security costs	400	370
Additional provisions for pensions and similar obligations and defined contributions to the external pension plan (Notes 3.p and 27)	305	134
Attendance allowances art. 48.1 (Note 47)	17	16
Remuneration stipulated in Art. 48.4 of the By-Laws	4	10
Other employee expenses	339	272
	3,824	**3,365**
Capitalised personnel expenses		
Intangible assets (Note 9)	(26)	(24)
Property, plant and equipment (Note 3.d)	(825)	(822)
Nuclear fuel and inventories	(13)	(1)
	(864)	**(847)**
Total	**2,960**	**2,518**

The average number of the IBERDROLA Group employees in 2023 and 2022 has increased to 41,448 and 40,090 employees, of which 9,950 and 9,361 are women, respectively.

The average number of employees in the consolidated group corresponds to all the employees in those consolidated companies that have been integrated using the global integration method, as well as the employees of the joint ventures determined based on the percentage of ownership.

41. Taxes

The breakdown of this heading of the Consolidated income statement is as follows:

Millions of euros	**31.12.2023**	**31.12.2022**
Spain	1,490	855
United Kingdom	435	263
United States	579	600
Mexico	6	7
Brazil	7	6
IEI	12	24
Corporation and adjustments	220	7
Total	**2,749**	**1,762**

Millions of euros	**31.12.2023**	**31.12.2022**
Networks	735	746
Renewables and Sustainable Generation	1,029	729
Customers	753	276
Other business, corporation and adjustments	232	11
Total	**2,749**	**1,762**

This heading includes various tax measures imposed by the authorities, the most relevant of which are described below.

On 28 December 2012, Law 15/2012 on tax measures for the sustainability of the energy sector came into force in Spain. The Law introduced the following taxes, the impact of which, except in the case of the "green cent", was recognised as a charge to "Taxes other than income tax" in the Consolidated income statement for 2023 and 2022:

- A tax on the value of electricity output (IVPEE), entailing payment of 7% of the total amount to be received by the taxpayer for the production of electricity and incorporation thereof in the Spanish electricity system, measured at power station busbars, during the tax period.

  Under Royal Decree-Law 12/2021, this tax was temporarily suspended for the third quarter of 2021 and remained suspended until 31 December 2023 through various successive extensions (the last one made by Royal Decree-Law 20/2022). The suspension has since been lifted by Royal Decree-Law 8/2023, which comes into force again on 1 January 2024, on the terms specified in the regulation (i.e. the rate will be 3.5% until March, rising to 5.25% up to June).

  Moreover, in relation to the taxable base of the IVPEE, Article 14 of Royal Decree-Law 11/2022 amended Section 6 (taxable base) of Law 15/2012, to determine that, when transactions are entered into between related persons or entities, in accordance with the provisions of Law 27/2014, of 27 November, on Corporate Income Tax (LIS), the price agreed between the parties may not be lower than the market value for the purpose of calculating the taxable base of the tax. Market value is determined by applying one of the methods set forth in the LIS.

- A tax on the production of spent nuclear fuel, the cost of which amounted to EUR 120 million in 2023 and a total EUR 35 million in 2022. This item breaks down as an expense of EUR 114 million for the accrual of the tax and a credit of EUR 79 million, received for the reasons explained below.

  On 22 February 2022, the central tax appeals board upheld the economic-administrative claim filed by Central Nuclear Ascó II, C.B. in relation to the application of Transitional Provision Three of Law 15/2012 (coefficient to avoid retroactivity of the tax) in financial years 2017 and 2018, so that only spent nuclear fuel resulting from reactor operating cycles since the entry into force of Law 15/2012 is subject to taxation, also taking into account the use of the fuel in discontinuous operating cycles.

  By virtue of this decision, applications were submitted for rectification of self-assessments and refund of undue payments for the tax applicable since 2013 to the Cofrentes, Almaraz and Trillo plants, which have been upheld by the tax authorities. As a result, in 2022 the Group recognised refunds in this connection amounting to EUR 79 million in tax payments and EUR 25 million in late-payment interest, with a credit to "Taxes other than income tax" and "Finance income", respectively, in the Consolidated income statement for 2022.

- A levy on the use of inland waters in the production of electricity in inter-regional river basin districts (hydroelectric levy) which, as a general rule, involves the payment of 25.5% of the economic value of the hydroelectric energy produced.

  Iberdrola Generación, S.A.U. challenged Royal Decree 198/2015, of 23 March, implementing Article 112a of Royal Legislative Decree 1/2001, of 20 July, adopting the consolidated text of the Water Law and regulating the levy for the use of inland waters for the production of electricity in inter-regional river basin districts. The challenge was upheld in part by the Supreme Court in its judgment of 21 April 2021, which declared as null and void the second transitional provision and the first additional provision, second paragraph, of Royal Decree 198/2015. The consequences of such annulment were: (i) the nullity of the self-assessments for the 2013 and 2014 financial years due to maximum retroactivity because Royal Decree-Law 198/2015 was not in force in those years and (ii) its effect on the settlements for the 2015 to 2020 financial years, given that the concession titles were not modified to adapt them to the requirements of the hydroelectric levy, in accordance with the *ad hoc* procedures established in the water regulations.

  In 2021, the IBERDROLA Group recognised EUR 1,106 million (Note 36) – EUR 951 million in principal and EUR 155 million in late-payment interest – under "Current trade and other receivables – Other receivables from public authorities" in the Consolidated statement of financial position, with a credit to "Taxes other than income tax" and "Finance income" (Note 43), respectively, in the Consolidated income statement, which were collected in January 2022.

The hydroelectric levy was reintroduced by Law 7/2022 of 8 April on waste and contaminated soil for a circular economy. The absence of transitional provisions in this Law led to doubts as to whether the levy should apply in 2022. The Ministry for Ecological Transition and the Demographic Challenge attempted to resolve this issue by publishing a clarifying note on its website stating that in 2022 the taxable period would run from 10 April 2022 to 31 December 2022. However, the IBERDROLA Group disputes this interpretation and takes the view that the levy should not have applied in 2022. For this reason, the Group has applied for rectification of its self-assessments and a refund of levies paid that were not owed.

The expense recognised for this item amounted to EUR 191 million in 2023 and EUR 78 million in 2022.

Financing of Social Bonus costs

Royal Decree-Law 7/2016 imposed the financing of the social bonus on the retail suppliers or the parent companies of groups that include retail suppliers. The judgment delivered by the Supreme Court on 31 January 2022 in respect of IBERDROLA's appeal against the Social Bonus found the financing system to be discriminatory and, therefore, null and void, and ordered that compensation be paid to the financing companies for the amounts not passed on to customers. In this regard, the Group recognised receivables in financial year 2022 amounting to EUR 109 million as principal and EUR 14 million in late payment interest under "Taxes other than income tax" and "Finance income", respectively, in the Consolidated income statement for 2022.

A little while later, Royal Decree-Law 6/2022 ushered in a new funding distribution regime among all electricity sector agents, which came into force on 31 March 2022. The amounts recorded in this connection in 2023 and 2022 amounted to EUR 244 million and EUR 160 million, respectively.

Management of radioactive waste

This heading shows EUR 203 million and EUR 204 million in 2023 and 2022, respectively, as the best estimate available of the accrued expenses arising under Royal Decree-Law 6/2009 (Note 3.q) on amounts required for the management of radioactive waste and nuclear fuel.

Temporary energy tax

In Spain, on 28 December, Law 38/2022 of 27 December was enacted, establishing a temporary energy levy, among other measures. Under this law, entities that are considered to be the main operator in the energy sectors are subject to a temporary energy tax during 2023 and 2024, in the legal form of a non-tax public contribution. The amount recorded for this item in 2023 amounted to EUR 213 million. In the breakdown by business, it is presented under "Other business, Corporation and adjustments".

Gas price deduction

Royal Decree-Law 11/2022, of 25 June, introduced the gas price cap on fixed-price electricity sales contracts exceeding 67 €/MWh (+ commercial margin + charges), which was extended by Royal Decree-Law 18/2022, of 18 October, until 31 December 2023. This measure had an impact of EUR 225 million.

42. Amortisation, depreciation and provisions

The breakdown of this heading of the Consolidated income statement is as follows:

Millions of euros	31.12.2023	31.12.2022
Depreciation charges for:		
Intangible assets (Note 9)	1,056	1,058
Investment property (Note 10)	9	5
Property, plant and equipment (Note 11)	3,470	3,452
Right-of-use assets (Note 12)	172	167
Allowances for impairments and write-offs of non-financial assets (Note 14):		
Provision (reversal) of impairment of intangible assets (Note 9)	—	8
Write-offs for property, plant and equipment (Note 11)	39	11
Charge/(reversal) of impairment in PPE (Note 11)	13	(16)
Changes in provisions	67	89
Total	**4,826**	**4,774**

43. Finance income

The breakdown of this "Finance income" heading of the Consolidated income statement is as follows:

Millions of euros	31.12.2023	31.12.2022
Income from equity investments	2	—
Finance income related to assets at amortised cost	516	442
Finance income at fair value through profit or loss	—	2
Non-hedge derivatives and inefficiencies (Note 30)	315	238
Exchange gains in foreign currency for financing activities	113	170
Other exchange losses in foreign currency	188	156
Capitalised finance costs	381	189
Discount to present value of provisions for pensions and similar obligations (Note 27)	20	7
Total	**1,535**	**1,204**

The average capitalisation rates used in 2023 and 2022 for external financing of property, plant and equipment was 5.60% and 3.63%, respectively (Note 3.d).

44. Finance expense

The breakdown of the “Finance expense” heading of the Consolidated income statement is as follows:

Millions of euros	**31.12.2023**	**31.12.2022**
Finance expenses related to liabilities at amortised cost:		
Finance expenses and similar financing expenses	2,373	1,810
Other finance and similar expenses	238	165
Finance expenses from lease liabilities (Note 32)	79	78
Equity instruments having the substance of a financial liability (Note 24)	45	46
Non-hedge derivatives and inefficiencies (Note 30)	485	477
Valuation adjustments of financial assets	4	2
Exchange losses in foreign currency for financing activities	117	172
Other exchange losses in foreign currency	188	178
Discount to present value of other provisions (Note 28)	131	78
Discount to present value of provisions for pensions and similar obligations (Note 27)	62	36
Total	**3,722**	**3,042**

45. Contingent assets and liabilities

IBERDROLA Group companies are party to legal and out-of-court disputes arising as part of the ordinary course of their business (disputes with suppliers, clients, administrative or tax authorities, individuals, environmental activists or employees). The IBERDROLA Group's legal advisers believe that the outcome of these disputes will have no material impact on its equity or financial position.

In relation to said disputes, the IBERDROLA Group's main contingent assets and liabilities not recognised in these Consolidated financial statements as the pertinent accounting criteria are not met, are as follows:

Contingent liabilities

- In 2022, the remuneration for 2017, 2018 and 2019 was approved by Order TED/749/2022, of 27 July. The Company has proceeded to file an appeal against the Order for relying on the results of inspection procedures on regulatory information from 2015 to 2017, which reduced the remuneration for those years by failing to recognise, contrary to current regulations, investments and expenses incurred in running the business.

- Administrative appeals lodged on 7 July 2020 before the National Court against adverse decisions contrary to IBERDROLA's interests delivered by the Central Tax Appeals Board and notified to IBERDROLA in June, in relation to contested tax inspection reports signed by the Group in protest in 2016, pertaining to the years 2008-2011. The main disputes relate to the elimination of the tax exemption on dividends received because the tax office believes that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Article 15.1 of Spain's General Tax Act under a debtor-swap operation for a number of bond issues. Throughout 2021, the corresponding submissions were made in the proceedings, and the dates for voting and ruling have not yet been set.

- Economic-administrative claims lodged on 17 December 2021 and 29 July 2022 before the Central Tax Appeals Board against the settlement decision on income tax notified to Iberdrola Energía España, S.A. as representative of Tax Group 2/86, in relation to contested tax inspection reports signed by the Group in 2021 and 2022 for the financial years 2012 to 2014 and 2015 to 2020, respectively. The adjustments in dispute are essentially the same as those discussed in relation to the years 2008 to 2011. To date, both claims remain pending resolution by the aforementioned appeals board and the relevant submissions were submitted in relation to both claims in the first quarter of 2022 and the second quarter of 2023, respectively.

- Economic-administrative claim lodged on 29 July 2022 before the Central Tax Appeals Board against the settlement decision on VAT for financial years 2015 to 2017, notified to Iberdrola, S.A. as representative of Tax Group 0220/08BVA. The main adjustment in dispute arises from the inclusion by the tax authorities, in the denominator of Iberdrola, S.A.'s VAT pro rata, of the gains on portfolio transfers and/or corporate restructuring transactions, reducing the input VAT deductible in 2015 and its effect in subsequent years due to the adjustment of the input VAT on the acquisition of investment assets. The relevant submissions were submitted in the last quarter of 2022 and further submissions were presented in the first quarter of 2023, although a decision has yet to be delivered.

- Administrative appeal lodged on 25 January 2021 before the National High Court against the decision of the Central Tax Appeals Board notified to IBERDROLA in December 2020. The claim, filed against the settlement agreements confirming the contested tax assessments issued against the Company in limited tax inspection proceedings in relation to income tax for the years 2012 to 2014, was partially upheld. The dispute with the public administration focuses on the applicability of the temporary imputation standard established in numerous Supreme Court decisions regarding income received by the Group, resulting from payments made based on rules contrary to law. The aforementioned decision partially upheld IBERDROLA's claims and accepted its view with regard to the taxes declared unconstitutional, and the remaining cases in dispute were referred for appeal to the National High Court. At the reporting date, the court has yet to announce a date for voting and ruling on the case.

- Appeal lodged by IBERDROLA, S.A. on 6 September 2021 before the Central Tax Appeals Board (TEAC) against the enforcement by the Technical Office of the Central Large Taxpayers Delegation of the aforementioned decision of the TEAC partially upholding its interests, which not only recognised the effects of the favourable decision in the pertinent years (2012 to 2014), but also extended its effects to the previous years. Said years had already undergone general inspection proceedings, with a final ruling rendered in some cases, thus constituting res judicata. On 3 January 2024, notice of the TEAC's decision was served, rejecting the company's claims, against which an appeal in cassation will be lodged before the National Court within two months.

- The ACE (an economic interest grouping in Portugal) consisting of the companies Acciona-Mota and Edivisa brought action for arbitration against Iberdrola Generación, S.A.U before the Commercial and Industrial Arbitration Tribunal of Lisbon (the arbitration body provided for in the contract) with regard to the construction contract for the Alto Tâmega dam and hydroelectric plant, claiming EUR 27.1 million. The claim is grounded in the argument that they do not consider themselves liable for excess costs that were incurred due to deviations in the work performed. They also claim that they are not liable for the delays occurring and that IBERDROLA, consequently, does not have the right to impose on them any of the penalties envisaged in the contract. They further state that the termination of the works contract is unlawful and should be held null and void, and they demand compensation for said termination. IBERDROLA responded to the claim on 1 September 2021 by lodging a counterclaim for a total of EUR 62.4 million. In addition, the guarantees for the contract with ACE have been enforced and the company has paid EUR 8 million in penalties (the return of which the claimants are also seeking) and EUR 5 million in advance payments within the scope of the disputed contract (amount included in the counterclaim filed by Iberdrola). These amounts will go on to form part of the arbitration dispute. The arbitration proceedings have now been held and a decision is expected in April 2024.

- Iberdrola Castilla y León (IBERCYL) has been summoned as a subsidiary civil party, jointly and severally with the Junta de Castilla y León, in the proceedings before Valladolid Court No 4 for the alleged irregular awarding of wind power licences in Castilla y León. The order stipulated that IBERCYL had to post a bond for EUR 11.2 million in this regard. In addition, the same Court has requested certain defendants to furnish security for a total and joint amount of EUR 130 million to guarantee the financial penalties sought by the prosecution. These defendants have posted a corporate guarantee provided by Iberdrola Renovables Energía, S.A.U., unconditionally and irrevocably as a corporate personal guarantee enforceable on first demand and amounting to EUR 390 million, and in October 2022 the Court agreed to declare the bond posted as security for the pecuniary responsibilities as sufficient. On 4 December 2023, the Court decided to cancel the request for security for the sanctions being sought. As a result, the corporate guarantee of EUR 390 million enforceable on first demand was released and cancelled.

- Collective damages (individual and common rights) caused by the Baixo Iguaçu consortium, with the complicity of the IAT (on the grounds of deficient oversight), are being sought due to failure to provide redress for the material damages and pain and suffering caused to 34 families affected by the construction of the Baixo Iguaçu power plant and failure to implement the PACUERA (Environmental Plan for the Conservation and Use of the Artificial Reservoir Environment).

- Various labour, civil and tax claims are ongoing against several companies of the NEOENERGIA Group in Brazil in relation to their normal course of business. The IBERDROLA Group considers that the risk of potential losses at such companies has been assessed in line with the opinions of the authorities and the external tax advisers, and the relevant provisions have been made based on the likelihood of loss as per the available evidence, the position of courts and the most recent case law precedent.

  Labour claims relate to actions brought by former employees of NEOENERGIA Group companies or former employees of companies providing services (subcontracting) with requests for overtime, wage equalisation and other labour rights, notably the collective action brought by the trade union SINTERN against the company Neoenergia Cosern, seeking the continuation of, and immediate compliance with, the Job Position, Career and Wages Plan approved in 1991, and seeking also payment of the wages differences for the last five years and past-due Social Security contributions. Civil proceedings relate to actions of a commercial and compensatory nature brought to claim material or moral damages, arbitrations discussing matters related to engineering and energy contracts and environmental actions and expropriation of property related to the execution of projects.

  The most significant tax disputes are those brought against the claims upholding the infringement proceedings instituted in relation to:

  - amortised gain/goodwill expense (agio) is not tax deductible for the purpose of calculating income tax (both in income tax and employee contribution tax) applicable to the subsidiaries Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro, Itapebi and Termopernambuco. Various favourable appellate court decisions on this matter have been handed down in recent years in relation to several of the years disputed by the Brazilian tax authorities vis-à-vis the companies Neoenergia Pernambuco and Neoenergia Cosern, with the final decision of the Supreme Court pending on the merits;
  - failure to make income tax withholdings on interest payment on capital between companies belonging to the same group;
  - the income tax withholding requirement on the alleged taxable capital gain accruing to Iberdrola Energía, S.A. following the incorporation of Elektro Holding by Neoenergia;
  - questions concerning tax credits related to consumption tax (ICMS) at NC Energia, Termopernambuco, Neoenergia Pernambuco and Neoenergia Elektro;
  - the tax authority's determination of which profit-sharing, welfare, medical care and life insurance payments are to be subject to social insurance contributions;
  - questions concerning federal taxes – income tax and employee contribution tax – from dismissal of expenses with payment of regulatory compensation at the companies Neo Pernambuco and Neo Coelba;
  - questions concerning the municipality of contribution of the public lighting service (COSIP), which holds that Coelba paid a smaller amount in the period between January 2018 and December 2019.

Turning to regulatory proceedings, distribution companies Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro y Neoenergia Brasília are party to various suits and claims, notably: (i) proceedings to calculate individual and collective technical service continuity indicators; (ii) trade matters; (iii) financial compensation and recovery of global indicators; (iv) matters related to the collection or legality of tariff-related items or matters; and (v) matters related to the legality of administrative action instituted by ANEEL. Among said actions, the following stand out:

  - Elektro's Energy Social Tariff (for low income consumers), for which the Consumers Association intends to increase the number of eligible customers from 2002 to 2010, imposing on ANEEL and Elektro the obligation to restore tariff differences, which should be met, eventually, by the CDE sector fund.
  - The free or onerous use of rights of way areas in roads for the electricity grid, the merits of which are being discussed before the Supreme Court.
  - Several matters regarding over or under subscription of energy, currently under administrative discussion;
  - The possibility of ANEEL including in the tariff tax income resulting from the favourable outcome of the legal dispute concerning the exclusion of the ICMS tax from the federal contributions calculation base for PIS/COFINS (subject of initial discussion at the administrative level);.
  - The action brought by Neoenergia Brasília to annul ANEEL's act that captured, for rate purposes, the surplus income obtained between May 2002 and October 2004,and July 2005 and August 2008, accumulated by the criteria for classifying Low Income consumers.
  - Administrative request on the recognition of exclusion of liability and reduction of the scope of Concession Contract No. 014/2019-ANEEL (Neoenergia Lagoa dos Patos), following a finding of unfeasibility by the environmental agency (IBAMA) of the route specified in lot 01/2018. ANEEL's Technical Superintendency rejected the request and Neoenergia has since lodged an appeal that is currently awaiting an analysis by ANEEL's Governing Board.
  - Administrative request for the economic-financial rebalancing of Concession Contract No. 09/2020-ANEEL (Neoenergia Rio Formoso), due to certain impacts relating to the term of the concession (environmental licenses and COVID-19 pandemic) and extraordinary costs arising from changes in the layout of the facilities. There was no further news during the period movement and the claim has yet to be analysed.

- In relation to the Power Purchase Agreement (PPA) signed between Avangrid Renovables and Nike, Nike has filed a claim against the supply invoices for March-April 2021, the settlement of which was influenced by the storm in Texas. As no agreement was reached, Nike filed a lawsuit in the Oregon State Courts on 16 June 2023, claiming USD 31 million plus interest from Avangrid Renewables. The company will oppose the claim as in its view it is not well-founded.

- Iberdrola Mexico has filed a legal challenge against the resolution issued by the Energy Regulatory Commission (CRE), notified on 27 May 2022, by which it penalises Iberdrola Energía Monterrey, S.A. de C.V. (IEM) in the amount of MXN 9,145 million. The CRE intends to base its resolution on the fact that IEM allegedly carried out energy sales to its consumer partners in breach of the Law; additionally, the CRE seeks to base its claims on invoices obtained from the Mexican tax authorities (*Servicio de Administración Tributaria*, SAT). On 15 June 2022, IEM filed a suit for amparo against this resolution and interim relief has been requested to suspend the payment of the penalty. The Third Specialised District Court granted the interim relief to IEM, thus suspending the obligation to make payment and ensuring no pre-judgment as to the effectiveness of the self-supply permit. As a result, a letter of credit totalling MXN 10,052 million (the amount of the fine) has had to be presented and regularly updated. What the definitive suspension means is that the payment is no longer due. Therefore, the contested act will have no impact on the company's legal position and no bearing on the effectiveness of the permit for self-supply of electricity. The company subject to the penalty falls within the scope of the sale described in Note 18. Hence, it is likely that the guarantee provided to secure suspension of enforcement of the fine is rendered null and void or that it would be guaranteed by the purchaser.

Additionally, the following contingent liabilities have arisen as part of the ordinary business of the IBERDROLA Group:

- US gas companies own, or have owned, the land on which they operated the gas production plants. This land was polluted as a result of these activities. In some cases, the soil has been cleaned, while in others the soil has been assessed and identified, but has yet to be cleaned and in some other cases the extent of the pollution has yet to be determined. For the last group, at 31 December 2022 no provisions had been recognised because the cost cannot reasonably be estimated as the matter requires the regulators' intervention and approval. In the past, the gas companies have received authorisation to recover cleaning expenses from customers through tariffs and they expect to recover such expenses for the remaining soil.

Contingent assets

- AVANGRID initiated legal proceedings against the former owners of certain sites in order to recover the costs of environmental restoration work it was forced to pay.

Revised disclosures of contingent assets and liabilities at 31 December 2022

- With regard to Order TED/490/2022, which entailed the recognition of a lower remuneration loss for 2016 and subsequent years in the Company's Consolidated financial statements, an appeal was lodged and admitted for processing by the administrative chamber of the Supreme Court in the second half of 2022. On 17 October 2023, the Spanish Supreme Court gave notice of its judgment dated 26 September 2023, partially upholding the appeal lodged by I-DE REDES ELÉCTRICAS INTELIGENTES S.A. (I-DE) against (i) Order TED/490/2022, of 31 May, rendering null and void the values allocated to I-DE by Order TED/490/2022, whereby the government was to approve a regulation to replace the one now being annulled. It rendered null and void the phrase "and other assets" at the end of the first paragraph of the calculation methodology laid down in Appendix VII of Order IET/2660/2015, and the government is ordered to allocate new values to the appellant within one month under the terms set out in this partial upholding of the claims in the judgment. However, at the date of authorisation for issue of these financial statements, the authorities have yet to publish the new values, so it is not expected that the settlement of the outstanding amount will occur before the beginning of the second quarter of 2024.

- In 2002, the California Public Utilities Commission and the California Electricity Oversight Board (CPUC and CEOB, respectively) submitted a claim to the Federal Energy Regulatory Commission (FERC) against a number of electricity producers, alleging that these companies had manipulated the market and that the prices set in energy purchase contracts were "unfair and unreasonable", and demanded modifications to the contracts.

  FERC dismissed the claim and, following a review by the Californian courts, the Supreme Court ordered FERC to review the case, which had remained dormant since 2008. In April 2016, following the reopening of the 2014 case, an initial ruling was issued that dismissed any market manipulation by Avangrid Renewables, but the initial ruling did conclude that the price of the power purchase agreements imposed an excessive burden on customers in the amount of 259 million US dollars. FERC staff recommended that the case be closed without sanction. The meeting of the FERC of 19 December 2023 ruled in favour of Avangrid, finding that the Power Purchase Agreement (PPA) prices are fair and reasonable and that no anti-competitive practices were proven to exist. Accordingly, the California Department of Water Resources (CDWR) did not find that consumers bore an "excessive burden". An appeal can be filed against the FERC decision with the Court of Appeal.

Other information

As regards the legal proceedings instigated by third parties that may affect the remuneration and equity of the IBERDROLA Group, no significant appeals have been lodged.

Contingent assets and liabilities at 31 December 2022 are described in the IBERDROLA Group's Consolidated financial statements for that year.

46. Guarantee commitments to third parties and other contingent liabilities

IBERDROLA and its subsidiaries are required to provide guarantees associated with the normal management of the Group's activities in the countries in which it operates.

The IBERDROLA Group guarantees the obligations assumed under power purchase agreements as well as grid access transactions in different energy markets and vis-à-vis the operators of different electricity systems (mainly MEFF, OMIE, National Grid, CFE, REE and EDP Distribución).

In addition, in 2023 and 2022 the IBERDROLA Group provided letters of credit to cover the Initial Margin collateral necessary to carry out derivatives transactions at certain clearing houses (mainly ICE and EEX).

With regard to generation from renewable sources, the IBERDROLA Group has posted guarantees to third parties to cover the construction, commissioning and dismantling of facilities, in addition to its long-term obligations to sell energy.

In 2016, tax inspection reports were signed in protest for income tax for the years 2008 to 2011. IBERDROLA filed the corresponding appeals with the Central Tax Appeals Board against the settlements that confirmed the contested tax assessments, seeking the automatic suspension of the enforcement of the tax settlements by furnishing the necessary bank guarantees. In June 2020, IBERDROLA was notified of the Court's rejection decisions, which were contested in administrative appeals lodged before the National High Court (filed on 7 July 2020), which are ongoing, with the suspension of the enforcement of the assessments while maintaining the guarantees provided for this purpose (Note 35). During 2022, the audits carried out by the tax authorities relating to the Tax Group's corporate income tax were completed, covering all income tax items in relation to financial years 2015 to 2017 and covering only certain income tax items in relation to financial years 2012 to 2014 and 2018 to 2020. As a result, IBERDROLA SA has been notified of the settlement agreements confirming the contested inspection reports in relation to each and every one of the years, adjusting the same substantive topics as in the years 2008 to 2011, although, as far as these periods are concerned, the settlements resulted in amounts to be refunded to the company. IBERDROLA requested, and the Administration agreed, to partially offset the refunds recognised in its favour in relation to financial years 2012 to 2020, with the debts suspended due to the provision of a bank guarantee relating to financial years 2008 to 2011, reducing the amount of such debts and reducing the object of the collateral guarantees provided, which continue to be held by the tax authorities.

In addition, at 31 December 2023 and 2022, there were outstanding obligations resulting from bond issues in the United States amounting to EUR 2,927 million and EUR 2,709 million, respectively, which were secured by items of property, plant and equipment of the AVANGRID subgroup.

IBERDROLA considers that any further liability at 31 December 2023 and 2022 arising from the guarantees posted at that date would not be significant.

Moreover, the IBERDROLA Group, in compliance with its contractual obligations associated with loans received from banks, had fully or partially pledged some of its subsidiaries' shares at 31 December 2023 and 2022. A breakdown of the shares pledged is as follows, by company:

Millions of euros		2023			2022	
Company	Carrying amount	Percentage of ownership of the IBERDROLA Group	Carrying amount multiplied by % of ownership	Carrying amount	Percentage of ownership of the IBERDROLA Group	Carrying amount multiplied by % of ownership
Renewables business – Spain						
Parques Eólicos Alto Layna, S.L.U.	64	51.00 %	33	76	20.00 %	15
Sistemas Energéticos Altamira, S.A.	22	51.00 %	11	23	20.00 %	5
Sistemas Energéticos de la Linera, S.A.	12	51.00 %	6	10	20.00 %	2
Sistemas Energéticos Gomera, S.A.	8	51.00 %	4	8	20.00 %	2
Sistemas Energéticos Nacimiento, S.A.	9	51.00 %	5	8	20.00 %	2
Sistemas Energéticos Savallá del Comtat, S.A.	23	51.00 %	12	25	20.00 %	5
Sistemas Energéticos Tacica de Plata, S.A.	10	51.00 %	5	9	20.00 %	2
Renewables Business – United States						
Vineyard Wind TE Partners 1 LLC (1)	267	40.75 %	109	2	40.75 %	1
Avangrid Vineyard Wind Holdings, LLC	597	81.50 %	487	8	81.50 %	6
Renewables Business – Brazil						
Arizona 1 Energía Renovável, S.A	10	53.50 %	5	9	53.50 %	5
Baguari Geraçao de Energía Eléctrica, S.A. (Note 7)	—	—	—	28	53.50 %	15
Belo Monte Participações S.A.	149	53.50 %	80	142	53.50 %	76
Caetité 1 Energía Renovável, S.A	15	53.50 %	8	14	53.50 %	8
Caetité 2 Energía Renovável, S.A	18	53.50 %	10	17	53.50 %	9
Caetité 3 Energía Renovável, S.A.	14	53.50 %	7	13	53.50 %	7
Calango 1 Energía Renovável, S.A.	12	53.50 %	6	11	53.50 %	6
Calango 2 Energía Renovável, S.A.	11	53.50 %	6	10	53.50 %	5
Calango 3 Energía Renovável, S.A.	11	53.50 %	6	10	53.50 %	5
Calango 4 Energía Renovável, S.A.	10	53.50 %	5	9	53.50 %	5
Calango 5 Energía Renovável, S.A.	10	53.50 %	5	10	53.50 %	5
Calango 6 Energía Renovável, S.A.	55	53.50 %	29	49	53.50 %	26
Canoas 1 Energía Renovável, S.A.	35	53.50 %	19	35	53.50 %	19
Canoas 2 Energía Renovável, S.A.	7	53.50 %	4	9	53.50 %	5
Canoas 3 Energía Renovável, S.A.	8	53.50 %	4	8	53.50 %	4
Canoas 4 Energía Renovável, S.A.	7	53.50 %	4	7	53.50 %	4
Chafariz 1 Energía Renovável, S.A.	15	53.50 %	8	14	53.50 %	8
Chafariz 2 Energía Renovável, S.A.	8	53.50 %	4	8	53.50 %	4
Chafariz 3 Energía Renovável, S.A.	14	53.50 %	7	—	— %	—
Chafariz 4 Energía Renovável, S.A.	8	53.50 %	4	6	53.50 %	3
Chafariz 5 Energía Renovável, S.A.	6	53.50 %	3	5	53.50 %	3
Chafariz 6 Energía Renovável, S.A.	9	53.50 %	5	—	— %	—
Chafariz 7 Energía Renovável, S.A.	14	53.50 %	7	—	— %	—
Companhia Hidrelétrica Teles Pires, S.A. (1) (Note 7)	—	— %	—	335	27.29 %	91
Energética Águas da Pedra, S.A.	117	53.50 %	63	104	27.29 %	28
Energética Corumbá III (1)	—	— %	—	36	13.38 %	5
Geração Céu Azul S.A	243	53.50 %	130	228	53.50 %	122
Geraçao CIII, S.A.	—	— %	—	69	53.50 %	37

Millions of euros	2023			2022		
Company	Carrying amount	Percentage of ownership of the IBERDROLA Group	Carrying amount multiplied by % of ownership	Carrying amount	Percentage of ownership of the IBERDROLA Group	Carrying amount multiplied by % of ownership
Lagoa 1 Energía Renovável, S.A.	54	53.50 %	29	49	53.50 %	26
Lagoa 2 Energía Renovável, S.A.	35	53.50 %	19	35	53.50 %	19
Lagoa 3 Energía Renovável, S.A.	6	53.50 %	3	7	53.50 %	4
Lagoa 4 Energía Renovável, S.A.	2	53.50 %	1	2	53.50 %	1
FE Participações, S.A.	54	53.50 %	29	50	53.50 %	27
Mel 2 Energía Renovável, S.A.	17	53.50 %	9	6	53.50 %	3
Oitis 2 Energia Renovável S.A.	23	53.50 %	12	—	— %	—
Oitis 3 Energia Renovável S.A.	24	53.50 %	13	—	— %	—
Oitis 4 Energia Renovável S.A.	25	53.50 %	13	—	— %	—
Oitis 5 Energia Renovável S.A.	26	53.50 %	14	—	— %	—
Oitis 6 Energia Renovável S.A.	29	53.50 %	16	—	— %	—
Oitis 7 Energia Renovável S.A.	30	53.50 %	16	—	— %	—
Oitis 8 Energia Renovável S.A.	7	53.50 %	4	—	— %	—
Ventos de Arapuá 1 Energía Renovável, S.A.	5	53.50 %	3	5	53.50 %	3
Ventos de Arapuá 2 Energía Renovável, S.A.	7	53.50 %	4	6	53.50 %	3
Ventos de Arapuá 3 Energía Renovável, S.A.	2	53.50 %	1	2	53.50 %	1
Santana 1 Energía Renovável, S.A.	33	53.50 %	18	31	53.50 %	17
Santana 2 Energía Renovável, S.A.	26	53.50 %	14	25	53.50 %	13
Norte Energia (1)	2,107	5.35 %	113	2,157	5.35 %	115
Teles Pires Participaçoes (1) (Note 7)	—	— %	—	283	27.05 %	76
Networks Business – Brazil						
Neoenergia Jalapão Transmissão de Energia, S.A. (1)	126	26.75 %	34	187	53.50 %	100
Neoenergia Santa Luzia Transmissão de Energia, S.A. (1)	54	26.75 %	14	52	53.50 %	28
Neoenergia Guanabara Transmissão de Energia, S.A.	155	53.50 %	83	—	— %	—
Neoenergia Itabapoana Transmissão de Energia, S.A. (Note 18)	81	53.50 %	43	—	— %	—
Neoenergia Vale do Itajaí Transmissão de Energia S.A.	161	53.50 %	86	—	— %	—
Neoenergia Dourados Transmissão de Energia, S.A. (1)	70	26.75 %	19	69	53.50 %	37
Neoenergia Sobral Transmissão de Energia, S.A. (1)	19	26.75 %	5	—	— %	—
Potiguar Sul	59	53.50 %	32	56	53.50 %	30
Liberalised business – Mexico						
PIER II Quecholac Felipe Angeles, S.A. de C.V.	19	51.00 %	10	18	51.00 %	9
Parque Industrial de Energías Renovables , S.A. de C.V./ PIER IV	75	51.00 %	38	70	51.00 %	36
ROW						
Aerodis Herbitzheim SAS	3	100.00 %	3	—	100.00 %	—
Aerodis les Chaumes SARL	1	100.00 %	1	—	100.00 %	—
Aerodis Pays de Boussac SARL	5	100.00 %	5	(3)	100.00 %	(3)

Millions of euros	**2023**			**2022**		
Company	**Carrying amount**	**Percentage of ownership of the IBERDROLA Group**	**Carrying amount multiplied by % of ownership**	**Carrying amount**	**Percentage of ownership of the IBERDROLA Group**	**Carrying amount multiplied by % of ownership**
Energies du Champs des Sœurettes SAS	5	100.00 %	5	2	100.00 %	2
La Croix Didier, S.A.R.L.	1	100.00 %	1	5	100.00 %	5
La Pièce du Roi, S.A.R.L.	1	100.00 %	1	5	100.00 %	5
SEPE de Plemy SAS	2	100.00 %	2	7	100.00 %	7
SEPE le Florembeau, S.A.R. L.	2	100.00 %	2	7	100.00 %	7
SEPE le Fond d'Etre, S.A.R.L.	1	100.00 %	1	5	100.00 %	5
Société d'Exploitation du Parc Eolien les Neufs Champs SAS	—	100.00 %	—	2	100.00 %	2
Société d'Exploitation Eolienne d'Orvilliers SAS	1	100.00 %	1	10	100.00 %	10
Total	**5,171**		**1,818**	**4,505**		**1,133**

(1) Companies recognised as equity-accounted investees.

47. Remuneration of the Board of Directors

At the proposal of the Remuneration Committee, the Board of Directors has agreed for 2023 the allocation within the provisions of Article 48.1 to be charged to "Personnel expenses" in the income statement (Note 40).

47.1 Remuneration of the Board of Directors

The fixed annual remuneration and attendance bonuses payable to Board and committee members in their capacity as such in 2023 and 2022, are as follows:

Millions of euros	Fixed remuneration	Attendance bonus per meeting
Chairman of the Board	0.567	0.006
Vice-Chair of the Board and/or Committee Chair	0.440	0.006
Board members	0.165	0.004
Per member of each committee	0.088	0.004

The individual remuneration accrued by and paid to the members of the Board of Directors was as follows in 2023 and 2022:

Millions of euros	Board of Directors	Executive Committee	The following committees:				Fixed remuneration (1)	Attendance bonus	Remuneration in kind	Total 2023	Total 2022	
			Audit and Risk Oversight	Appointments	Remuneration	Sustainable Development						
José Ignacio Sánchez Galán	Chairman	Chairman					0.655	0.144	0.001	0.800	0.660	
Juan Manuel González Serna	First vice-chair and lead independent director	Member			Chairman		0.616	0.174	0.001	0.791	0.549	
Anthony L. Gardner	Second vice-chair	Member		Member			0.616	0.142	0.002	0.760	0.536	
Sara de la Rica Goiricelaya	Member					Chair	0.528	0.078	0.003	0.609	0.505	
Angel Jesús Acebes Paniagua	Member	Member		Chairman			0.616	0.144	0.006	0.766	0.495	
María Ángeles Alcalá Díaz	Member		Chair				0.482	0.112	0.003	0.597	0.307	Appointed as Chair of the Audit and Risk Supervision Committee on 21 February 2023.
Armando Martínez Martínez	Chief executive officer	Member					0.253	0.096	0.001	0.350	0.052	The total amount for 2022 corresponds to the amount accrued since being appointed on 25 October 2022.
Iñigo Víctor de Oriol Ibarra	Member				Member		0.253	0.076	0.005	0.334	0.301	
María Helena Antolín Raybaud	Member			Member			0.253	0.068	0.006	0.327	0.361	
Manuel Moreu Munaiz	Member	Member			Member		0.341	0.136	0.003	0.480	0.322	
Xabier Sagredo Ormaza	Member		Member				0.299	0.102	0.004	0.405	0.527	On 21 February 2023, his appointment as chair of the Audit and Risk Supervision Committee expired.
Nicola Mary Brewer	Member					Member	0.253	0.064	0.001	0.318	0.296	
Regina Helena Jorge Nunes	Member		Member				0.253	0.096	0.001	0.350	0.306	
Isabel García Tejerina	Member					Member	0.253	0.064	0.002	0.319	0.297	
Total							**5.671**	**1.496**	**0.039**	**7.206**	**5.514**	

(1) Remuneration accrued in 2023 in relation to the time effectively spent in office. This amount will not be paid until the approval of 2023 by-law stipulated remuneration at the 2024 General Shareholders' Meeting.

47.2 Other expenses of the Board of Directors

The allocation referred to above also covered the following further expenses relating to the Board of Directors:

a. the premium for the collective civil liability insurance for the office of director, which amounted to EUR 0.227 million in 2023 (EUR 0.314 million in 2022);

b. the premium for adjustment of the policy to cover benefits due to retired members of the Board of Directors, which amounted to EUR 0.395 million in 2023 (in 2022, a refund of EUR 0.510 million was received for the adjustment of the policy);

c. external services and other policies amounted to EUR 2.560 million and EUR 3.293 million in 2023 and 2022, respectively.

47.3 Law 11/2018: non-financial and diversity information

The average remuneration received by directors in 2023 and 2022 was as follows, by gender:

Millions of euros	2023		2022	
	Men	Women	Men	Women
Directors	0.586	0.420	0.491	0.345

48. Remuneration of senior management

Executive officers who are also directors

The Board of Directors decided that fixed annual remuneration to the executive chairman in 2023 was to remain unchanged, at EUR 2.250 million. The Board further decided to retain in 2023 the existing cap on variable annual remuneration at EUR 3.250 million. Fixed and variable remuneration have remained unchanged over the past 13 years.

The Board of Directors resolved to retain a fixed annual remuneration in 2023 for the Chief Executive Officer of EUR 1 million and maintained a cap on his annual variable remuneration at EUR 1.5 million.

In both cases, annual variable remuneration will be paid, to the extent decided, in 2024, based on the targets set.

The remuneration paid to and accrued by the executive Chairman and the Chief Executive Officer during 2023 and 2022 is shown below:

Millions of euros	**Salaries**	**Short-term variable remuneration**	**Remuneration in kind**	**Total 2023**	**Total 2022**
José Ignacio Sánchez Galán	2.250	3.250	0.174	5.674	5.685
Armando Martínez Martínez (*)	1.000	0.174	0.371	1.545	0.198
Total	**3.250**	**3.424**	**0.545**	**7.219**	**5.883**

(*) The amount for 2022 corresponds to the amount accrued since being appointed on 25 October 2022.

Article 48.4 of the Company's By-Laws provides that the remuneration of the executive Chairman and Chief Executive Officer may also consist of the delivery of shares.

At the General Shareholders' Meeting held on 2 April 2020, shareholders approved the 2020-2022 Strategic Bonus for executive directors, executive personnel and other Group employees, subject to a maximum of 300 beneficiaries, as a long-term incentive pegged to the Company's performance in relation to certain key parameters (Note 23).

The first of the three annual settlements was made during the first half of 2023. The executive Chairman received 633,333 Iberdrola shares and the Chief Executive Officer 80,000 shares that were allocated to him in 2020 when he was a member of senior management.

The Strategic Bonus 2023-2025 was approved at the General Shareholders' Meeting held on 28 April 2023, details of which are disclosed in Note 23.

In 2023 and 2022, the executive Chairman was a director of the companies that are not wholly owned, directly or indirectly, by IBERDROLA. He received EUR 0.582 million and EUR 0.389 million, respectively, from these companies.

Other executives

In accordance with the Group's new governance structure, the effective management of the businesses is conducted in the countries or territories by the subholding and parent companies of the business units or by their subsidiaries, as opposed to the previous structure whereby responsibility rested with the global heads of the business divisions. As at 31 December 2023, senior management comprised four members (in 2022 there were 10 members of senior management), in addition to the executive Chairman and the Chief Executive Officer.

Senior management includes those members of the Company's senior management who perform global functions – except when these are support, advisory or staffing functions – and who report directly to the Board of Directors, the Chairman or the Chief Executive Officer of the Company, as well as any other person to whom the Board of Directors, at the proposal of the Chairman, grants such status and, in all cases, the Chief Internal Audit and Risk Officer.

In accordance with the Group's new governance structure, as at 31 December 2023, five members —mainly from the business divisions— were responsible for the support, advisory or staffing functions.

Expenses relating to members of senior management amounted to EUR 5.242 million and EUR 4.758 million in 2023 and 2022, respectively, and are recognised under "Personnel expenses" in the Consolidated income statement.

The following is a breakdown of remuneration and other benefits for 2023 and 2022, respectively. For ease of comparison, the information relating to the members holding this status at 31 December 2023 has been included (six members fewer than those holding this status in 2022).

	Senior management (four members) (*)	
Millions of euros	**31.12.2023**	**31.12.2022**
Remuneration in cash	1.925	2.123
Variable remuneration	1.565	1.430
Remuneration in kind and payments on account not charged	0.207	0.167
Social Security	0.068	0.061
Employer's contribution to pension plan / employee benefits insurance	1.124	0.652
Risk policy (death and permanent disability)	0.353	0.325
Total	**5.242**	**4.758**
Third and final instalment of the three annual settlements relating to the 2017-2019 Strategic Bonus (shares)	—	221,670
First instalment of the three annual settlements relating to the 2020-2022 Strategic Bonus (shares)	228,332	—
Remuneration for serving as director of companies not wholly owned, directly or indirectly, by IBERDROLA	0.698	0.578

(*) In addition to the executive Chairman and Chief Executive Officer.

The 2023-2025 Strategic Bonus was approved at the General Shareholders' Meeting held on 28 April 2023, details of which are disclosed in Note 23.

Severance clauses are described in section C.1.39 of the Annual Corporate Governance Report included as part of the Management Report.

In 2023 and 2022, there were no further transactions concluded with the management team.

Fixed and variable remuneration paid to other staff with managerial responsibilities not included in the management team of IBERDROLA (802 individuals) amounted to EUR 159.689 million in 2023 and EUR 141.119 million in 2022 (740 individuals), affected by the exchange rate.

49. Information regarding compliance with Section 229 of the Spanish Companies Act

As established in Section 229 of the Spanish Companies Act (*Ley de Sociedades de Capital*), as introduced by Royal Decree-Law 1/2010 of 2 July 2010 and in Law 31/2014, of 3 December 2014, amending the Spanish Companies Act to improve corporate governance, directors may encounter the following conflicts of interests.

The Executive Chairman and Chief Executive Officer left the room during discussions on all resolutions relating to their contracts, including their respective compensation.

Mr González Serna was absent during the deliberations and adoption of a resolution authorising electricity supply contracts —which were not ultimately signed— with an entity related to him; and Mr Sagredo Ormaza did not take part in the deliberations on the resolutions concerning Kutxabank, S.A., specifically as regards the engagement of Norbolsa Sociedad de Valores, S.A. as agent in relation to the *Iberdrola Retribución Flexible* optional dividend system.

50. Related-party transactions and balances

The following transactions take place within the normal course of business and are carried out under normal market conditions.

Transactions carried out by IBERDROLA with significant shareholders (Note 22)

In 2023 there were no significant shareholders that met the definition of Section 529 *vicies* of the Spanish Companies Act because they did not hold 10% of the voting rights or were not represented on the Board of Directors.

Transactions carried out with equity-accounted investees

The breakdown of transactions with equity-accounted investees that are related parties and that were not eliminated on consolidation (Note 2.b) is as follows:

	2023					2022			
Millions of euros	**Accounts payable**	**Accounts receivable**	**Sales and services provided**	**Supplies**	**Acquisition of assets**	**Accounts payable**	**Accounts receivable**	**Sales and services provided**	**Supplies**
Norte Energia, S.A. (1)	27	—	1	218	—	—	—	3	203
Morcambe Wind, Ltd.	3	1	3	17	—	2	2	2	23
Vineyard Wind LLC	—	—	—	—	—	—	—	4	—
Vineyard Wind 1, LLC	8	2	3	—	—	8	—	—	—
Vineyard Wind Management Company, LLC	—	3	8	—	—	—	2	2	—
Energetica Aguas da Pedra, S.A.	—	—	—	—	—	2	3	2	14
Companhia Hidrelétrica Teles Pires, S.A.	—	—	—	—	—	7	1	6	70
Other companies	74	101	11	5	1	104	64	35	5
Total	**112**	**107**	**26**	**240**	**1**	**123**	**72**	**54**	**315**

(1) Supplies relate mainly to purchases of electricity.

51. Events subsequent to 31 December 2023

The main events subsequent to 31 December 2023 were as follows:

Iberdrola Retribución Flexible

On 5 January 2024, the following terms governing the second scrip issue (*Iberdrola Retribución Flexible*) were approved by shareholders at the General Shareholders' Meeting of IBERDROLA held on 28 April 2023, under item nine of the agenda:

- The maximum number of shares to be issued under the capital increase is 109,487,551.
- The number of free-of-charge allocation rights required to receive one new share is 58.
- The maximum nominal value of the capital increase is EUR 82,115,663.
- The gross *Interim Dividend* per share amounts to EUR 0.202.

At the end of the trading period for the free-of-charge allocation rights:

- During the period established for this purpose, the holders of 2,115,059,909 shares in the Company opted to receive the *Interim Dividend*. Thus, the gross amount paid out under the Interim Dividend was EUR 427 million. As a result, those shareholders expressly waived 2,115,059,909 free-of-charge allocation rights and, therefore, the right to receive 36,466,550 new shares.
- Furthermore, the final number of new common shares with a par value of EUR 0.75 issued will be 73,021,000, yielding a nominal capital increase (under this issue) of EUR 55 million and adding 1.150% to IBERDROLA's pre-issue share capital.
- Following this share capital increase, IBERDROLA's share capital amounts to EUR 4,817,474,250, represented by 6,423,299,000 common shares, each with a par value of EUR 0.75 and all fully subscribed and paid up.
- Following fulfilment of the pertinent legal requirements (especially verification of those requirements by the Spanish National Securities Market Commission), the new shares were admitted for trading on the continuous market of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), on 1 February 2024. Regular trading of the new shares commenced on 2 February 2024.

Perpetual subordinated bonds

In January 2024, Iberdrola Finanzas, S.A. fixed the price and the terms and conditions of an issue of perpetual subordinated bonds with the subordinated guarantee of Iberdrola, S.A. for a total amount of EUR 700 million. The issue has been structured in a single tranche, the unit nominal amount of each bond is EUR 100,000 and they will be issued at a price equivalent to 99.997% of their nominal value.

The bonds will bear interest at a fixed annual coupon rate of 4.871%, from the issue date (inclusive) up to (but not including) 16 April 2031, payable annually.

From the first review date (inclusive), interest will accrue at a rate equal to the applicable 5-year swap rate plus a margin of:

- 2.281% per annum for five years following the first review date;
- 2.531% per annum for each of the five-year review periods beginning on 16 April 2036, 16 April 2041, and 16 April 2046; and
- 3.281 % per annum for the subsequent five-year review periods.

The issuer will have the option to defer interest payments on the bonds, without this amounting to a default event. Interest deferred in this way will be cumulative and must be paid on certain assumptions defined in the terms and conditions of the bonds.

The issuer will also be entitled to redeem the bonds on certain specified dates or in certain events provided for in the terms and conditions thereof.

The issue was closed and disbursed on 16 January 2024.

Co-investment framework agreement with NBIM Iberian Reinfra AS

In January 2024, a number of IBERDROLA Group companies entered into a co-investment framework agreement with NBIM Iberian Reinfra AS (NBIM Iberian), a company belonging to the group of which Norges Bank is the holding company. The agreement constitutes a new arrangement as part of the ongoing collaboration between the parties for the joint development of renewable assets in the Iberian peninsula undertaken pursuant to the co-investment framework agreement with NBIM Iberian announced by Iberdrola, S.A. on 17 January 2023.

The agreement envisages the acquisition by NBIM Iberian of a 49% stake in the share capital of several IBERDROLA Group companies operating onshore wind and solar photovoltaic projects in Spain and Portugal. The total project portfolio of these companies amounts, initially, to 673.6 MW of projects under development. In subsequent phases, a project under operation of 327.5 MW and another project under development of 316 MW may be added, with the operation totalling 1,316 MW if carried out in its entirety.

At a later date, the IBERDROLA Group and NBIM Iberian will contribute their respective stakes in the companies owning the projects to a holding company owned by both companies in the same proportion of 51% and 49%, respectively, of their share capital. The IBERDROLA Group will retain control of the companies that own the projects and will manage the development of the non-operational projects until they enter commercial operation, and the IBERDROLA Group will continue to provide them with corporate, management, operation and maintenance services needed to run their operations.

This portfolio of renewable energy projects, valued at 100%, is worth EUR 627 million for the projects in the initial phase. Therefore, NBIM Iberian's investment for its 49% stake in this portfolio will be approximately EUR 307 million, which may be subject to adjustments that are customary in these types of transactions. This amount excludes any additional margins arising from the provision by the IBERDROLA Group of the aforementioned services to these companies. The completion of the transaction is conditional upon NBIM Iberian obtaining the mandatory authorisations for foreign direct investment.

Divestment in Mexico

On 15 February 2024, the Comisión Federal de Competencia Económica (COFECE) decided to approve the transaction, under certain conditions. On the same date, the parties agreed to extend until 29 February 2024 the deadline provided for in the share purchase and sale agreement signed on 11 June 2023 for the compliance with the conditions provided therein, no later than which the parties hope to enter into the contracts and carry out the necessary acts to be able to carry out the closing of the transaction and proceed to the disbursement and receipt of the purchase price.

52. Fees for services provided by the statutory auditors

Fees paid for services provided in 2023 and 2022 by KPMG Auditores, S.L. and the other affiliates of KPMG International are as follows:

	2023		
Millions of euros	**Services rendered by KPMG Auditores, S.L.**	**Services provided by other entities affiliated with KPMG International**	**Total**
Auditing services	6.88	20.16	27.04
Other non-audit services	2.92	1.82	4.74
Services required of the statutory auditor under the applicable regulations	—	0.11	0.11
Other services	2.92	1.71	4.63
Total	**9.80**	**21.98**	**31.78**

Other services include the rendering of the following services:

Millions of euros	**2023** **Services rendered by KPMG Auditores, S.L.**	 **Services provided by other entities affiliated with KPMG International**	 **Total**
Limited assurances review of interim information	1.27	0.05	1.32
Comfort letters for debt issues	0.38	0.57	0.95
Services for the issuance of agreed-upon procedures reports, assurance or other reports required by industry regulators	1.06	0.57	1.63
Other reports on agreed-upon procedures (*)	0.21	0.52	0.73
Total	**2.92**	**1.71**	**4.63**

(*) Mainly agreed-upon procedures reports required by the regulator in each country, as well as reports additional to the audit report required by current legislation in certain countries where the Group operates.

Millions of euros	**2022** **Services rendered by KPMG Auditores, S.L.**	 **Services provided by other entities affiliated with KPMG International**	 **Total**
Auditing services	6.58	19.70	26.28
Other non-audit services	2.11	1.17	3.28
Services required of the statutory auditor under the applicable regulations	—	0.10	0.10
Other services	2.11	1.07	3.18
Total	**8.69**	**20.87**	**29.56**

Other services include the rendering of the following services:

Millions of euros	**2022** **Services rendered by KPMG Auditores, S.L.**	 **Services provided by other entities affiliated with KPMG International**	 **Total**
Limited assurances review of interim information	1.28	0.13	1.41
Comfort letters for debt issues	0.19	0.13	0.32
Services for the issuance of agreed-upon procedures reports, assurance or other reports required by industry regulators	0.62	0.53	1.15
Other reports on agreed-upon procedures (*)	0.02	0.28	0.30
Total	**2.11**	**1.07**	**3.18**

(*) Mainly agreed-upon procedures reports required by the regulator in each country, as well as reports additional to the audit report required by current legislation in certain countries where the Group operates.

In addition, in financial year 2023, other auditors provided auditing services amounting to EUR 1.19 million and other services amounting to EUR 0.33 million (EUR 1.01 million and EUR 0.32 million in 2022, respectively).

53. Earnings per share

The weighted average number of common shares used to calculate basic and diluted earnings per share at 31 December 2023 and 2022 is as follows:

	2023		2022	
	Basic	Diluted	Basic	Diluted
Average number of shares during the year	6,527,894,452	6,544,408,487	6,729,797,671	6,744,106,245
Average number of treasury shares held	(96,318,002)	(96,318,002)	(72,005,122)	(72,005,122)
Number of shares outstanding	**6,431,576,450**	**6,448,090,485**	**6,657,792,549**	**6,672,101,123**

Basic and diluted earnings per share for 2023 and 2022 are as follows:

	2023		2022	
	Basic	Diluted	Basic	Diluted
Net profit from continuing operations at the Parent (*) (millions of euros)	4,824	4,824	4,410	4,411
Accrued interest on perpetual subordinated bonds (millions of euros) (Note 22)	(203)	(203)	(169)	(169)
Adjusted net profit from continuing operations (millions of euros)	**4,621**	**4,621**	**4,241**	**4,242**
Net profit from discontinued operations (millions of euros)	**(21)**	**(21)**	**(71)**	**(71)**
Average number of shares outstanding	**6,431,576,450**	**6,448,090,485**	**6,657,792,549**	**6,672,101,123**
Earnings per share (euros) from continuing operations	**0.718**	**0.717**	**0.637**	**0.636**
Earnings per share (euros) from discontinued operations	**(0.003)**	**(0.003)**	**(0.011)**	**(0.011)**

(*) Net profit for the year from discontinued operations net of non-controlling interests.

54. Explanation added for translation to English

These Consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRS may not conform to other generally accepted accounting principles in other countries.

Appendix I

ADDITIONAL INFORMATION FOR 2023 IN RELATION TO GROUP COMPANIES, JOINT ARRANGEMENTS AND ASSOCIATES OF THE IBERDROLA GROUP

The percentages of direct or indirect stakes that Iberdrola, S.A. holds in its subsidiaries across its different businesses are shown below. The percentage of votes on the decision-making bodies of those subsidiaries, which are controlled by IBERDROLA, essentially corresponds to the percentage of ownership.

(*) The accounting method used in each company is as follows:

FC: Full consolidation
EM: Equity method

Company	**Address**	**Activity**	**% of direct or indirect stake**		**Method (*)**
			31.12.2023	**31.12.2022**	
SPAIN					
Aixeindar, S.A.	Spain	Energy	60	60	FC
Anselmo León Distribución, S.L. (1)	Spain	Energy	100	100	FC
Anselmo León Hidráulica, S.L. (1)	Spain	Energy	100	100	EM
Balantia Energy Solutions & Technologies S.L. (formerly Balantia Consultores, S.L.)	Spain	Services	100	20.64	FC
Biocantaber, S.L.	Spain	Energy	50	50	EM
Bionor Eólica, S.A.	Spain	Energy	57	57	FC
Biovent Energía, S.A.	Spain	Energy	95	95	FC
Boreas Wind, S.L.	Spain	Energy	100	100	FC
Cantaber Generación Eólica, S.L.	Spain	Energy	69.01	69.01	FC
Charging Together, S.L.	Spain	Services	50	—	EM
Ciener, S.A.U.	Spain	Energy	100	100	FC
Cogeneración Gequisa, S.A.	Spain	Energy	50	50	EM
Curenergía Comercializador de Último Recurso, S.A.U.	Spain	Retail supplier	100	100	FC
Dehesa Solar Sur, S.L.	Spain	Energy	100	100	FC
Desarrollo de Energías Renovables de La Rioja, S.A. (2)	Spain	Energy	63.55	63.55	EM
Desarrollos Fotovoltaicos Fuentes, S.L.	Spain	Energy	100	100	FC
Desarrollos Renovables Alcocero de Mola, S.L.	Spain	Energy	100	100	FC
Desarrollos Renovables Caparacena, S.L.	Spain	Energy	100	100	FC
Desarrollos Renovables Escatrón, S.L.	Spain	Energy	100	100	FC
Desarrollos Renovables Fuendetodos, S.L.	Spain	Energy	100	100	FC
Desarrollos Renovables FV Laguna, S.L.	Spain	Energy	100	—	FC
Desarrollos Renovables FV Lanza, S.L.	Spain	Energy	100	—	FC
Desarrollos Renovables FV Olmedillla, S.L.	Spain	Energy	51	—	FC
Desarrollos Renovables FV Romeral, S.L.	Spain	Energy	51	—	FC
Desarrollos Renovables FV Teruel, S.L.	Spain	Energy	100	—	FC
Desarrollos Renovables Peñarubia, S.L.	Spain	Energy	100	100	FC
Desarrollos Renovables Tagus, S.L.	Spain	Energy	100	100	FC
Desarrollos Renovables Trinidad, S.L.	Spain	Energy	100	100	FC
Desarrollos Renovables Villamanrique, S.L.	Spain	Energy	100	100	FC
Dudia Energy Concept Lab, S.L.U.	Spain	Services	100	—	FC
Ecobarcial, S.A. (2)	Spain	Energy	43.78	43.78	EM
Ekienea, S.L.	Spain	Energy	75	75	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Electra Sierra de los Castillos, S.L.	Spain	Energy	97	97	FC
Eléctrica Conquense Distribución, S.A.	Spain	Energy	53.59	53.59	FC
Eléctrica Conquense, S.A.	Spain	Holding company	53.59	53.59	FC
Eléctricas de la Alcarria, S.L.	Spain	Energy	90	90	FC
Eme Hueneja Cuatro, S.L.	Spain	Energy	100	100	FC
Enercrisa, S.A.	Spain	Energy	50	50	EM
Energía de Castilla y León, S.A.	Spain	Energy	85.5	85.5	FC
Energía Portátil Cogeneración, S.A.	Spain	Energy	50	50	EM
Energías Ecológicas de Tenerife, S.A. (3)	Spain	Energy	50	50	FC
Energías Eólicas de Cuenca, S.A.U.	Spain	Energy	51	100	FC
Energías Renovables Cespedera, S.L.	Spain	Energy	100	100	FC
Energías Renovables Cornicabra, S.L.	Spain	Energy	100	100	FC
Energías Renovables de Belona, S.L.	Spain	Energy	100	100	FC
Energías Renovables de Circe, S.L.	Spain	Energy	100	100	FC
Energías Renovables de Febe, S.L.	Spain	Energy	100	100	FC
Energías Renovables de Hermes, S.L.	Spain	Energy	100	100	FC
Energías Renovables de la Región de Murcia, S.A.U.	Spain	Energy	100	100	FC
Energías Renovables de Tione, S.L.	Spain	Energy	100	100	FC
Energías Renovables Espliego, S.L.	Spain	Energy	100	100	FC
Energías Renovables Ibermap, S.L.	Spain	Energy	51	20	FC
Energías Renovables Jungla Verde, S.L.	Spain	Energy	51	100	FC
Energías Renovables Poleo, S.L.	Spain	Energy	100	100	FC
Energías Renovables Romeo, S.L.	Spain	Energy	51	—	FC
Energías Verdes de Tenerife, S.L. (3)	Spain	Energy	50	50	FC
Energyworks Aranda, S.L.	Spain	Energy	99	99	FC
Energyworks Carballo, S.L.	Spain	Energy	99	99	FC
Energyworks Cartagena, S.L.	Spain	Energy	99	99	FC
Energyworks Fonz, S.L.	Spain	Energy	100	100	FC
Energyworks Milagros, S.L.	Spain	Energy	100	100	FC
Energyworks Monzón, S.L.	Spain	Energy	100	100	FC
Energyworks San Millán, S.L.	Spain	Energy	100	100	FC
Energyworks Villarrobledo, S.L.	Spain	Energy	99	99	FC
Energyworks Vit-Vall, S.L.	Spain	Energy	99	99	FC
Eólica 2000, S.L.	Spain	Energy	51	51	FC
Eólica Campollano, S.A. (2)	Spain	Energy	25	25	EM
Eólicas de Euskadi, S.A.U.	Spain	Energy	100	100	FC
Fincalia Agropecuaria siglo XXI, S.A.	Spain	Energy	100	100	FC
Fincalia Agropecuaria, S.A.	Spain	Energy	100	100	FC
Fotovoltaica Varadero, S.L.	Spain	Energy	100	100	FC
Fudepor, S.L.	Spain	Energy	50	50	EM
Fuendetodos Promotores 400, S.L. (5)	Spain	Energy	12.99	12.99	—
Gestión de Evacuación de la Serna, S.L.	Spain	Energy	11.18	14.79	EM
Iberdrola Clientes Internacional, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Clientes, S.A.U.	Spain	Retail supplier	100	100	FC
Iberdrola Cogeneración, S.L.U.	Spain	Holding company	100	100	FC
Iberdrola Energía España, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Energía Sostenible España, S.L.	Spain	Holding company	100	100	FC
Iberdrola Generación Nuclear, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Generación Térmica, S.L.U.	Spain	Energy	100	100	FC
Iberdrola Generación, S.A.U.	Spain	Energy	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Iberdrola Operación y Mantenimiento, S.A.U.	Spain	Services	100	100	FC
Iberdrola Redes España, S.A.	Spain	Holding company	100	100	FC
Iberdrola Renovables Galicia, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Renovables Andalucía, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Renovables Aragón, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Renovables Canarias, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Renovables Castilla – La Mancha, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Renovables Castilla y León, S.A.	Spain	Energy	95	95	FC
Iberdrola Renovables Energía, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Renovables Internacional, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Renovables La Rioja 2, S.A.	Spain	Energy	63.55	63.55	FC
Iberdrola Renovables La Rioja, S.A. (2)	Spain	Energy	63.55	63.55	EM
Iberdrola Servicios Energéticos, S.A.U.	Spain	Retail supplier	100	100	FC
Iberduero, S.L.U.	Spain	Energy	100	100	FC
Iberenova Promociones, S.A.U.	Spain	Energy	100	100	FC
Iberjalón, S.A.	Spain	Energy	80	80	FC
ICARO Renovables. S.A.	Spain	Energy	100	100	FC
I-DE Redes Eléctricas Inteligentes, S.A.U.	Spain	Energy	100	100	FC
Infraestructuras de Evacuación Los Arenales, S.L.	Spain	Energy	50	50	EM
Iniciativas Eólicas Cantabria, S.L.	Spain	Energy	60	60	FC
Intermalta Energía, S.A.	Spain	Energy	50	50	EM
Ir Redes de Calor y Frío, S.L.	Spain	Services	50	50	EM
Linea Curacavas, S.L.	Spain	Energy	24.05	24.05	EM
Llanos Pelaos Fotovoltaica, S.L.	Spain	Energy	75	75	FC
Minicentrales del Tajo, S.A.	Spain	Energy	80	80	FC
Molinos de la Rioja, S.A. (2)	Spain	Energy	63.55	63.55	EM
Molinos del Cidacos, S.A.	Spain	Energy	63.55	63.55	FC
Nuclenor, S.A.	Spain	Energy	50	50	EM
Parque Eólico Capiechamartin, S.L.	Spain	Energy	100	100	FC
Parque Eólico Cordel y Vidural, S.L.	Spain	Energy	100	100	FC
Parque Eólico Cruz de Carrutero, S.L.	Spain	Energy	76	76	FC
Parque Eólico Encinillas, S.L.	Spain	Energy	100	100	FC
Parque Eólico Panondres, S.L.	Spain	Energy	100	100	FC
Parque Eólico Verdigueiro, S.L.	Spain	Energy	100	100	FC
Parque Solar Cáceres, S.L.	Spain	Energy	100	100	FC
Parques Eólicos Alto de Layna, S.L.	Spain	Energy	51	20	FC
Peache Energías Renovables, S.A.	Spain	Energy	95	95	FC
Peninsular Cogeneración, S.A.	Spain	Energy	50	50	EM
Producciones Energéticas Asturianas, S.L.	Spain	Energy	80	80	FC
Producciones Energéticas de Castilla y León, S.A. (2)	Spain	Energy	85.5	85.5	EM
Productos y Servicios de Confort, S.A.	Spain	Services	100	100	FC
Promotores Caparacena 400, S.L.	Spain	Energy	45.62	—	EM
Promotores Renovables Fuentes de la Alcarria, S.L.	Spain	Energy	39.95	39.95	EM
Proyecto Nuñez de Balboa, S.L.	Spain	Energy	100	100	FC
Proyecto Solar Francisco Pizarro, S.L.	Spain	Energy	100	100	FC
Puerto Rosario Solar 2, S.L.	Spain	Energy	75	75	FC
Puerto Rosario Solar 3, S.L.	Spain	Energy	75	75	FC
PV I Ataulfo, S.L.	Spain	Energy	100	100	FC
Renovables de Buniel, S.L.	Spain	Energy	75	75	FC
Renovables de la Ribera, S.L. (3)	Spain	Energy	50	50	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Sistemas Energéticos Altamira, S.A.U.	Spain	Energy	51	20	FC
Sistemas Energéticos Chandrexa, S.A.	Spain	Energy	96.07	96.07	FC
Sistemas Energéticos de la Linera, S.A.U.	Spain	Energy	51	20	FC
Sistemas Energéticos del Moncayo, S.A.	Spain	Energy	75	75	FC
Sistemas Energéticos Finca San Juan, S.L.	Spain	Energy	100	—	FC
Sistemas Energéticos Jaralón, S.A.	Spain	Energy	100	100	FC
Sistemas Energéticos La Gomera, S.A.U.	Spain	Energy	51	20	FC
Sistemas Energéticos La Higuera, S.A.	Spain	Energy	55	55	FC
Sistemas Energéticos La Muela, S.A.	Spain	Energy	80	80	FC
Sistemas Energéticos Loma del Viento, S.A.	Spain	Energy	51	100	FC
Sistemas Energéticos Mas Garullo, S.A.	Spain	Energy	78	78	FC
Sistemas Energéticos Nacimiento, S.A.U.	Spain	Energy	51	20	FC
Sistemas Energéticos Serra de Lourenza, S.A.	Spain	Energy	100	100	FC
Sistemas Energéticos Tacica de Plata, S.A.U.	Spain	Energy	51	20	FC
Sistemas Energéticos Torralba, S.A.	Spain	Energy	60	60	FC
Sistemas Eólicos de Muño, S.L.	Spain	Energy	75	75	FC
Sistemes Energetics Savalla del Comtat, S.A.U.	Spain	Energy	51	20	FC
Solar Majada Alta, S.L.	Spain	Energy	50.1	50.1	FC
Sotavento Galicia, S.A. (4)	Spain	Energy	8	8	EM
Tarragona Power, S.L.U.	Spain	Energy	100	100	FC
UNITED KINGDOM					
Blaenau Gwent Solar, Ltd.	United Kingdom	Energy	100	100	FC
Bryn Henllys SF, Ltd.	United Kingdom	Energy	100	100	FC
Celtpower, Ltd.	United Kingdom	Energy	50	50	EM
Coldham Windfarm, Ltd.	United Kingdom	Energy	80	80	FC
Cumberhead West Wind Farm, Ltd.	United Kingdom	Energy	100	72	FC
Douglas West Extension, Ltd.	United Kingdom	Energy	72	72	FC
Down Barn Farm SF, Ltd.	United Kingdom	Energy	100	100	FC
East Anglia Offshore Wind, Ltd.	United Kingdom	Energy	50	50	EM
East Anglia One North Ltd.	United Kingdom	Energy	100	100	FC
East Anglia One, Ltd.	United Kingdom	Energy	60	60	FC
East Anglia Three, Ltd.	United Kingdom	Energy	100	100	FC
East Anglia Two Ltd.	United Kingdom	Energy	100	100	FC
Grafton Underwood Solar, Ltd.	United Kingdom	Energy	100	100	FC
Hagshaw Hill Repowering, Ltd.	United Kingdom	Energy	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Longney Solar, Ltd.	United Kingdom	Energy	100	100	FC
MachairWind, Ltd.	United Kingdom	Energy	100	100	FC
Milltown Airfiled Solar PV, Ltd.	United Kingdom	Energy	100	100	FC
Morecambe Wind, Ltd.	United Kingdom	Energy	50	50	EM
NGET/SPT Upgrades, Ltd.	United Kingdom	Energy	50	50	EM
Pipplepen Solar, Ltd.	United Kingdom	Energy	100	—	FC
Ranksborough Solar, Ltd.	United Kingdom	Energy	100	100	FC
Scottish Power Energy Networks Holdings, Ltd.	United Kingdom	Holding company	100	100	FC
Scottish Power Retail Holdings Ltd.	United Kingdom	Holding company	100	100	FC
ScottishPower (DCL), Ltd.	United Kingdom	Energy	100	100	FC
ScottishPower (SCPL), Ltd.	United Kingdom	Energy	100	100	FC
ScottishPower Energy Management (Agency), Ltd.	United Kingdom	Energy	100	100	FC
ScottishPower Energy Management, Ltd.	United Kingdom	Energy	100	100	FC
ScottishPower Energy Retail, Ltd.	United Kingdom	Retail supplier	100	100	FC
ScottishPower Generation (Assets), Ltd	United Kingdom	Energy	100	100	FC
ScottishPower Renewable Energy, Ltd.	United Kingdom	Holding company	100	100	FC
ScottishPower Renewables (WODS), Ltd.	United Kingdom	Energy	100	100	FC
ScottishPower Renewables UK, Ltd.	United Kingdom	Energy	100	100	FC
SP Dataserve, Ltd.	United Kingdom	Debt management	100	100	FC
SP Distribution, Plc.	United Kingdom	Energy	100	100	FC
SP Manweb, Plc.	United Kingdom	Energy	100	100	FC
SP Network Connections, Ltd.	United Kingdom	General-use connections	100	100	FC
SP Power Systems, Ltd.	United Kingdom	Asset Management Services	100	100	FC
SP Smart Meter Assets, Ltd.	United Kingdom	Other	100	100	FC
SP Manweb, Plc.	United Kingdom	Energy	100	100	FC
Sparrow Lodge Solar, Ltd.	United Kingdom	Energy	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Speyslaw Solar, Ltd.	United Kingdom	Energy	100	100	FC
Thurlaston Solar, Ltd.	United Kingdom	Energy	100	100	FC
Tuckey Farm Solar, Ltd.	United Kingdom	Energy	100	100	FC
Wood Lane Solar, Ltd.	United Kingdom	Energy	100	100	FC
UNITED STATES					
12 Mile Solar, LLC	United States	Energy	81.5	81.5	FC
Aeolus Wind Power VII, LLC	United States	Energy	81.5	81.5	FC
Aeolus Wind Power VIII, LLC	United States	Energy	81.5	81.5	FC
Atlantic Renewable Energy Corporation	United States	Holding company	81.5	81.5	FC
Atlantic Renewable Projects II, LLC	United States	Holding company	81.5	81.5	FC
Atlantic Renewable Projects, LLC	United States	Holding company	81.5	81.5	FC
Atlantic Wind, LLC	United States	Holding company	81.5	81.5	FC
Aurora Solar, LLC	United States	Energy	81.5	81.5	FC
Avangrid Arizona Renewables, LLC	United States	Energy	81.5	81.5	FC
Avangrid Enterprises, Inc.	United States	Holding company	81.5	81.5	FC
Avangrid Logistic Services, LLC	United States	Services	81.5	81.5	FC
Avangrid Management Company, LLC	United States	Services	81.5	81.5	FC
Avangrid Networks. Inc.	United States	Holding company	81.5	81.5	FC
Avangrid New York TransCo, LLC	United States	Holding company	81.5	81.5	FC
Avangrid Renewables Holdings, Inc.	United States	Holding company	81.5	81.5	FC
Avangrid Renewables, LLC	United States	Holding company	81.5	81.5	FC
Avangrid Service Company	United States	Services	81.5	81.5	FC
Avangrid Solutions, Inc.	United States	Other	81.5	81.5	FC
Avangrid Texas Renewables, LLC	United States	Energy	81.5	81.5	FC
Avangrid Vineyard Wind Holdings, LLC	United States	Holding company	81.5	81.5	FC
Avangrid Vineyard Wind, LLC	United States	Holding company	81.5	81.5	FC
Avangrid, Inc.	United States	Holding company	81.5	81.5	FC
Bakeoven Solar, LLC	United States	Energy	81.5	81.5	FC
Barton Windpower, LLC	United States	Energy	81.5	81.5	FC
Berkshire Energy Resources	United States	Holding company	81.5	81.5	FC
Big Horn II Wind Project, LLC	United States	Energy	81.5	81.5	FC
Big Horn Wind Project, LLC	United States	Energy	81.5	81.5	FC
Blue Creek Wind Farm, LLC	United States	Energy	81.5	81.5	FC
Bluebird Solar Power, LLC	United States	Energy	81.5	81.5	FC
Bright Mountain Solar, LLC	United States	Energy	81.5	81.5	FC
Buffalo Ridge I, LLC	United States	Energy	81.5	81.5	FC
Buffalo Ridge II, LLC	United States	Energy	81.5	81.5	FC
Camino Solar, LLC	United States	Energy	81.5	81.5	FC
Casselman Wind Power, LLC	United States	Energy	81.5	81.5	FC
Central Maine Power Company	United States	Energy	81.5	81.5	FC
Chester SVC Partnership (3)	United States	Energy	40.75	40.75	FC
CMP Group, Inc.	United States	Holding company	81.5	81.5	FC
CNE Energy Services Group, LLC	United States	Services	81.5	81.5	FC
CNE Peaking, LLC	United States	Services	81.5	81.5	FC
Colorado Green Holdings, LLC	United States	Energy	81.5	81.5	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Commonwealth Wind, LLC	United States	Energy	81.5	81.5	FC
Connecticut Energy Corporation	United States	Holding company	81.5	81.5	FC
Connecticut Natural Gas Corporation	United States	Gas	81.5	81.5	FC
Coyote Ridge Wind, LLC (4)	United States	Energy	16.3	16.3	EM
CTG Resources, Inc.	United States	Holding company	81.5	81.5	FC
Daybreak Solar, LLC	United States	Energy	81.5	81.5	FC
Deer River Wind, LLC	United States	Energy	81.5	81.5	FC
Deerfield Wind, LLC	United States	Energy	81.5	81.5	FC
Desert Wind Farm, LLC	United States	Energy	81.5	81.5	FC
Dillon Wind, LLC	United States	Energy	81.5	81.5	FC
Eagle Solar Energy Center, LLC	United States	Energy	81.5	81.5	FC
El Cabo Partners, LLC	United States	Energy	81.5	81.5	FC
El Cabo Wind Holdings, LLC	United States	Holding company	81.5	81.5	FC
El Cabo Wind, LLC	United States	Energy	81.5	81.5	FC
Elk River Wind Farm, LLC	United States	Energy	81.5	81.5	FC
Elm Creek Wind II, LLC	United States	Energy	81.5	81.5	FC
Elm Creek Wind, LLC	United States	Energy	81.5	81.5	FC
Empire Solar Power, LLC	United States	Energy	81.5	81.5	FC
Farmers City Wind, LLC	United States	Energy	81.5	81.5	FC
Flat Rock Windpower II, LLC	United States	Energy	40.75	40.75	EM
Flat Rock Windpower, LLC	United States	Energy	40.75	40.75	EM
Flying Cloud Power Partners, LLC	United States	Energy	81.5	81.5	FC
Flying Cow Wind, LLC	United States	Energy	81.5	81.5	FC
Fountain Wind, LLC	United States	Energy	81.5	81.5	FC
GCE Holding, LLC	United States	Holding company	40.75	40.75	EM
GenConn Devon, LLC	United States	Energy	40.75	40.75	EM
GenConn Energy, LLC	United States	Holding company	40.75	40.75	EM
GenConn Middletown, LLC	United States	Energy	40.75	40.75	EM
Golden Hills Wind Farm, LLC	United States	Energy	81.5	81.5	FC
Goodland Wind, LLC	United States	Energy	81.5	81.5	FC
Great Bear Linka, LLC	United States	Energy	81.5	81.5	FC
Great Bear Solar, LLC	United States	Energy	81.5	81.5	FC
Groton Wind, LLC	United States	Energy	81.5	81.5	FC
Hardscrabble Wind Power, LLC	United States	Energy	81.5	81.5	FC
Hay Canyon Wind, LLC	United States	Energy	81.5	81.5	FC
Heartland Wind, LLC	United States	Energy	81.5	81.5	FC
Helix Wind Power Facility, LLC	United States	Energy	81.5	81.5	FC
Imperial Wind, LLC	United States	Energy	81.5	81.5	FC
Juniper Canyon Wind Power II, LLC	United States	Energy	81.5	81.5	FC
Juniper Canyon Wind Power, LLC	United States	Energy	81.5	81.5	FC
Jupiter Hydrogen. LLC	United States	Energy	81.5	81.5	FC
Kalina Solar, LLC	United States	Energy	81.5	81.5	FC
Karankawa Wind, LLC	United States	Energy	81.5	81.5	FC
Kitty Hawk North, LLC	United States	Energy	81.5	—	FC
Kitty Hawk Wind, LLC	United States	Energy	81.5	81.5	FC
Klamath Energy, LLC	United States	Energy	81.5	81.5	FC
Klamath Generation, LLC	United States	Energy	81.5	81.5	FC
Klondike Wind Power II, LLC	United States	Energy	81.5	81.5	FC
Klondike Wind Power III, LLC	United States	Energy	81.5	81.5	FC
Klondike Wind Power, LLC	United States	Energy	81.5	81.5	FC
La Joya Bond, LLC	United States	Other	81.5	81.5	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
La Joya Wind, LLC	United States	Energy	81.5	81.5	FC
Lakeview Cogeneration, LLC	United States	Energy	81.5	81.5	FC
Leaning Juniper Wind Power II, LLC	United States	Energy	81.5	81.5	FC
Leipsic Wind, LLC	United States	Energy	81.5	81.5	FC
Lempster Wind, LLC	United States	Energy	81.5	81.5	FC
Locust Ridge II, LLC	United States	Energy	81.5	81.5	FC
Locust Ridge Wind Farms, LLC	United States	Energy	81.5	81.5	FC
Loma Vista, LLC	United States	Energy	81.5	81.5	FC
Loowit Battery Storage, LLC	United States	Other	81.5	81.5	FC
Lund Hill Solar, LLC	United States	Energy	81.5	81.5	FC
Maine Electric Power Company, Inc.	United States	Energy	63.8	63.8	FC
Maine Natural Gas Corporation	United States	Gas	81.5	81.5	FC
Maine Yankee Atomic Power Company (5)	United States	Other	30.97	30.97	—
MaineCom Services	United States	Telecoms	81.5	81.5	FC
Manzana Power Services, Inc.	United States	Services	81.5	81.5	FC
Manzana Wind, LLC	United States	Energy	81.5	81.5	FC
Midland Wind, LLC	United States	Energy	81.5	81.5	FC
Milky Way Solar, LLC	United States	Energy	81.5	81.5	FC
Minndakota Wind, LLC	United States	Energy	81.5	81.5	FC
Mohawk Solar, LLC	United States	Energy	81.5	81.5	FC
Montague Solar, LLC	United States	Energy	81.5	81.5	FC
Montague Wind Power Facility, LLC	United States	Energy	81.5	81.5	FC
Moraine Wind II, LLC	United States	Energy	81.5	81.5	FC
Moraine Wind, LLC	United States	Energy	81.5	81.5	FC
Mount Pleasant Wind, LLC	United States	Energy	81.5	81.5	FC
Mountain View Power Partners III, LLC	United States	Energy	81.5	81.5	FC
NECEC Transmission, LLC	United States	Energy	81.5	81.5	FC
New England Wind, LLC	United States	Energy	81.5	81.5	FC
New Harvest Wind Project, LLC	United States	Energy	81.5	81.5	FC
New York State Electric & Gas Corporation	United States	Electricity and Gas	81.5	81.5	FC
NM Green Holdings, Inc	United States	Holding company	81.5	81.5	FC
Northern Iowa WindPower II, LLC	United States	Energy	81.5	81.5	FC
NORVARCO	United States	Holding company	81.5	81.5	FC
Oregon Trail Solar, LLC	United States	Energy	81.5	81.5	FC
Osagrove Flat Solar, LLC	United States	Energy	81.5	81.5	FC
Osagrove Flats Wind, LLC	United States	Energy	81.5	81.5	FC
Otter Creek Wind Farm, LLC	United States	Energy	81.5	81.5	FC
Pacific Wind Development, LLC	United States	Energy	81.5	81.5	FC
Park City Wind, LLC	United States	Energy	81.5	81.5	FC
Patriot Wind Farm, LLC	United States	Energy	81.5	81.5	FC
Patriot Wind Holdings, LLC	United States	Holding company	81.5	81.5	FC
Patriot Wind TE Holdco, LLC	United States	Holding company	81.5	81.5	FC
Pebble Springs Wind, LLC	United States	Energy	81.5	81.5	FC
Phoenix Wind Power, LLC	United States	Energy	81.5	81.5	FC
Pontotoc Wind, LLC	United States	Energy	81.5	—	FC
Poseidon Solar, LLC	United States	Energy	40.75	40.75	EM
Poseidon Wind, LLC	United States	Energy	40.75	40.75	EM
Powell Creek Linka, LLC	United States	Energy	81.5	81.5	FC
Powell Creek Solar, LLC	United States	Energy	81.5	81.5	FC
PPM Colorado Wind Ventures, Inc.	United States	Holding company	81.5	81.5	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
PPM Roaring Brook, LLC	United States	Energy	81.5	81.5	FC
PPM Technical Services, Inc.	United States	Services	81.5	81.5	FC
PPM Wind Energy, LLC	United States	Energy	81.5	81.5	FC
Providence Heights Wind, LLC	United States	Energy	81.5	81.5	FC
RGS Energy Group, Inc.	United States	Holding company	81.5	81.5	FC
Rochester Gas and Electric Corporation	United States	Electricity and Gas	81.5	81.5	FC
Rugby Wind, LLC	United States	Energy	81.5	81.5	FC
San Luis Solar, LLC	United States	Energy	81.5	81.5	FC
ScottishPower Financial Services, Inc.	United States	Dormant	81.5	81.5	FC
ScottishPower Group Holdings Company	United States	Holding company	81.5	81.5	FC
Shiloh I Wind Project, LLC	United States	Energy	81.5	81.5	FC
Solar Star Oregon II, LLC	United States	Energy	81.5	81.5	FC
Solis Solar Power I, LLC	United States	Energy	81.5	81.5	FC
South Chestnut, LLC	United States	Energy	81.5	81.5	FC
St. Croix Valley Solar, LLC	United States	Energy	81.5	81.5	FC
Stagecoach Sunshine, LLC	United States	Energy	81.5	81.5	FC
Star Point Wind Project, LLC	United States	Energy	81.5	81.5	FC
Streator Cayuga Ridge Wind Power, LLC	United States	Energy	81.5	81.5	FC
Sunset Solar, LLC	United States	Energy	81.5	81.5	FC
Tatanka Ridge Wind. LLC (4)	United States	Energy	12.23	12.23	EM
The Berkshire Gas Company	United States	Gas	81.5	81.5	FC
The Southern Connecticut Gas Company (SCG)	United States	Gas	81.5	81.5	FC
The Union Water Power Company	United States	Services	81.5	81.5	FC
The United Illuminating Company	United States	Energy	81.5	81.5	FC
Total Peaking Services, LLC	United States	Services	81.5	81.5	FC
Tower Solar, LLC	United States	Energy	81.5	81.5	FC
Trimont Wind I, LLC	United States	Energy	81.5	81.5	FC
True North Solar, LLC	United States	Energy	81.5	81.5	FC
Tule Wind, LLC	United States	Energy	81.5	81.5	FC
Twin Buttes Wind, LLC	United States	Energy	81.5	81.5	FC
Twin Buttes Wind II, LLC	United States	Energy	81.5	81.5	FC
UIL Distributed Resources	United States	Services	81.5	81.5	FC
UIL Group, LLC	United States	Holding company	81.5	81.5	FC
UIL Holdings Corporation	United States	Holding company	81.5	81.5	FC
United Resources, Inc.	United States	Holding company	81.5	81.5	FC
Victory landing Solar, LLC	United States	Energy	81.5	81.5	FC
Vineyard Wind 1 Pledgor, LLC	United States	Energy	40.75	40.75	EM
Vineyard Wind 1, LLC	United States	Energy	40.75	40.75	EM
Vineyard Wind Management Company, LLC	United States	Holding company	40.75	40.75	EM
Vineyard Wind Shareco, LLC	United States	Energy	40.75	40.75	EM
Vineyard Wind Sponsor Partners 1, LLC	United States	Energy	40.75	40.75	EM
Vineyard Wind TE Partners, LLC	United States	Holding company	40.75	40.75	EM
West Valley Leasing Company, LLC (5)	United States	Energy	81.5	81.5	—
Wild Grains Solar, LLC	United States	Energy	81.5	81.5	FC
Winnebago Windpower II, LLC	United States	Energy	81.5	81.5	FC
Winnebago Windpower, LLC	United States	Energy	81.5	81.5	FC
Wyeast Solar, LLC	United States	Energy	81.5	81.5	FC

MEXICO

Hidrola I, S.L.U.	Spain	Holding company	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
BII NEE Stipa Energía Eólica, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC
Cinergy, S.A. de C.V.	Mexico	Services	100	100	FC
Corporativo Iberdrola Renovables México, S.A. de C.V.	Mexico	Services	100	100	FC
Encon Monterrey, S.A. de C.V.	Mexico	Energy	100	—	FC
Energías Renovables Venta III, S.A. de C.V.	Mexico	Energy	100	100	FC
Enertek, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC
Eólica Dos Arbolitos S.A. de C.V.	Mexico	Energy	100	100	FC
Green Park Energy, S.A. de C.V.	Mexico	Energy	100	—	FC
Iberdrola Clientes, S.A. de C.V.	Mexico	Retail supplier	100	100	FC
Iberdrola Cogeneración Altamira, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Cogeneración Bajío, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Cogeneración Ramos, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Energía Altamira de Servicios, S.A. de C.V.	Mexico	Services	100	100	FC
Iberdrola Energía Altamira, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Energía Baja California, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Energía del Golfo, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Energía Escobedo, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Energía La Laguna, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC
Iberdrola Energía Monterrey, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC
Iberdrola Energía Noroeste, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Energía Tamazunchale, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC
Iberdrola Energía Topolobampo, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Generación México, S.A. de C.V.	Mexico	Holding company	100	100	FC
Iberdrola Generación, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola México, S.A. de C.V.	Mexico	Holding company	100	100	FC
Iberdrola Renovables Centro, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Renovables del Bajío, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Renovables México, S.A. de C.V.	Mexico	Holding company	100	100	FC
Iberdrola Renovables Noroeste, S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Servicios Corporativos, S.A. de C.V.	Mexico	Services	100	100	FC
Iberdrola Soporte a Proyectos Liberalizados, S.A. de C.V.	Mexico	Services	100	100	FC
Iberdrola Soporte a Proyectos Renovables, S.A. DE C.V.	Mexico	Services	100	100	FC
Parque de Generación Renovable, S.A. de C.V.	Mexico	Energy	100	100	FC
Parque Industrial de Energía Renovables, S.A. de C.V.	Mexico	Energy	51	51	FC
Parques Ecológicos de México, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC
Pier II Quecholac Felipe Ángeles, S.A. de C.V.	Mexico	Energy	51	51	FC
Servicios Administrativos Tamazunchale, S.A. de C.V.	Mexico	Services	100	100	FC
Servicios de Operación Eoloeléctrica de México, S.A. de C.V.	Mexico	Services	100	100	FC
Servicios de Operación La Laguna, S.A. de C.V.	Mexico	Services	100	100	FC
Servicios Industriales y Administrativos del Noreste, S.R.L. de C.V.	Mexico	Services	51.12	51.12	FC
Soporte de Generación Eficiente, S.A. de C.V	Mexico	Energy	100	—	FC
Tamazunchale Energía, S.A.P.I. de C.V.	Mexico	Energy	100	100	FC

BRAZIL

Company	**Address**	**Activity**	**% of direct or indirect stake**		**Method (*)**
			31.12.2023	**31.12.2022**	
Afluente Transmissao de Energia Elétrica, S.A.	Brazil	Energy	56.72	56.72	FC
Arizona 1 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Bahia PCH II, S.A. Bahía Pequeña C. Hidroeléctrica	Brazil	Energy	53.5	53.5	FC
Belo Monte Participações S.A	Brazil	Holding company	53.5	53.5	FC
Bonito 1 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Bonito 10 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	53.5	—
Bonito 11 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	53.5	—
Bonito 2 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Bonito 3 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Bonito 4 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Bonito 5 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Bonito 6 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Bonito 7 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	53.5	—
Bonito 8 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	53.5	—
Bonito 9 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	53.5	—
Caetité 1 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Caetité 2 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Caetité 3 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Calango 1 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Calango 2 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Calango 3 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Calango 4 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Calango 5 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Calango 6 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Calango Solar 1 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Calango Solar 2 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Canoas 2 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Canoas 3 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Canoas 4 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Canoas Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Chafariz 1 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Chafariz 2 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Chafariz 3 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Chafariz 4 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Chafariz 5 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Chafariz 6 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Chafariz 7 Energia renovavel, S.A.	Brazil	Energy	53.5	53.5	FC
Companhia de Eletricidade do Estado do Bahia, S.A.	Brazil	Energy	52.93	52.93	FC
Companhia Energética de Pernambuco, S.A.	Brazil	Energy	53.5	53.5	FC
Companhia Energetica do Rio Grande do Norte, S.A. (3)	Brazil	Energy	49.78	49.78	FC
EKTT 10 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	53.5	53.5	FC
EKTT 8 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	53.5	53.5	FC
EKTT 9 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	53.5	53.5	FC
Elektro Comercializadora de Energia Ltda.	Brazil	Retail supplier	53.5	53.5	FC
Elektro Operaçao e Manutençao, Ltda.	Brazil	Services	53.5	53.5	FC
Elektro Redes, S.A.	Brazil	Energy	53.33	53.33	FC
Elektro Renováveis do Brasil, S.A.	Brazil	Energy	53.5	53.5	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Energias Renováveis do Brasil, S.A.	Brazil	Energy	53.5	53.5	FC
Energética Águas da Pedra, S.A.	Brazil	Energy	53.5	27.29	FC
Energética Corumbá III, S.A. [4]	Brazil	Energy	13.38	13.38	EM
FE Participaçoes, S.A.	Brazil	Energy	53.5	53.5	FC
Força Eolica do Brasil 1, S.A.	Brazil	Energy	53.5	53.5	FC
Força Eolica do Brasil 2, S.A.	Brazil	Energy	53.5	53.5	FC
Geraçao Ceu Azul, S.A.	Brazil	Energy	53.5	53.5	FC
Geraçao CIII, S.A.	Brazil	Holding company	53.5	53.5	FC
Itapebí Geraçao de Energia, S.A.	Brazil	Energy	53.5	53.5	FC
Lagoa 1 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Lagoa 2 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Lagoa 3 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Lagoa 4 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Luzia 1 Energia Renovável S.A. [5]	Brazil	Energy	53.5	53.5	—
Luzia 2 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Luzia 3 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
Mel 2 Energia Renovável, S.A.	Brazil	Energy	53.5	53.5	FC
NC Energia, S.A.	Brazil	Retail supplier	53.5	53.5	FC
Neoenergia Atibaia Transmissão de Energía, S.A.	Brazil	Energy	26.75	53.5	EM
Neoenergia Biguaçu Transmissão de Energía S.A.	Brazil	Energy	26.75	53.5	EM
Neoenergia Comerc GD S.A. (formerly Riachão 15 Energia Renovável S.A.)	Brazil	Energy	26.75	53.5	—
Neoenergia DistribuiçÃo Brasília S.A.	Brazil	Energy	53.5	53.5	FC
Neoenergia Dourados Transmissão de Energía S.A.	Brazil	Energy	26.75	53.5	EM
Neoenergia Guanabara Transmissão de Energía S.A.	Brazil	Energy	53.5	53.5	FC
Neoenergia Investimentos S.A.	Brazil	Holding company	53.5	53.5	FC
Neoenergia Itabapoana Transmissão de Energía S.A.	Brazil	Energy	53.5	53.5	FC
Neoenergia Jalapão Transmissão de Energía S.A.	Brazil	Energy	26.75	53.5	EM
Neoenergia Lagoa dos Patos Transmissão de Energía S.A.	Brazil	Energy	53.5	53.5	FC
Neoenergia Morro do Chapéu Transmissão de Energia S.A. (formerly EKTT 7 Serviços de Transmissão de Energia Elétrica SPE S/A)	Brazil	Energy	53.5	53.5	FC
Neoenergia Operaçao e Manutençao S.A.	Brazil	Services	53.5	53.5	FC
Neoenergia Renováveis S.A.	Brazil	Holding company	53.5	53.5	FC
Neoenergia Rio Formoso Transmissão e Energia S.A. (formerly EKTT 6 Serviços de Transmissão de Energia Elétrica SPE S/A)	Brazil	Energy	26.75	53.5	EM
Neoenergia S.A.	Brazil	Holding company	53.5	53.5	FC
Neoenergia Santa Luzia Transmissão de Energía S.A.	Brazil	Energy	26.75	53.5	EM
Neoenergia Servicios, Ltd.	Brazil	Services	53.5	53.5	FC
Neoenergia Sobral Transmissão de Energía S.A.	Brazil	Energy	26.75	53.5	EM
Neoenergia Transmissora 11 SPE S.A.	Brazil	Energy	53.5	—	FC
Neoenergia Transmissora S.A.	Brazil	Energy	26.75	—	EM
Neoenergia Vale do Itajaí Transmissão de Energía S.A.	Brazil	Energy	53.5	53.5	FC
Norte Energia S.A. [4]	Brazil	Energy	5.35	5.35	EM
Oitis 1 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 10 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 2 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 21 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 22 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Oitis 23 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Oitis 24 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Oitis 25 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 26 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 27 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Oitis 28 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	—
Oitis 3 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 4 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 5 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 6 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 7 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 8 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Oitis 9 Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Potiguar Sul Transmissao de Energia S.A.	Brazil	Energy	53.5	53.5	FC
Riachão 1 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 10 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 11 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 12 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 13 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 14 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 2 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 3 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 4 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 5 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 6 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 7 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 8 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
Riachão 9 Energia Renovável S.A. (5)	Brazil	Energy	53.5	53.5	—
S.E. Narandiba S.A.	Brazil	Energy	26.75	53.5	EM
Santana 1, Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Santana 2, Energia Renovável S.A.	Brazil	Energy	53.5	53.5	FC
Termopernambuco S.A.	Brazil	Energy	53.5	53.5	FC
Ventos de Arapuá 1 Energia renovavel S.A.	Brazil	Energy	53.5	53.5	FC
Ventos de Arapuá 2 Energia renovavel S.A.	Brazil	Energy	53.5	53.5	FC
Ventos de Arapuá 3 Energia renovavel S.A.	Brazil	Energy	53.5	53.5	FC
ROW					
Aalto Power, GmbH.	Germany	Energy	100	100	FC
Baltic Eagle, GmbH.	Germany	Energy	51	100	FC
Iberdrola Deutschland, GmbH.	Germany	Holding company	100	—	FC
Iberdrola Energy Deutschland, GmbH.	Germany	Retail supplier	100	100	FC
Iberdrola Renovables Deutschland, GmbH.	Germany	Energy	100	100	FC
Iberdrola Renovables Development Deutschland, GmbH.	Germany	Energy	100	100	FC
Iberdrola Strom, GmbH.	Germany	Energy	100	—	FC
Solarpark Boldekow, GmbH & Co KG	Germany	Energy	100	—	FC
Solarpark Schadewohl, GmbH & Co KG	Germany	Energy	100	—	FC
Solarpark ZaD, GmbH & Co KG	Germany	Energy	100	—	FC
Wikinger Offshore Deutschland Verwaltungs, GmbH.	Germany	Energy	51	—	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Wikinger Offshore Deutschland, GmbH & Co KG (formerly Iberdrola Renovables Offshore Deutschland, GmbH.)	Germany	Energy	51	51	FC
Windanker, GmbH.	Germany	Energy	100	100	FC
Avonlie Solar Project Co PTY, Ltd.	Australia	Energy	100	100	FC
Bluff Solar Farm PTY, Ltd.	Australia	Energy	100	100	FC
Bodangora Wind Farm PTY, Ltd.	Australia	Energy	100	100	FC
Bogan River Solar Farm PTY, Ltd.	Australia	Energy	100	100	FC
Bowen Solar Farm PTY, Ltd.	Australia	Energy	100	100	FC
BWF Finance PTY, Ltd.	Australia	Financial	100	100	FC
BWF Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Capital East Solar PTY, Ltd.	Australia	Energy	100	100	FC
Capital Solar Farm PTY, Ltd.	Australia	Energy	100	100	FC
Capital Wind Farm (BB), Trust	Australia	Dormant	100	100	FC
Capital Wind Farm 2 PTY, Ltd.	Australia	Energy	100	100	FC
Capital Wind Farm Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
CREP Land Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
CS CWF, Trust	Australia	Dormant	100	100	FC
Flyers Creek Wind Farm PTY, Ltd.	Australia	Energy	100	100	FC
Forsayth Wind Farm, PTY, Ltd.	Australia	Energy	50	50	EM
Iberdrola Australia (NSW) Power Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia (SA) Power Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia (US) 2 PTY, Ltd.	Australia	Dormant	100	100	FC
Iberdrola Australia (US) PTY, Ltd.	Australia	Dormant	100	100	FC
Iberdrola Australia Custodian Services PTY, Ltd.	Australia	Services	100	100	FC
Iberdrola Australia Development Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia Development PTY, Ltd.	Australia	Energy	100	100	FC
Iberdrola Australia Energy Markets PTY, Ltd.	Australia	Retail supplier	100	100	FC
Iberdrola Australia Enterprises PTY, Ltd.	Australia	Energy	100	100	FC
Iberdrola Australia Europe 2 PTY, Ltd.	Australia	Dormant	100	100	FC
Iberdrola Australia Europe 4 PTY, Ltd.	Australia	Dormant	100	100	FC
Iberdrola Australia Finance PTY, Ltd.	Australia	Financial	100	100	FC
Iberdrola Australia Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia Investments 2 PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia Investments PTY, Ltd.	Australia	Services	100	100	FC
Iberdrola Australia OW Holdings PTY, Ltd.	Australia	Holding company	100	—	FC
Iberdrola Australia OW PTY, Ltd.	Australia	Energy	100	—	FC
Iberdrola Australia OW 2 Holdings PTY, Ltd.	Australia	Holding company	100	—	FC
Iberdrola Australia OW 2 PTY, Ltd.	Australia	Energy	100	—	FC
Iberdrola Australia RE, Ltd.	Australia	Services	100	100	FC
Iberdrola Australia SAGT PTY, Ltd.	Australia	Gas	100	100	FC
Iberdrola Australia Services Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia Services PTY, Ltd.	Australia	Services	100	100	FC
Iberdrola Australia Smart Energy Solutions PTY, Ltd. (formerly Autonomous Energy PTY, Ltd.)	Australia	Energy	100	100	FC
Iberdrola Australia Smithfield Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia T Services PTY, Ltd.	Australia	Services	100	100	FC
Iberdrola Australia US Holdings PTY, Ltd.	Australia	Dormant	100	100	FC
Iberdrola Australia Wallgrove Holdings PTY, Ltd.	Australia	Holding company	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Iberdrola Australia Wallgrove PTY, Ltd.	Australia	Other	100	100	FC
Iberdrola Australia, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia, Trust (formerly Infigen Energy, Trust)	Australia	Dormant	100	100	FC
Iberdrola Renewables Australia PTY, Ltd.	Australia	Energy	100	100	FC
Infigen Suntech Australia PTY, Ltd.	Australia	Energy	50	50	EM
Lake Bonney BESS PTY, Ltd.	Australia	Other	100	100	FC
Lake Bonney Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Lake Bonney Wind Power PTY, Ltd.	Australia	Energy	100	100	FC
Parep 1 PTY, Ltd.	Australia	Energy	100	100	FC
Parep Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Renewable Power Ventures PTY, Ltd.	Australia	Energy	100	100	FC
RPV Developments PTY, Ltd. (2)	Australia	Energy	32	32	EM
Smithfield BESS PTY, Ltd.	Australia	Other	100	—	FC
Smithfield Land Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Smithfield Power Generation PTY, Ltd.	Australia	Gas	100	100	FC
Walkaway Wind Power PTY, Ltd.	Australia	Energy	100	100	FC
Woakwine Wind Farm PTY, Ltd.	Australia	Energy	100	100	FC
Woodlawn Wind PTY, Ltd.	Australia	Energy	100	100	FC
WWCS Finance PTY, Ltd.	Australia	Financial	100	100	FC
WWCS Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
WWP Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Renewables Bulgaria, EOOD.	Bulgaria	Energy	100	100	FC
Rokas Aeoliki Cyprus, Ltd.	Cyprus	Energy	74.94	74.82	FC
Iberdrola Renewables Korea Co, Ltd.	Korea	Energy	100	100	FC
Iberdrola Solutions, LLC	United States	Retail supplier	100	100	EM
Infigen Energy US Corporation	United States	Dormant	100	100	FC
Infigen Energy US Development Corporation	United States	Dormant	100	100	FC
Infigen Energy US Holdings, LLC	United States	Dormant	100	100	FC
Infigen Energy US Partnership	United States	Dormant	100	100	FC
NPP LB2, LLC	United States	Dormant	100	100	FC
NPP Projects I, LLC	United States	Dormant	100	100	FC
NPP Projects V, LLC	United States	Dormant	100	100	FC
Aalto Power GmbH France, S.A.R.L.	France	Energy	100	100	FC
Aerodis Bussière, S.A.S.	France	Energy	100	100	FC
Aerodis Herbitzheim, S.A.S.	France	Energy	100	100	FC
Aerodis les Chaumes, S.A.R.L.	France	Energy	100	100	FC
Aerodis Pays de Boussac, S.A.R.L.	France	Energy	100	100	FC
Ailes Marine, S.A.S.	France	Energy	100	100	FC
Energies du Champs des Sœurettes, S.A.S.	France	Energy	100	100	FC
Iberdrola Développement Renouvelable Agrivoltaïque, S.A.S.	France	Energy	100	100	FC
Iberdrola Développement Renouvelable, S.A.R.L.	France	Energy	100	100	FC
Iberdrola Energie France, S.A.S.	France	Retail supplier	100	100	FC
Iberdrola France, S.A.S. (formerly Iberdrola Renouvelables France, S.A.S.)	France	Energy	100	100	FC
Iberdrola Renouvelables, S.A.S. (formerly Aalto Power, S.A.S.)	France	Energy	100	100	FC
La Croix Didier, S.A.R.L.	France	Energy	100	100	FC
La Pièce du Roi, S.A.R.L.	France	Energy	100	100	FC
SEPE Aerodis Chambonchard, S.A.S.	France	Energy	100	100	FC
SEPE de Beauchamps, S.A.S.	France	Energy	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
SEPE de Bougueneuf, S.A.S..	France	Energy	100	100	FC
SEPE de Kerien, S.A.S.	France	Energy	51	—	FC
SEPE de Plemy, S.A.S.	France	Energy	100	100	FC
SEPE de Plouguenast Langast, S.A.S.	France	Energy	100	100	FC
SEPE de Sevigny, S.A.S.	France	Energy	100	100	FC
SEPE du Rocher de Mementu, S.A.S.	France	Energy	100	100	FC
SEPE le Florembeau, S.A.R. L.	France	Energy	100	100	FC
SEPE le Fond d'Etre, S.A.R.L.	France	Energy	100	100	FC
SEPE les Coutures, S.A.S.	France	Energy	100	100	FC
Societe D'exploitation Du Parc Eolien les Neufs Champs, S.A.S.	France	Energy	100	100	FC
Societe D'exploitation Eolienne D'Orvilliers, S.A.S.	France	Energy	100	100	FC
Aeliared Energy Aetolias Single Member S.A.	Greece	Energy	99.92	99.76	FC
C. Rokas Industrial Commercial Company, S.A.	Greece	Holding company	99.92	99.76	FC
PPC Renewables Rokas, S.A.	Greece	Energy	50.96	50.88	FC
Rokas Aeoliki Thraki III, S.A.	Greece	Energy	99.9	99.61	FC
Rokas Construction, S.A.	Greece	Energy	99.92	99.76	FC
Rokas Hydroelectric, S.A.	Greece	Energy	99.92	99.76	FC
Thaleia Energeiaki Monoprosopi Ikei	Greece	Energy	99.92	99.76	FC
Iberdrola Renovables Magyarorszag, KFT.	Hungary	Energy	100	100	FC
Clarus Offshore Wnd Farm. Ltd.	Ireland	Energy	90	90	FC
DP Irish Offshore Wind Ltd.	Ireland	Energy	90	90	FC
Iberdrola Ireland, Ltd	Ireland	Retail supplier	100	100	FC
Iberdrola Renewables Ireland, Ltd.	Ireland	Energy	100	100	FC
Inis Ealga Marine Energy Park, Ltd.	Ireland	Energy	90	90	FC
Shelmalere Offshore Wind Farm, Ltd.	Ireland	Energy	90	90	FC
Fattoria Solare Sarmato, S.R.L	Italy	Energy	100	100	FC
Green Frogs Montalto, S.R.L.	Italy	Energy	100	100	FC
Green Frogs Tarquinia, S.R.L.	Italy	Energy	100	0	FC
Iberdrola Clienti Italia, S.R.L.	Italy	Retail supplier	100	100	FC
Iberdrola Renovables Italia, S.p.A.	Italy	Holding company	100	100	FC
IBVI 1, S.R.L.	Italy	Energy	100	—	FC
Icube Renewables, S.R.L.	Italy	Energy	50	50.00	EM
Limes 10, S.R.L.	Italy	Energy	100	—	FC
Limes 15, S.R.L.	Italy	Energy	100	—	FC
Societá Energie Rinnovabili 2, S.p.A. (2)	Italy	Energy	50	50	EM
Aomori-Seihoku-Oki Offshore Wind Godo Kaisha	Japan	Energy	34.9	34.9	EM
Iberdrola Renewables Japan, K.K.	Japan	Energy	100	100	FC
Saga Offshore Wind Power K.K.	Japan	Energy	50	50	EM
Satsuma Offshore Wind Power K.K.	Japan	Energy	50	50	EM
Infigen Energy Finance (Lux), SARL	Luxembourg	Dormant	100	100	FC
Infigen Energy Holdings, SARL	Luxembourg	Dormant	100	100	FC
Infigen Energy (Malta), Ltd.	Malta	Dormant	100	100	FC
Iberdrola Renouvelables Maroc, S.A.R.L.	Morocco	Energy	100	100	FC
Iberdrola Renewables Norway, AS	Norway	Energy	100	100	FC
Iberdrola Renewables Polska, Z.O.O.	Poland	Energy	100	100	FC
Monsoon Energy, SP Z.O.O.	Poland	Energy	100	—	FC
Passat Energy, SP Z.O.O.	Poland	Energy	100	100	FC
Pon-Therm Farma Wólka Dobryńska, SP Z.O.O.	Poland	Energy	100	—	FC
Sea Wind Genaker, SP Z.O.O. (1)	Poland	Energy	70	70	EM
Sea Wind Kliwer, SP Z.O.O. (1)	Poland	Energy	70	70	EM

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Sea Wind Spinaker. SP Z.O.O. (1)	Poland	Energy	70	70	EM
Southern Windfarm, SP Z.O.O.	Poland	Energy	100	100	FC
Wind Field Korytnica SP, Z.O.O.	Poland	Energy	100	100	FC
Charging Together, Unipessoal Lda.	Portugal	Services	50	—	EM
Citrobox Telecomunicações e Energías Renováveis, Lda	Portugal	Retail supplier	49	49	EM
Eoenergi Energia Eolica, S.A.	Portugal	Energy	100	100	FC
Iberdrola Clientes Portugal, Unipessoal Ltda.	Portugal	Retail supplier	100	100	FC
Iberdrola Renewables Portugal, S.A.	Portugal	Holding company	100	100	FC
Iberdrola Suporte Projecto Tâmega, Unipessoal Lda.	Portugal	Energy	100	100	FC
Ibertâmega – Sistema Electroprodutor Do Tâmega, S.A.	Portugal	Energy	100	100	FC
P. E. da Serra do Alvao, S.A.	Portugal	Energy	100	100	FC
Sunshining, S.A.	Portugal	Energy	50	50	EM
Eolica Dobrogea One, S.R.L.	Romania	Energy	100	100	FC
Iberdrola Renewables Romania, S.R.L.	Romania	Holding company	100	100	FC
Iberdrola Renewables Singapore Pte, Ltd.	Singapore	Energy	100	100	FC
Iberdrola Renewables South Africa (PTY), Ltd.	South Africa	Energy	100	100	FC
Iberdrola Förnybar Sverige AB	Sweden	Energy	100	100	FC
Iberdrola Renewables Taiwan, Ltd.	Taiwan	Energy	100	100	FC
Iberdrola Renewables Operation Vietnam Limited Company	Vietnam	Energy	100	100	FC
Iberdrola Renewables Vietnam Limited Company	Vietnam	Energy	100	100	FC

OTHER BUSINESSES

Engineering

Iberdrola Ingeniería de Explotación, S.A.U.	Spain	Engineering	100	100	FC
Iberdrola Ingeniería y Construcción, S.A.U.	Spain	Engineering	100	100	FC
Iberdrola Construçao e Serviços, Ltd.	Brazil	Engineering	100	100	FC
Iberdrola Energy Projects Canada Corporation	Canada	Engineering	100	100	FC
Iberdrola Energy Projects, Inc.	United States	Engineering	100	100	FC
Iberdrola Ingeniería y Construcción México, S.A. de C.V.	Mexico	Engineering	100	100	FC
Iberdrola Engineering and Construction South Africa	South Africa	Engineering	100	100	FC

Real Property

Arrendamiento de Viviendas Protegidas Siglo XXI, S.L.	Spain	Real Property	100	100	FC
Camarate Golf, S.A. (2)	Spain	Real Property	26	26	EM
Iberdrola Inmobiliaria Patrimonio, S.A.U.	Spain	Real Property	100	100	FC
Iberdrola Inmobiliaria, S.A.	Spain	Real Property	100	100	FC
Iberdrola Inmobiliaria Real Estate Investment, EOOD	Bulgaria	Real Property	100	100	FC
Desarrollos Inmobiliarias Laguna del Mar, S.A. de C.V.	Mexico	Real Property	100	100	FC
Promociones La Malinche, S.A. de C.V.	Mexico	Real Property	50	50	EM

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2023	31.12.2022	
Innovation					
Aquí Tu Reforma Europa, S.L. [4]	Spain	Services	8.35	8.35	EM
Barbara IOT, S.L.. [4]	Spain	Services	10.49	10.49	EM
BasqueVolt, S.A.U. [4]	Spain	Services	14.63	14.63	EM
Carbon2nature, S.A.	Spain	Services	100	100	FC
CO2 Revolution, S.L.	Spain	Services	20	20	EM
Energyloop, S.A.	Spain	Services	45	45	EM
Exiom Solar Ibérica, S.L.	Spain	Services	20	—	EM
Fondo Seaya Andromeda Sustainable Tech Fund I F.C.R. [5]	Spain	Services	16.07	16.63	—
Inversiones Financieras Perseo, S.L.	Spain	Holding company	100	100	FC
LatemAluminium, S.L. [4]	Spain	Services	18.99	—	EM
WallBox, N.V. [4]	Spain	Services	8.21	9.95	EM
Iberdrola QSTP, LLC	Qatar	Services	100	100	FC
Kyoto Group AS [4]	Norway	Services	12.83	—	EM
Eheat Networks, Ltd.	United Kingdom	Services	100	100	FC
Other businesses					
Subgrupo Corporación IBV Participaciones Empresariales	Spain	Holding company	50	50	EM
Iberdrola Inversiones 2010, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Participaciones, S.A.U.	Spain	Holding company	100	100	FC
CORPORATE CENTRE					
Iberdrola Corporación, S.A. [5]	Spain	Other	100	100	—
Iberdrola España, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Energía, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Energía Internacional, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Financiación, S.A.U.	Spain	Financial	100	100	FC
Iberdrola Finanzas, S.A.U.	Spain	Financial	100	100	FC
Iberdrola International, B.V.	Netherlands	Financial	100	100	FC
Iberdrola Finance Ireland, DAC	Ireland	Financial	100	100	FC
Iberdrola Re, S.A.	Luxembourg	Insurance	100	100	FC
Scottish Power UK, Plc	United Kingdom	Holding company	100	100	FC
Scottish Power, Ltd.	United Kingdom	Holding company	100	100	FC
ScottishPower Overseas Holdings, Ltd.	United Kingdom	Holding company	100	100	FC
SPW Investments Ltd.	United Kingdom	Holding company	100	100	FC

[1] Companies that are controlled by the Group but due to their immateriality have been consolidated using the equity method. At 31 December 2023, the total asset value and earnings for the period corresponding to these companies amounted to EUR 37 million and EUR 3 million, respectively. At 31 December 2022, the total asset value and earnings for the period corresponding to those companies amounted to EUR 32 million and EUR 3 million, respectively.

(2) Companies considered joint ventures, accounted for using the equity method, where shareholders' agreements only grant the right to the net assets of the business.

(3) Companies at which the Group exercises control through shareholders' agreements, despite holding a percentage of voting rights of below 51%.

(4) Companies in which the Group has significant influence despite holding a percentage of voting rights of less than 20%, by virtue of seats held on those companies' boards of directors.

(5) Companies in which the Group exercises control, joint control or significant influence, but which, given their immateriality, have not been included in the consolidation scope.

JOINT OPERATIONS OF THE IBERDROLA GROUP STRUCTURED THROUGH AN INDEPENDENT VEHICLE FOR THE YEARS 2023 AND 2022

			% of direct or indirect stake	
Company	**Address**	**Activity**	**31.12.2023**	**31.12.2022**
Asociación Nuclear Ascó – Vandellós, A.I.E.	Spain	Energy	14.59	14.59
Centrales Nucleares Almaraz – Trillo, A.I.E.	Spain	Energy	51.44	51.44
Comunes Rio Carrión, S.L.	Spain	Energy	12.59	12.59
Infraestructuras de Medinaceli, S.L.	Spain	Energy	34.32	39.69
Sistema Eléctrico de Conexión Hueneja, S.L.	Spain	Energy	42.72	39.75
Torre Iberdrola, A.I.E.	Spain	Real Property	68.1	68.1
CampionWind, Ltd.	United Kingdom	Energy	50	50
Eastern Green Link 1, Ltd.	United Kingdom	Energy	50	—
MarramWind, Ltd.	United Kingdom	Energy	50	50

Additionally, the IBERDROLA Group takes part in joint operations through joint ownership and other joint agreements.

GROUP COMPANIES AT 31 DECEMBER 2022 THAT LEFT THE CONSOLIDATION SCOPE IN 2023 DUE TO DISPOSAL, MERGER OR LIQUIDATION

			% of direct or indirect stake	
Company	**Address**	**Activity**	**31.12.2023**	**31.12.2022**
Distribuidora de Energía Eléctrica Enrique García Serrano, S.L.	Spain	Energy	—	100
Distribuidora Electrica Navasfrías, S.L.	Spain	Energy	—	100
Electra de Malvana, S.A.	Spain	Energy	—	48
Electrodistribuidora Castellano-Leonesa, S.A.	Spain	Energy	—	100
Empresa Eléctrica del Cabriel, S.L.	Spain	Energy	—	100
Energy, Innovation – Research, S.A.U.	Spain	Other	—	100
Herederos María Alonso Calzada – Venta de Baños, S.L.	Spain	Energy	—	100
San Cipriano de Rueda Distribución, S.L.	Spain	Energy	—	100
Sociedad Distribuidora de Electricidad de Elorrio, S.A.	Spain	Energy	—	97.95
ScottishPower Investments, Ltd.	United Kingdom	Holding company	—	100
ScottishPower Renewables (UK Assets), Ltd	United Kingdom	Energy	—	100
SP Gas Transportation Cockenzie, Ltd.	United Kingdom	Dormant	—	100
SP Gas Transportation Hatfield, Ltd.	United Kingdom	Dormant	—	100
Cayuga Energy, Inc.	United States	Other	—	81.5
Chalkley Solar, LLC	United States	Energy	—	81.5
Nth Power Technologies Fund I, LP.	United States	Other	—	21.92
South Glens Falls Energy, LLC	United States	Energy	—	69.28
TEN Transmission Company	United States	Other	—	81.5
WGP Acquisition, LLC	United States	Dormant	—	81.5
Baguari I Geraçao de Energia Elétrica, S.A.	Brazil	Energy	—	53.5
Bahia PCH III, S.A. Bahia Geraçao de Energia	Brazil	Energy	—	53.5
Companhia Hidrelétrica Teles Pires, S.A.	Brazil	Energy	—	27.29
Lanmóvil Amara Celular da Bahia Ltd. (Lanmara)	Brazil	Other	—	65
Teles Pires Participaçoes, S.A.	Brazil	Holding company	—	27.05
Infigen Energy Europe 3 PTY, Ltd.	Australia	Dormant	—	100
Lake Bonney 2 Holdings PTY, Ltd.	Australia	Dormant	—	100
Kioi Offshore Wind Power K.K.	Japan	Energy	—	50

Appendix II

SECTOR REGULATIONS: MOST SIGNIFICANT REGULATORY DEVELOPMENTS IN THE YEAR

A raft of new rules and regulations affecting the energy sector were enacted in 2023. This Appendix addresses the most significant developments.

1. European Union

In 2023, most of the proposals in the Fit for 55 legislative package were formalised. This initiative, launched in July 2021, aims to define targets and tools for 2030 that are consistent with climate neutrality by 2050.

The Commission has also put forward new proposals in two key areas.

On 2 February, the European Commission published a Communication titled 'A Green Deal Industrial Plan for the Net-Zero Age'. This paper sets out the EU's response to the US Inflation Reduction Act, which heavily subsidises local industry involved in the energy transition.

Besides a review of the State aid framework, the EU Industrial Plan features regulatory measures such as a Net-Zero Industry Act, aimed at promoting European technological autonomy for the energy transition, and a Critical Raw Materials Act, aimed at securing the supply of materials needed for such technologies. Both bills are at an advanced stage of development.

Furthermore, in connection with both the considerable investment required for the transition and the need to seek a harmonised approach following the experience of the Ukraine crisis, the Commission has proposed a fine-tuning of the design of the electricity market. The main objectives of the reform are: to facilitate open forward purchases of renewable energies and their integration into the market with support through contracts for differences; to increase the liquidity of forward markets; to promote flexibility through demand-side participation; to encourage investment in storage; and to stimulate forward-looking investment in grids.

A policy understanding between Council and Parliament on market design was reached by the end of 2023. The reform is to be formally ratified and published in the OJEU in the first few months of 2024.

Among the European legislation published in the OJEU in 2023, the following can be highlighted:

1. National plans and anti-crisis measures

- Commission Notice on the Guidance to Member States for the update of the 2021-2030 national energy and climate plans 2022/C 495/02 (OJEU 29 December 2023). The Notice sets out Guidance for the submission by Member States of updates to their NECPs in accordance with the EU REPower Plan (agreed in 2023 to accelerate the achievement of the 2030 targets and the EU's independence from Russian gas). The proposal for the Spanish NECP was submitted by 30 June; the Commission's assessment was published on 18 December.

- Regulation (EU) 2023/435 of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPower EU chapters in recovery and resilience plans (OJEU 28 February 2023). The regulation sets out the mechanisms to increase funding for the REPower EU Plan by EUR 20 billion. Around 60% will come from the Innovation Fund (emission allowances made available to the Commission for auctioning for innovation and climate investments) and 40% from allowances that Member States have auctioned between 1 January 2027 and 31 December 2030. The first auctions will take place in July 2023.

- Regulation (EU) 2023/706 of 30 March 2023 extending the application of Regulation (EU) 2022/1369 of 5 August 2022. The new regulation provides for a voluntary reduction of gas demand in each state (15%) during the period 1 April 2023 to 31 March 2024. The reduction may be mandatory in the event of an emergency. However, the demand reduction target is lowered to 8% if a State demonstrates a relatively low level of interconnection that is chiefly export-oriented.

- Council Regulation (EU) 2024/223 of 22 December 2023, extending the application of Council Regulation (EU) 2022/2577, laying down a framework to accelerate the deployment of renewable energy, as covered by the Renewables Directive, until the date of transposition of the latter.

2. Carbon emissions

- Directive (EU) 2023/959 of 10 May 2023 establishing a system for greenhouse gas emission allowance trading (ETS).

    - The Directive aims to reduce emissions in the EU by 55% by 2030 (Climate Act), with the goal of achieving net-zero emissions by 2050. It raises the emission reduction target in the ETS sectors (originally, energy, industry and intra-EU aviation, comprising 40% of emissions) from 43% to 62% vs. 2005.

    - Member States must allocate 100% of auction proceeds to decarbonisation.

    - The Directive creates a new carbon market (ETS2) for fuels supplied to road transport, buildings and heat, which is independent of the current ETS1.
    - Maritime emissions are to be phased in and aviation emissions gradually toughened.

- Regulation (EU) 2023/956 of 10 May 2023 establishing a carbon border adjustment mechanism. The Regulation shifts the carbon price to EU imports of products from a selection of industrial sectors and envisages the phasing out of free allocations of emission allowances to these sectors. The foregoing is supplemented by Commission Implementing Regulation (EU) 2023/1773 of 17 August 2023.

- Regulation (EU) 2023/857 of 19 April 2023, which establishes the binding allocation between Member States of the overall commitment to reduce carbon emissions in those sectors not covered by emissions trading (transport, buildings, agriculture, part of industry and waste management, which account for 60% of total emissions).

3. Renewables and hydrogen

- Directive (EU) 2023/2413 of 18 October 2023 updating the European framework for renewable energy. The Directive raises the ambition of the renewable target from a binding 32% to a binding 42.5% (+ 2.5% additional guidance) by 2030. Ambition is increased in transport, and new targets are set for scaling up renewables in industry and buildings.

- Commission Delegated Regulations (EU) 2023/1184 and (EU) 2023/1185 of 10 February 2023 establish procedures and a Union methodology setting out detailed rules for the production of renewable liquid and gaseous transport fuels of non-biological origin (hydrogen derivatives) and their impact on greenhouse gas emissions. This legislation is necessary to enable the deployment of the production of renewable hydrogen and its by-products.

4. Energy efficiency

- Directive (EU) 2023/1791 of 13 September 2023 on energy efficiency, which sets a binding EU target final energy consumption savings by 2030 of 21.2% with respect to 2021 (guidance of 24.3% of primary energy consumption) and promotes electrification.

- Commission Delegated Regulation (EU) 2023/807 of 15 December 2022 on revising the primary energy factor for electricity so as to promote electrification.

5. Mobility

- Regulation (EU) 2023/851 of 19 April 2023 on carbon dioxide emissions from new passenger cars and light commercial vehicles. The Regulation establishes a gradual reduction of emissions from light commercial vehicles, until their total elimination in 2035 (end of the registration of fossil-fuelled internal combustion vehicles).

- Regulation (EU) 2023/1804 of 13 September 2023 on the deployment of alternative fuels infrastructure, which sets national targets for charging facilities at roads, ports and airports, covering electric, hydrogen and LNG charging facilities.

- Regulation (EU) 2023/1805 of 13 September 2023 on the use of renewable and low-carbon fuels for maritime transport, which sets limits on specific emissions from ships departing from, arriving in or remaining in European ports (up to 80% between 2020 and 2050) and requires ships in port to be connected to the onshore power supply (OPS).

- Regulation (EU) 2023/2405 of 18 October 2023 establishing new sustainable fuel blending obligations for aviation (minimum of 70% sustainable fuel by 2050).

6. Sustainable finance

- Regulation (EU) 2023/2631 of 22 November 2023 setting the standard for the issuance and registration of European green bonds.

- Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023, which complements the Corporate Sustainability Reporting Directive and provides the necessary standards for its application as from 1 January 2024.

2. Spain

At the beginning of 2023, the crisis resulting from the invasion of Ukraine was still being felt, with a first quarter of high gas prices. This caused some volatility in the electricity markets. However, throughout the rest of the year energy prices gradually stabilised and began to fall.

Nevertheless, the Spanish Government chose to keep in place most of the interventions introduced in 2022 to mitigate the effects of the crisis:

- extension of rebates on taxes (VAT and excise tax) and electricity system charges and suspension of the tax on electricity generation until December 2023;

- extension of the EUR 67/MWh electricity selling price limit for infra-marginal production (RDL 6/2022 and RDL 18/2022), also until December 2023;

- extension of the Iberian exception (or "gas cap") mechanism until 31 December 2023 under RDL 3/2023, which also updated the gas reference price path. Although it remains in effect, it has not been activated since February 2023;

- continued extension of the scope and discount rate of the electricity "social bonus" for vulnerable consumers until 31 December 2023 (RDL 18/2022).

- The temporary tax on energy companies' revenue is retained, with the possibility of tax relief for strategic investments in transition measures (RDL 08/2023).

Cost reduction and social protection measures were also continued in other energy sub-sectors: tax reductions for natural gas consumers, limiting the increase in the last resort tariff for natural gas, special gas tariffs for homeowners' associations, measures to reduce energy demand, etc.

Key regulatory developments unrelated to the price crisis included:

- Small-scale consumer reform (RD 446/2023) to index prices to forward signals.

- Order TED/296/2023 of 27 March, establishing contributions to the National Energy Efficiency Fund for 2023. The Order provides an option to voluntarily meet up to 40% of the annual savings requirement through energy savings certificates in Q3 and Q4 2023.

- Energy savings certificate (*certificado de ahorro energético*, or CAE for short) scheme (RD 36/2023), as a means of proving total or partial compliance with energy saving requirements.

- The provisional remuneration of distribution grids for 2023 was approved. This will be calculated using the 2019 tariff until the correct amount is recalculated in accordance with the various court rulings that affect calculation of the baseline value for 2016.

- The 80% reduction in tolls for electricity-intensive customers funded by contributions from the Spanish national budget and surpluses from previous years remains unchanged.

- Charges for 2023 were reduced by 6% due to use of surplus amounts from previous years' assessments.

- In April, RD 314/2023 was adopted, regulating closed distribution networks that allow for the supply of electricity to customers undertaking related industrial activities in close proximity to each other.

- In June, Order TED/567/2023 was issued for the first call for access to the regulatory testbed (sandboxes), to which i-DE sent its proposals.

In 2023, public consultation began on the proposed Circular establishing the methodology and terms and conditions for grid access and connection for demand facilities and the draft decision establishing the methodology for calculating the adjustment to be made to the annual remuneration of electricity transmission and distribution companies for the use of fibre optics. Iberdrola has submitted comments to both consultations.

Furthermore, in December, the process was opened for the specific modification of the 2021-2026 electricity planning and the planning of the transmission grid for the 2026-2030 period. Iberdrola will also take part in these processes.

On another front, 2023 also saw negotiations towards the new EU Electricity Market Design, which was another of the regulatory drivers in the year:

- The process for the creation of a capacity mechanism is under way. Under this umbrella, MITECO launched a public consultation on a draft decision setting the value of the lost load (VOLL) and the reliability standard (RS).
- The regulatory basis was published for renewable production incentives for cogeneration and waste treatment.
- The 7th Radioactive Waste Management Plan was approved. The plan estimates an increase of EUR 2,000 million in future costs for plant decommissioning and waste treatment.

Support for renewable energies

RD 5/2023 of 28 June adapted the administrative milestones for renewable facilities to the supply chain situation triggered by the war in Ukraine for facilities that have been granted access permits after 1 January 2018. The regulation provides for a six-month extension of the period granted to holders of access permits for electricity generation and storage facilities who have obtained access permits after that date to prove that they have obtained construction authorisation.

Meanwhile, RDL 8/2023 extends the milestones (dates) set for the construction of renewable plants with access and connection permits already granted.

Lastly, Order TED 741/2023 was approved, updating the parameters of the specific remuneration regime for the 2023-2025 semi-period.

3. United Kingdom

Energy Act: The Energy Bill (which was introduced to Parliament in the summer of 2022) received Royal Assent on 26 October 2023. The main provisions of the legislation are: (i) to promote low carbon hydrogen production by facilitating the introduction of a new business support model and a possible funding levy for this on gas shippers, (ii) to establish a new independent Future System Operator, providing strategic oversight across electricity and gas systems during the Net Zero transition, (iii) to provide powers for a new obligation to be placed on fossil fuel boiler manufacturers to scale up their production of heat pumps over time, and (iv) to provide for the introduction of competition in onshore electricity networks. In the later legislative stages of the Energy Bill, the Government also added provisions which will have the effect of placing a new "Net Zero duty" on the energy sector regulator, Ofgem (Office of Gas and Electricity Markets), requiring it to take into account the Government's legal obligation to deliver the 2050 Net Zero emissions target under the Climate Change Act 2008 and, on a pathway towards this, to meet the five yearly carbon budgets set under that legislation.

Tariff cap: As required under the Domestic Gas and Electricity (Tariff Cap) Act 2018, Ofgem implemented a new price cap for default tariffs, including Standard Variable Tariffs (SVTs), on 1 January 2019. The price cap was originally updated every 6 months, but in order to mitigate the impact of market volatility Ofgem has maintained a quarterly update cycle for the cap over the last year. Prices paid by customers have been capped by the Government's Energy Price Guarantee (EPG) which will expire at the end of March 2024. Ofgem has committed to Government to find a way of equalising Direct Debit and Prepayment Meter tariffs from April 2024 and is consulting on a levelisation/reconciliation mechanism to achieve this in a way that avoids competitive distortions between suppliers. The next price cap announcement (February 23rd) will include a decision from Ofgem on an additional price cap allowance for bad debt incurred between April 2022 and March 2024. Ofgem also launched a review of the operating costs allowance in the price cap in May 2023 which is ongoing.

Contracts for Difference: As part of its programme of annual Contracts for Difference (CfD) auctioning for renewable generation, the Government plans to run a new auction (i.e. CfD Allocation Round 6) in 2024 and published "core auction" parameters for this Allocation Round on 16 November 2023. This included a much higher administrative strike price (ASP) of £73/MWh (in 2012 prices) for fixed bottom offshore wind – representing a 66% increase on the ASP in Allocation Round 5, as well as the re-introduction of a separate Pot 3 in the forthcoming auction for fixed bottom offshore wind, there were no bids for this in Round 5. These steps were taken with a view to getting back on track with deploying offshore wind at scale in the UK and progressing towards the Government's ambition of 50 GW offshore wind by 2030. However, further auction parameters remain to be published in 2024 ahead of Allocation Round 6.

Electricity generation levy: The Electricity Generator Levy (EGL) came into effect on 1 January 2023, implementing a 45% levy on merchant electricity generation revenues from renewable (and nuclear) generation above an annual benchmark of £75/MWh (with inflation indexation based on CPI) until 31 March 2028. At the 2023 Autumn Statement, the Chancellor announced that the UK Government will introduce legislation for a new exemption under the EGL, covering 'new projects' for which the substantive decision to proceed is made on or after 22 November 2023. This new exemption is expected to be legislated for in the current Finance Bill.

Reform of Capital Allowances regime: In the 2023 Spring Budget, the Chancellor introduced "full expensing" under the capital allowances regime on a time-limited basis, running from 1 April 2023 to 31 March 2026. This support for investment was further extended at the 2023 Autumn Statement with the Chancellor announcing that "full expensing" would now be put on a permanent basis.

Accelerated Transmission Infrastructure: Ofgem decided in December 2022 to launch a new Accelerated Strategic Transmission Investment (ASTI) framework. The framework assesses, funds and incentivises the accelerated delivery of circa £20 billion of large, strategic onshore transmission projects (GB wide) required to deliver the government's ambition to connect up to 50GW of offshore wind generation to the network by 2030. The aim is to remove regulatory barriers and accelerate delivery of these projects, including provisionally exempting projects from competition models, subject to TOs' ability to meet delivery dates. In August 2023, Ofgem published its decision to modify SPEN's licence conditions in order to introduce the framework.

Grid connections: In response to growing concern over the backlog of project seeking to connect to the grid, the Government appointed Nick Winser in July as the UK's first Electricity Networks Commissioner. His report, published in August 2023 concluded that new power lines can be built in half the time of current timescales, and confirmed that while challenging, speeding up the delivery of strategic electricity transmission lines is "vital and achievable." He put forward a set of 18 recommendations to reduce current timescales for delivering onshore transmission network infrastructure to 7 years to help deliver energy security and net zero more quickly. In November 2023 the UK Government published its Transmission Acceleration Action Plan in response to Nick Winser's report. The Action Plan seeks to halve the end-to-end build time of electricity transmission network infrastructure, from 14 to 7 years. The Plan also sets out new proposals for community benefits, including the potential for eligible households to receive bill discounts of up to £10,000 over ten years. Alongside this, a joint Government and Ofgem "Connections Action Plan" sets out reforms which the Government estimate will reduce overall connection delays from five years to six months, and could free up over 100 GW of capacity. The implementation of this action plan will be overseen by a new Ofgem-chaired Connections Delivery Board.

4. US law and regulations

Biden Administration

President Biden continued efforts to enhance federal investment in clean energy and critical infrastructure through new regulatory actions, including guidance for Inflation Reduction Act implementation. The environment and economy continue to be the focus of his administration, with a particular emphasis on deploying clean energy investments and U.S. based manufacturing. In October, the U.S. Department of Energy announced up to $3.46 billion in Grid Resilience and Innovation Partnerships (GRIP) Programme investments for 58 projects across 44 states to strengthen electric grid resilience and reliability across America. This included a $30M smart grid award for Avangrid subsidiary Central Maine Power. A second round of funding for this Programme was announced in November with up to $3.9 billion available in awards.

The Treasury Department issued supplemental guidance on the provisions of the Inflation Reduction Act (IRA), and announced its priorities for IRA guidance through mid-2024. The Treasury is in the process of issuing guidelines on the hydrogen production tax, regulations on tax credits for subsea cables and onshore substations and marine stations with bonus tax credits for "energy communities" and "domestic content". These are expected to be confirmed sometime before mid-2024.

Congress

In June, Congress and the White House negotiated the Fiscal Responsibility Act of 2023, a budget reconciliation bill includes reforms to the permitting process. The bill amended the National Environmental Policy Act (NEPA) requirements for detailed statements on federal actions affecting the environment, narrowing agency considerations to address environmental effects that are “reasonably foreseeable.” The bill also clarified some ambiguous definitions and introduced deadlines for agency feedback to try to address permitting bottlenecks. It was seen as an important first step in permitting reform but did not address all issues.

Permitting reform continues to be a priority for lawmakers. Several bills have been introduced and legislators are working to bring on bipartisan supporters, but no major action was taken in 2023. Republicans see reform as a way to reduce consumer costs and increase economic growth, while Democrats acknowledge that easing permitting requirements for electricity transmission and renewable infrastructure, are crucial for accelerating clean energy deployment.

FERC

In July, FERC issued an Interconnection Final Rule to reform procedures and agreements that electric transmission providers use to integrate new generating facilities into the existing transmission system.

In December, FERC issued a decision in favour of Avangrid Renewables, LLC (Renewables), an indirect, wholly-owned subsidiary of Avangrid, in the litigation related to the California energy crisis of 2000-2001.

It is expected that in 2024 Commission will issue a final transmission planning rule in the coming months, and also said that FERC is exploring steps to increase interregional transmission.

Maine – Rate Case

On June 6, 2023, the Maine Public Utility Commission approved a Stipulation Agreement for Central Maine Power (CMP) in its entirety. The Stipulation allows for a two-year forward looking rate plan based on a 9.35% ROE and 50% equity ratio with increases to occur in four equal levelized amounts every six months beginning on July 1, 2023. The Stipulation also includes 50% earnings sharing for annual earnings in excess of 100 basis points of CMP’s allowed ROE.

New York – Rate Case

On June 14, 2023, NYSEG and RG&E filed, along with the DPS Staff and 7 other parties (supporting in full or in-part), a Joint Proposal (2023 JP) settlement for a three-year rate plan with the NYPSC with the requisite make-whole revenue adjustments to accommodate rates in effect as of May 1, 2023 and continuing through April 30, 2026.

The allowed rate of return on common equity (ROE) for NYSEG Electric, NYSEG Gas, RG&E Electric and RG&E Gas is 9.20%. The common equity ratio for each Business is 48.00%. The 2023 JP also includes earnings sharing bands for earnings in excess of 50 basis points of the 9.20% ROE utilizing an equity ratio of 50.00%.

On October 12, 2023 the NYPSC issued a final decision, approximately 2 months after the end of the process and after extensive participation, in which the rate case was approved.

Connecticut

On August 25, 2023, UI received a final decision for a term of one year with new rates commencing on September 1, 2023. CT PURA determined that the appropriate allowed return on equity is 9.10% but reduced the allowed ROE by an aggregate of 47 basis points to 8.63%, subject to certain conditions and timelines, to address performance and management issues. The common equity ratio is 50.00% as requested. The final decision includes 50% earnings sharing for annual earnings in excess of the allowed ROE.

On September 18, 2023, UI filed an appeal at the Superior Court of Connecticut. We cannot predict the outcome of this matter.

On November 1, 2023, Connecticut Natural Gas (CNG") and Southern Connecticut Gas ("SCG") filed rate cases with CT PURA seeking revenue increases of $20M and $41M, respectively. CNG and SCG premised their requests on 55% and 53% equity layers, respectively, and both requested a 10.2% ROE. They used calendar-2022 test years with adjustments through the rate year ending October 31, 2025. The main drivers of the request include the recovery of capital investments and higher costs since the last rate case, including O&M, depreciation, and property tax. They also request to continue their revenue decoupling and earnings-sharing mechanisms. New rates are expected to go into effect November 1, 2024. We cannot predict the outcome of this matter.

5. Mexico

Reform of the Electricity Industry Act

This reform, issued in March 2021, seeks to prioritise the energy generated by the federal electricity commission (*Comisión Federal de Electricidad*, CFE) over energy produced by other generators. In 2021, a group of senators filed an action of unconstitutionality. The Federal Economic Competition Commission also raised a constitutional dispute.

The Supreme Court of Justice of the Nation (SCJN) examined both appeals. In April 2022, it concluded that there were insufficient grounds to declare the reform unconstitutional. However, implementation of the reform remained suspended due to injunctions with general effect granted to individuals.

Subsequently, the Second Chamber of the SCJN took up some of the appeals. On 31 January 2024, it upheld the injunction granted at first instance with general effects for all industry participants. The decision will serve as a guide for the courts in deciding on the remaining actions for injunctive relief brought by companies.

T-MEC consultation on Mexico's energy policy

In July 2022, the United States and Canada announced a T-MEC consultation with the Mexican government on possible infringements of energy commitments, particularly in the areas of electricity, petroleum products and natural gas. In 2023, it was reported that the Mexican Government and its counterparts had held talks and consultations were ongoing. The outcome of the consultations is expected to be announced in 2024.

Power balancing market (Spanish "MBP") in production year 2022

The MBP is conducted annually in February, ex post, in order for load serving entities to acquire the necessary capacity to comply with the requirements of the Energy Regulation Commission (*Comisión Reguladora de Energía*, CRE). In production year 2022, a net power price in the national grid system (SIN) of USD 149,000/MW/year was recorded; it was highest in Baja California (BCA), at USD 80,000/MW/year. This contrasts with the SIN price for 2021, which was zero. The observed increase is primarily due to the recovery of demand following the COVID-19 pandemic. In addition, the BCA and Baja California Sur systems suffered power shortfalls, continuing the trend observed in previous years.

SENER and CRE resume time limits suspended by COVID-19

On 1 March 2023, the Mexican Ministry of Energy (SENER) and the CRE resumed the time limits for formalities and procedures, which had previously been suspended due to COVID-19. SENER's time limits had been suspended since March 2020, while in the case of the CRE it dated back to January 2021. SENER's time limits have been resumed on the understanding that proceedings will be resolved according to the order in which they were submitted. For its part, the CRE initially stated that the resolution of procedures would be gradual until 2024, but in July 2023 it announced that it would reinstate the deadlines as provided for by law.

Modification to the methodology for calculating fuel-free energy

In May 2023, the CRE introduced significant changes to the methodology for accrediting efficient cogeneration and refinery-associated plants as efficient cogeneration.

The revised methodology allows fuel-free energy accreditation for a part of the energy generated by combined cycle power plants using natural gas-based production. Compliant energy will be eligible for clean energy certificates.

SENER has already applied this updated methodology in the calculation of the clean generation matrix, as outlined in the 2023-2037 national electricity system development programme (*Programa para el Desarrollo del Sistema Eléctrico Nacional*, PRODESEN). Under this programme, Mexico boosted its share of clean energy from 25.48% in 2021 to 31.2% in 2022, drawing closer to the 35% target set for 2024.

Renewables and Customers business

Sale of Iberdrola Mexico power plants

The regulatory steps required to complete the asset sale process under the binding agreement between Iberdrola Mexico and Mexico Infrastructure Partners (MIP) have been progressing smoothly. The transaction involves the sale of a portfolio of 13 power plants, including combined cycle plants and a wind farm, in exchange for USD 6,000 million. The final stage of the transaction requires the approval of the competition authority, known as Comisión Federal de Competencia Económica (Cofece), for which the necessary documentation was submitted to complete the case file.

As part of the sale agreement, permits were obtained to complete the transaction, as summarised below:

- Topolobampo III. In November, the CRE authorised a change of COD to 15 December. The plant has been in operation since 1 December of the same year.

- Enertek reconnection. On 15 December 2023, the plant was reconnected to the national electricity grid. Previously, the CRE had migrated the permit from the regime of the Public Electricity Service Law (LSPEE) to the LIE and the interconnection contract was signed with CFE Transmisión.

- Migration of additional independent power production capabilities In November, the CRE authorised the modification of the LSPEE permits to LIE for the additional capacities of Altamira III and IV, Altamira V, La Laguna and Tamazunchale I. In December, interconnection contracts were signed with CFE Transmisión.

- Reconnection of Monterrey III and IV. On 17 November, the CRE authorised the modification of the LSPEE permit to LIE terms. They are due to be reconnected in 2024.

- Migration of the Monterrey cogeneration plant (PCM) and the Dulces Nombres II power plant (DNO). The CRE authorised the modification of the LSPEE permit to LIE rules for both plants. DNO came on stream under the LIE scheme in January 2024, while PCM is expected to be operational after April 2024.

- Corporate spin-offs. In November, the CRE authorised the transfer of Cuyoaco, El Carmen, PCM and DNO permits from companies that will be transferred to MIP to newly created companies that will remain with Iberdrola.

- Migration of loads. The CRE approved the exclusion of loads at its October and November meetings. The load facilities are in the process of fulfilling the technical requirements for effective migration to be able to provide supply in the wholesale electricity market.

Resumption of operations at the Santiago Eólico wind farm

In June 2023, the CRE approved the generation permit under LIE rules. Following this, the interconnection contract and the required environmental permits were obtained. On 15 September, the facility resumed operations, having been disconnected from the national electricity grid since November 2022.

Supply of last resort

In November 2023, the Energy Regulation Commission (Comisión Reguladora de Energía, or CRE) approved the model contract and the supply of last resort tariff for Iberdrola Clientes, authorising the company to offer this service. Supply of last resort, a scheme designed for qualified users, sets maximum prices for a service provided on a temporary basis to ensure continuity of the electricity delivered in situations where a qualified service supplier would otherwise cease to provide electricity. Prior to this approval, CFE Suministro Básico and CFE Calificados were the only entities authorised to provide this service.

Efficient cogeneration accreditation In July 2023, the CRE granted IBERDROLA Cogeneration Altamira (PCA), Bajío (PCB) and Ramos (PCR) efficient cogeneration accreditation for 2022 and 2023. Subsequently, in November, the CRE cleared accreditation for the years 2024 and 2025 for PCB and PCR; authorisation for PCA remains pending.

Injunction against an increase in transmission charges

In November 2023, the competent court upheld the injunction granted on appeal against the increase in the 2020 transmission charges (known as the "*porteo estampilla*"). The increase, authorised by the CRE, affected renewable power plants and efficient cogeneration in self-supply.

6. Brazil

MMGD legal and regulatory framework

In February 2023, ANEEL issued Regulatory Resolution No. 1059/2023, implementing Law 14 300/2022, the statutory framework for micro and mini-distributed generation (Spanish acronym: MMGD). The approved regulations cover procedures relating to charges for use of the distribution grid for such projects and the deadline for distributors to complete works, as necessary, on the distribution system to make the connection of MMGD equipment feasible. In addition, ANEEL issued Regulatory Resolution no. 1060/2023. This regulation establishes how to include the cost of the tariff benefits of the participants of the electricity clearing system (SCEE) in the energy development account (CDE) and in the tariff processes of distributors, in order to adapt tariff regulation procedures (known as "PRORET") to Law 14 300/2022.

Regulated rate of return on capital

In February 2023, the ANEEL Board of Directors approved the values of the regulatory rates of return on capital for the distribution, transmission and generation segments that will be applied to tariff processes from 1 March 2023 to 29 February 2024. Following a review of the appeal, the calculated values for the WACC rate were rectified, leaving the final rates at 7.4252% for distribution and 7.2607% for generation and transmission.

Neoenergia Coelba and Neoenergia Cosern tariff adjustments

In April 2023, the ANEEL Board of Directors published the periodic tariff revisions for Neoenergia Coelba and Neoenergia Cosern, respectively, which came into force on 22 April. The average impact for Neoenergia Coelba consumers was 8.18% (6.91% for high and medium voltage and 8.66% for low voltage), while for Neoenergia Cosern consumers it was 4.26% (3.65% for high and medium voltage and 4.45% for low voltage).

Tariff adjustment at Neoenergia Pernambuco:

In April 2023, Neoenergia Pernambuco's tariffs were extended. In May, the ANEEL Board of Directors published the distributor's annual tariff adjustment, effective from 14 May 2023. The average impact for consumers was 9.02% (10.41% for high and medium voltage and 8.51% for low voltage).

Distributor tariff processes

In 2023, the IRPs of seven transmission companies of the Neoenergia Group were revised: Narandiba (Brumado II substation), Dourados, Atibaia, Biguaçu, Sobral, Jalapão and Santa Luzia. For the others, the IRPs were only readjusted, in accordance with their respective contractual timetables. The key factors that influenced calculation of the revision and readjustments were the changes, respectively, in: (i) the long-term interest rates and the market reference rate ; and (ii) the consumer price index, for the bidding transmission entities, and the general market price index, exclusively for Afluente Transmissão.

Revival of the "Electricity for All" programme

In August 2023, Decree No 11,628 was published on the resumption of the national programme for the universalisation of access to and use of electricity: "Luz para Todos". Issuance of the Decree makes it feasible to sign up for a new tranche for exceptional targets, including already universalised distributors such as Neoenergia Coelba.

Outcome of the Neoenergia Elektro tariff review

On 25 August 2023, ANEEL issued Homologation Resolution No 3,253, concerning the periodic tariff review for Neoenergia Elektro in 2023. The new tariffs came into force on 27 August 2023, with an average effect of 7.17% (9.53% for low voltage and 3.15% for high voltage customers). The tariff component that concerns Neoenergia Elektro (related to energy distribution services Parcel B) underwent a reduction of -1.17 %, despite inflation in that period.

Neoenergia Brasilia rate adjustment

On 20 October 2023, ANEEL issued Homologation Resolution No. 3,276, regarding the 2023 annual tariff readjustment for Neoenergia Distribuição Brasília. The readjustment came into effect on 22 October 2023, with an average impact of 9.32% for consumers (7.78% for high voltage and 9.95% for low voltage).

Dams

On 18 December 2023, Law No. 14,755 was enacted, establishing national policy on the rights of dam-affected populations. The statute introduces a programme for the rights of dam-affected populations and sets standards for corporate social responsibility. The purpose of the legislation is to prevent rights abuses and unreasonable delays in compensating families and protecting the environment.

Consolidated management report 2023

This management report has been prepared taking into consideration the "Guide of recommendations for the preparation of Management Reports of listed companies", published by the CNMV in July 2013.

1. COMPANY OVERVIEW

1.1 Purpose and Values of the IBERDROLA Group

The purpose of IBERDROLA Group companies and, hence, their reason for being is: "To continue building together each day a healthier, more accessible energy model, based on electricity". This purpose, which is centred on the well-being of people and on the preservation of the planet, reflects the strategy Group companies have been following sustainably for years, and their commitment to continue fighting for the following, alongside all their stakeholders:

- A real and comprehensive energy transition which, based on the decarbonisation and electrification of the energy sector and, in particular, of the economy as a whole, specifically contributes to the Sustainable Development Goals (SDGs) with regard to the response against climate change and the generation of new opportunities for environmental, social and economic development.
- An energy model increasingly based on electricity, forsaking the use of fossil fuels to make wider use of renewable energy sources, efficient energy storage, smart grids and digitalisation.
- An energy model that is healthier for people, whose health and well-being in the short term depends on the environmental quality of their own surroundings.
- A drive for conditions of well-being that are more accessible for all, and the creation of a society that fosters inclusion, equality, equity and development.
- An energy model built around cooperation with all players involved and with society as a whole that establishes best governance practice that contribute to its sustainability.

To succeed, the IBERDROLA Group, its entire strategy and all its actions must be inspired by and rooted in the three following "values":

- **Sustainable energy**: the group aims to inspire by creating environmental, social and economic value for all the communities in which it operates and with the future firmly in mind.
- **Integrating force**: because the IBERDROLA Group has great strength and enormous responsibility. That is why it works by combining talents towards a purpose that will benefit everyone involved.
- **Driving force**: because the IBERDROLA Group makes small and large changes a reality by being efficient and highly self-demanding, always in pursuit of continuous improvement.

1.2 Business model

IBERDROLA firmly believes that the transition to a carbon neutral economy before 2050 is technologically possible, economically viable and socially necessary. The decarbonisation of the economy is a unique opportunity to create wealth, generate jobs, improve the state our planet and benefit people's health.

This commitment will be achieved by fostering:

- Decarbonisation of electricity
- System integration through networks
- Electrification of the demand side

A business model that accelerates the creation of value for everyone

Iberdrola's investment will mainly target grids and renewable energies in the long term, as investments that provide known and recurring cash flows.

In addition, the selection of the countries in which the Group operates considers the stability of the regulatory environment applied to the sector and its long-term credit rating.

In a nutshell, Iberdrola's business model has the following key features and strengths:

1. Geared towards meeting the expectations of its stakeholders by making ESF+F part of its strategy and management.
2. Investment is particularly concentrated in the grid business, which has predictable regulatory frameworks with incentives for investment, and which constitutes the infrastructure that is necessary to tackle the energy model transition.
3. It is supplemented with selective investments in renewable energies, thus optimising the risk/return profile. These are mainly projects in offshore wind, photovoltaic, onshore wind, hydroelectric, battery and production of green hydrogen, all necessary elements for bringing to fruition a decarbonised energy and economic model.
4. Geographic diversification, focusing on countries with a high credit rating.
5. Enduring commitment to a robust financial position that preferably relies on green financing instruments owing to the investment plan's extremely high degree of alignment with the EU Taxonomy.
6. The dividend policy mandates a reliable and growing dividend in line with the increase in the company's earnings.

1.3 Presence and areas of activity

With a track record that spans over 170 years, today the IBERDROLA Group is a worldwide leader in the energy sector, the world leader in wind power production and one of the world's largest electric companies by stock market capitalisation. IBERDROLA has a 20-year head start in the energy transition to address the challenges of climate change and offer a sustainable and competitive business model that creates value for society.

The Group supplies energy to around 100 million people, has more than 600,000 shareholders and a workforce of more than 41,000 people, and holds more than EUR 150,000 million in assets.

Iberdrola's leadership is underpinned by its smart grid and renewables businesses, combined with a diversified portfolio of projects and markets. The Group's footprint encompasses countries with high credit ratings. The Company and its subsidiaries and affiliates conduct their activities in almost 30 countries worldwide. The group concentrates a substantial part of its activity in Spain, the United Kingdom, the United States, Brazil and Mexico; as well as in Portugal, Australia, Germany, Greece, France, Ireland, Italy, Hungary and Poland. It has also signed several agreements to start developing offshore wind projects in new markets: Sweden, Poland, Japan, Taiwan, Vietnam, etc.

1.4 Main products and services

The main product that IBERDROLA makes available to its customers is electricity through a wide range of products, services and solutions in the fields of:

- Electricity generation from renewable sources: wind (onshore and offshore), hydroelectric, photovoltaic.
- Electricity and gas transmission and distribution.
- Storage at large scale (GWh) through reversible hydropower, at medium scale (MWh) within grids and generation assets using batteries, and at small scale (kWh) at end-user level.
- New technologies, such as green hydrogen produced from renewable electricity.
- Electricity and gas retail supply.
- Energy services for our customers: with innovative Smart solutions in the following areas:
  - residential, with services such as self-consumption, solar, electric mobility, heat pumps, etc.
  - industrial: offering comprehensive management of energy facilities and supply, such as Green H2, Industrial Heat, etc.
- Sale and purchase of electricity and gas in wholesale markets.
- Digitalisation: implementing it across its assets to improve the quality, efficiency and security of electricity supply.

With regard to its customers, IBERDROLA operates under an organisational structure in which:

- the Networks business manages distribution activities in Spain and transmission and distribution activities in the United Kingdom, the United States and Brazil, as well as regulated energy retail supply in the United States and Brazil and any other regulated activity that the group carries out in these four countries.
- the Renewables and Sustainable Generation business, manages long-term power purchase agreements (PPAs) with large enterprises and/or governments in Spain, the United Kingdom, the United States, Mexico, Australia, Germany and France.
- the Customers business manages non-regulated activities in Spain, the United Kingdom, Brazil, Mexico, Ireland, the United States and continental Europe.

1.5 Corporate and governance structure, ownership and legal form

IBERDROLA is an independent public limited company with registered offices in Bilbao (Plaza Euskadi, number 5), incorporated under Spanish law and listed on the Stock Market. It is the holding company of an international group present in Spain, the United Kingdom, the United States, Brazil, Mexico, other member states of the European Union, Portugal, France, Germany, as well as Australia, among other countries.

Through its country subholding companies and head of business companies, the group combines a decentralised structure and management model with coordination mechanisms designed to ensure the overall integration of all businesses through an effective system of separation of functions, checks and balances and supervisory controls. In addition, the Governance and Sustainability System contains measures granting the listed country subholding companies a special framework of strengthened autonomy.

Based on this corporate configuration, the governance structure duly separates the functions of strategic planning and oversight, on the one hand, from the functions of day-to-day leadership and effective management, on the other:

a. The Board of Directors of Iberdrola is vested with powers relating to the design of strategy and the governance model, as well as to oversight, organisation, and strategic coordination.

b. The chairman of the Board of Directors and the chief executive officer of Iberdrola, with the technical support of the Operating Committee and the rest of the management team, undertake the oversight, organisation, and strategic coordination at the Group level.

c. The subholding companies strengthen oversight, organisation, and strategic coordination in relation to their respective territories, countries, or businesses through the communication, implementation, and supervision of the overall strategy and core management guidelines. For this purpose, they have their own chief executive officers, external directors, and audit and compliance committees, as well as internal audit and compliance units. These entities group together the shareholdings in the parent companies of the business units. One of their main roles is to centralise the provision of common services to these companies and to represent them vis-à-vis national institutions.

d. The listed subholding companies (AVANGRID, Inc. and Neoenergia, S.A.) have a special framework of enhanced independence in the fields of regulations, related-party transactions and management.

1.6 Strategic pillars for the 2023-2025 period

More than two decades ago, IBERDROLA anticipated that climate change would be one of the most significant challenges of our time and adapted its business model to this reality with the goal of achieving a more secure, competitive and decarbonised energy model based on electrification.

In this context, IBERDROLA's vision rests on four pillars:

- The need to combine the decarbonisation process of the economy with increased energy self-sufficiency through investments in grids, renewables, storage and green products.
- Maintaining a sound financial structure.
- Ongoing focus on technological innovation in all its areas of activity.
- Meeting the new demands of consumers, who require clean and affordable energy and value-added energy services. This will be made possible by the opportunities offered by digitalisation.

These trends place electricity at the very heart of the energy transition: sustained demand growth due to the electrification of all energy end-uses will substantially raise the overall share of electricity in the energy matrix.

To meet this growing demand, it will be essential to increase investment in renewables which, according to the International Energy Agency, could reach two thirds of total electricity generation by 2040.

The successful integration of this new renewable generation will require efficient, smart and flexible grids for transmission and distribution, and energy storage infrastructure. As a result, the International Energy Agency expects annual investment in grids to double by 2030 and triple by 2040. Up to 80 million km of grids will have to be built and replaced by then: the equivalent of the entire distribution and transmission grids that existed just two years ago.

Tackling the challenge of full decarbonisation will also require maximising the use of other clean energy carriers, such as green hydrogen, for sectors where electrification is challenging.

Against this background, IBERDROLA's presence in markets that combine a high credit rating with significant demand growth prospects will enable it to continue consolidating its leadership in the renewable generation, networks and storage businesses.

2023-2025 Plan

As a result of these strategic foundations, the Company's current 2023-2025 Plan, released in November 2022, calls for combining increased investments to drive the energy transition with the improvement of the Company's financial strength.

IBERDROLA will continue to invest mainly in grids, with selective growth in renewable energies, and will further increase its storage capacity. In addition, Iberdrola intends to continue to focus resources on developing green products that bring added value to customers in all energy usage settings. For individuals, offerings focus on solar self-consumption, electric mobility and renewable indoor climate control. For industrial customers, the company focuses on offering industrial heat decarbonisation plans through direct electrification or green hydrogen.

These investments will enable IBERDROLA to boost its earnings and improve its financial strength, while pursuing its policy of raising shareholder remuneration in line with performance.

In terms of climate change, the Company aims to be carbon neutral by 2030 in its generation plants and own consumption, and to achieve Net Zero emissions by 2040. Furthermore, IBERDROLA has set itself the goal of having a net positive impact on biodiversity by 2030 through various plans, including an initiative to plant 20 million trees by 2030.

The Company plans to update the Plan on the occasion of its Investor Day, to be held on 21 March 2024.

This section of IBERDROLA's Management Report, Strategic pillars for the 2023–2025 period, contains forward-looking information, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future results or directors' estimates which are based on assumptions that are considered reasonable by them.

Although IBERDROLA believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of IBERDROLA shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of IBERDROLA, which risks could cause actual results and developments to differ materially from those stated in, or implied or projected by, the forward-looking information and statements.

Forward-looking statements are not guarantees of future performance and have not been reviewed by the auditors of IBERDROLA. You are cautioned not to make decisions based on forward-looking statements, which speak only as at the date they were made. The forward-looking statements included in this report are expressly qualified in their entirety by the cautionary statement above. All forward looking statements included herein are based on the information available as at the date of this management report. Except as required by applicable law, IBERDROLA undertakes no obligation to publicly update its statements or to revise any forward-looking information even if new data are published or upon the occurrence of future events.

2. BUSINESS PERFORMANCE AND RESULTS

2.1 Global environment

a) Currency performance

In 2023 the trends in the exchange rates of IBERDROLA's main reference currencies were as follows: the Brazilian real appreciated by 0.6% against the euro, while the US dollar and the pound sterling depreciated against the euro by 2.6% and 2%, respectively, which resulted overall in a lower EBITDA of EUR 135 million and a higher net profit of EUR 88 million.

b) Demand

With regard to the evolution of demand in the period in the company's main areas of activity:

- Key points in the Energy Balance of the mainland system in 2023 were: the increase in hydroelectric (+42%), solar (+31%) and wind (+2.4%) production and the decrease in combined cycle (-35%), nuclear and coal (-50%) production, compared to the same period of the previous year.

  Demand in 2023 was down 2.5% on the previous year which, in labour- and temperature-adjusted terms, translates into a drop of 2.1%. The year 2023 ended with a producibility index of 0.9 and hydro reserves at 51%, compared with an index of 0.7 and reserve levels of 44% for the same period in 2022.

- In the United Kingdom, electricity demand was down 1.8% compared to 2022 while conventional gas demand fell by 8.1%.

- In the areas where AVANGRID operates on the East Coast of the United States, electricity demand was down 4.1%, while gas demand decreased 7.7% compared with 2022.

The demand in Neoenergia's areas of operation in Brazil was up by 3% on 2022.

c) Emissions

By the end of 2023, the IBERDROLA Group's direct emissions totalled 55 gCO2/kWh in Europe (59 gCO2/kWh in 2022) and 77 gCO2/kWh globally (88 gCO2/kWh in 2022).

2.2 Operating performance in the period

2.2.1 Networks business

During the financial year 2023, total electricity distributed by the Group amounted to 233,702 GWh, down 0.8% compared to the previous year.

	2023	2022	% chg
Spain	87,866	89,622	(2.0)
United Kingdom	30,321	31,020	(2.3)
United States	37,174	38,757	(4.1)
Brazil	78,341	76,108	2.9
Total electrical distribution (Gwh) (1)	**233,702**	**235,507**	**(0.8)**

(1) At power plant busbars

	2023	2022	% chg
United States	59,900	64,890	(7.7)
Total gas distribution (GWh)	**59,900**	**64,890**	**(7.7)**

Electricity and gas supply points reached 34.71 million, up 0.4% year-on-year, thanks to organic growth across practically all geographies, with the following breakdown:

	2023	2022
Electricity		
Spain	11.44	11.36
United Kingdom	3.56	3.55
United States	2.32	2.31
Brazil	16.35	16.04
Total electricity	**33.67**	**33.26**
Gas		
United States	1.04	1.04
Total gas	**1.04**	**1.04**
Total supply points (millions)	**34.71**	**34.30**

2.2.1.1 Spain

The IBERDROLA Group has 11.44 million supply points, slightly above the figure reported at the end of the previous year. Total energy distributed came to 87,866 GWh, down 2% on 2022 (89,622 GWh).

The table shows the values of the TIEPI (interruption time of installed capacity at medium voltage in minutes), and NIEPI (number of equivalent interruptions of installed capacity at medium voltage) in relation to the previous year (exact details are not published as this is commercially sensitive information):

	2023	2022
Regulatory TIEPI (min)	<36	<38
Accumulated NIEPI (No)	<0.7	<0.9

The company upholds its commitment to quality, maintaining low TIEPI and NIEPI levels, improving upon both regulatory requirements and the previous year's figures.

2.2.1.2 United Kingdom

The IBERDROLA Group has more than 3.56 million supply points in the United Kingdom. Total energy distributed in 2023 came to 30,321 GWh (31,020 GWh in 2022), which represents a decrease of 2.3% on 2022.

Energy distributed by licence is as follows:

	2023	2022	% chg
Scottish Power Distribution (SPD)	16,596	16,895	(1.77)
Scottish Power Manweb (SPM)	13,725	14,125	(2.83)
Total electrical distribution (Gwh) (1)	**30,321**	**31,020**	**(2.25)**

(1) At power plant busbars

The quality of service indicators are below regulatory limits both for SPD and SPM compared to 2022.

Average interruption time per consumer (Customer Minutes Lost, or CML) was as follows:

(CML) mins	2023	2022
Scottish Power Distribution (SPD)	26.00	24.60
Scottish Power Manweb (SPM)	35.70	28.41

The number of consumers affected by interruptions for every 100 customers (Customer Interruptions, or CI) was as follows:

Number of interruptions (No.)	2023	2022
Scottish Power Distribution (SPD)	33.00	35.68
Scottish Power Manweb (SPM)	33.80	28.16

2.2.1.3 United States

– Distribution

In the United States IBERDROLA has 2.32 million electricity supply points. Total energy distributed in the year came to 37,174 GWh, down 4.1% on 2022 (38,757 GWh).

	2023	2022	% chg
Central Maine Power (CMP)	9,314	9,819	(5.14)
NY State Electric & Gas (NYSEG)	15,734	16,397	(4.0)
Rochester Gas & Electric (RG&E)	7,184	7,412	(3.1)
United Illuminating Company (UI)	4,942	5,129	(3.6)
Total electrical distribution (Gwh) (1)	**37,174**	**38,757**	**(4.1)**

(1) At power plant busbars

The Customer Average Interruption Duration Index (CAIDI) is as follows:

CAIDI (h)	2023	2022
Central Maine Power (CMP)	1.74	1.68
NY State Electric & Gas (NYSEG)	1.96	1.87
Rochester Gas & Electric (RG&E)	1.70	1.64

UI's System Average Interruption Duration Index (SAIDI), which is the regulatory indicator that applies in Connecticut, is as follows:

SAIDI (mins)	2023	2022
United Illuminating Company (UI)	42.80	38.68

Average number of interruptions per customer (System Average Interruption Frequency Index, or SAIFI) is as follows:

SAIFI	2023	2022
Central Maine Power (CMP)	1.82	1.71
NY State Electric & Gas (NYSEG)	1.29	1.45
Rochester Gas & Electric (RG&E)	0.71	0.83
United Illuminating Company (UI)	0.58	0.44

– Gas

AVANGRID supplies gas to more than 1 million supply points. By the end of 2023, a total of 59,900 GWh of gas had been distributed, down 7.7% on the previous year, due mainly to the mild temperatures in 2023.

	2023	2022	% chg
NY State Electric & Gas (NYSEG)	14,927	16,288	(8.4)
Rochester Gas & Electric (RG&E)	15,733	17,257	(8.8)
Maine Natural Gas (MNG)	5,570	5,863	(5.0)
Berkshire Gas (BGC)	2,858	3,023	(5.5)
Connecticut Natural Gas (CNG)	10,499	11,282	(6.9)
Southern Connecticut Gas (SCG)	10,313	11,177	(7.7)
Total gas distribution (GWh)	**59,900**	**64,890**	**(7.7)**

2.2.1.4 Brazil

NEOENERGIA supply points amount to 16.4 million. The volume of electricity distributed amounted to 78,341 GWh, up 2.9% compared to the same period of the previous year.

	2023	2022	% chg
Neoenergia Coelba	26,526	25,080	5.8
Neoenergia Cosern	6,468	6,366	1.6
Neoenergia Pernambuco	17,403	17,135	1.6
Neoenergia Elektro	20,280	20,033	1.2
Neoenergia Brasilia	7,664	7,494	2.3
Total electrical distribution (Gwh) (1)	**78,341**	**76,108**	**2.9**

(1) At power plant busbars.

The average interruption time per customer (*duração equivalente de interrupção por unidade consumidora*, DEC) was as follows:

DEC (h)	2023	2022
Neoenergia Coelba	10.74	11.43
Neoenergia Cosern	7.62	7.93
Neoenergia Pernambuco	11.31	11.90
Neoenergia Elektro	7.33	6.97
Neoenergia Brasilia	7.01	6.65

The average number of interruptions per customer (*freqüencia equivalente de interrupção por unidade consumidora*, or FEC) also saw an improvement on the previous year for all distributors except Neoenergia Elektro and Neoenergia Brasilia:

FEC	2023	2022
Neoenergia Coelba	4.98	5.02
Neoenergia Cosern	3.23	3.05
Neoenergia Pernambuco	5.16	4.79
Neoenergia Elektro	3.73	3.84
Neoenergia Brasilia	4.74	5.71

Efforts to improve the quality of supply have led to an increase compared to 2022 in Coelba, Elektro and Brasilia, while all distributors comply with regulatory requirements in this respect.

2.2.2 *Electricity production and retail*

At year-end 2023, IBERDROLA's consolidated installed capacity was up 3,213 MW (net of derecognitions) on 2022 at 61,006 MW consolidated in terms of EBITDA, with 71.7% the total (43,741 MW of renewable and nuclear power) coming from emission-free sources, compared to 70.1% in 2022.

By countries	31.12.2023			31.12.2022			Chg. MW consolidated
	Consolidated at EBITDA level	Managed by investees (*)	Total 2023	Consolidated at EBITDA level	Managed by investees (*)	Total 2022	
Spain	30,559	250	30,809	28,697	319	29,016	1,862
United Kingdom	2,987	15	3,002	2,993	15	3,008	(6)
United States	9,182	491	9,673	9,089	452	9,541	93
Mexico	11,197	—	11,197	11,197	—	11,197	—
Brazil	3,272	1,123	4,395	2,916	2,184	5,100	356
IEI	3,809	—	3,809	2,901	—	2,901	908
Total power (MW)	**61,006**	**1,879**	**62,885**	**57,793**	**2,970**	**60,763**	**3,213**

(*) Includes the proportional part of MW.

By technology	31.12.2023			31.12.2022			Chg. MW consolidated
	Consolidated at EBITDA level	Managed by investees (*)	Total 2023	Consolidated at EBITDA level	Managed by investees (*)	Total 2022	
Renewables	**40,564**	**1,624**	**42,188**	**37,351**	**2,715**	**40,066**	**3,213**
Onshore wind	20,435	450	20,885	19,720	509	20,229	715
Offshore wind	1,754	39	1,793	1,258	—	1,258	496
Hydroelectric (**)	11,980	1,123	13,103	11,664	2,184	13,848	316
Mini hydroelectric	244	—	244	254	2	256	(10)
Solar and other (***)	5,940	12	5,952	4,244	20	4,264	1,696
Batteries	211	—	211	211	—	211	—
Thermal	**20,442**	**255**	**20,697**	**20,442**	**255**	**20,697**	**—**
Nuclear	3,177	—	3,177	3,177	—	3,177	—
Gas combined cycles	16,131	204	16,335	16,131	204	16,335	—
Cogeneration	1,134	51	1,185	1,134	51	1,185	—
Total Group power (MW)	**61,006**	**1,879**	**62,885**	**57,793**	**2,970**	**60,763**	**3,213**

(*) Includes the proportional part of MW.

(**) Includes 118 MW from Hydroelectrical facilities managed by the Networks business in the United States.

(***) Solar capacity measured in MWdc.

Consolidated electricity production in 2023 was 162,024 GWh, down 5.5% on 2022, with 60% of the total being emission-free (96,764 GWh in renewable and nuclear production):

By countries	31.12.2023			31.12.2022			% chg
	Consolidated at EBITDA level	Managed by investees (*)	Total 2023	Consolidated at EBITDA level	Managed by investees (*)	Total 2022	Consolidated
Spain	60,877	385	61,262	56,012	685	56,697	8.7
United Kingdom	7,448	10	7,458	7,814	9	7,823	(4.7)
United States	22,797	529	23,326	22,104	606	22,710	3.1
Mexico	56,797	—	56,797	55,938	—	55,938	1.5
Brazil	8,004	5,650	13,654	6,580	8,171	14,751	21.6
IEI	6,101	—	6,101	5,108	—	5,108	19.4
Total Group production (GWh)	**162,024**	**6,574**	**168,598**	**153,556**	**9,471**	**163,027**	**5.5**

(*) Includes the proportional part of GWh.

By technology	31.12.2023			31.12.2022			% chg
	Consolidated at EBITDA level	Managed by investees (*)	Total 2023	Consolidated at EBITDA level	Managed by investees (*)	Total 2022	Consolidated
Renewables	**72,980**	**6,568**	**79,548**	**65,472**	**9,274**	**74,746**	**11.5**
Onshore wind	43,409	891	44,300	44,345	1,072	45,417	(2.1)
Offshore wind	5,073	—	5,073	4,497	—	4,497	12.8
Hydroelectric	18,405	5,650	24,055	12,331	8,171	20,502	49.3
Mini hydroelectric (**)	402	—	402	415	5	420	(3.1)
Solar and other (***)	5,613	27	5,640	3,811	26	3,837	47.3
Batteries	78	—	78	73	—	73	6.8
Thermal	**89,044**	**6**	**89,050**	**88,084**	**197**	**88,281**	**1.1**
Nuclear	23,784	—	23,784	23,886	—	23,886	(0.4)
Gas combined cycles	59,154	6	59,160	58,565	7	58,572	1.0
Cogeneration	6,106	—	6,106	5,633	190	5,823	8.4
Total Group production (GWh)	**162,024**	**6,574**	**168,598**	**153,556**	**9,471**	**163,027**	**5.5**

(*) Includes the proportional part of GWh.

(**) Includes 118 MW from Hydroelectrical facilities managed by the Networks business in the United States.

(***) Solar capacity measured in MWdc.

2.2.2.1 Spain

Renewable capacity and production

At year-end 2023 IBERDROLA had an installed renewable capacity, consolidated at EBITDA level, of 21,391 MW in Spain, with the following breakdown:

	2023	2022	Change MW
Onshore wind	6,351	5,952	399
Hydroelectric (*)	10,826	10,700	126
Mini hydroelectric	244	254	(10)
Solar and other (**)	3,951	2,604	1,347
Batteries	19	19	—
Total power (MW)	**21,391**	**19,529**	**1,862**

(*) Includes the 1,158 MW in Portugal of the Tâmega Hydroelectric Plant (Gouvaes 880 MW, Daivões 118 MW and Alto Tâmega 160 MW).

(**) Solar capacity measured in MWdc.

The following facilities have been derecognised as part of the divestment process:

- 3 MW of mini-hydroelectric power operating under the ordinary regime at the Guriezo Superior (2 MW) and Guriezo Inferior (1 MW) plants;
- 7 MW of mini-hydroelectric power operating under the special regime at the Rozas plant; and
- 34 MW of hydroelectric power in the Júcar river basin, following to sale of three mini-hydro plants to Austrian energy company Kelag.

Meanwhile, 160 MW from the Alto Tâmega hydroelectric plant in Portugal were added. The entire plant will be in commercial operation by the end of March 2024.

In onshore wind, installed capacity increased by 399 MW. Of this increase, 295 MW corresponds to the takeover of Ibermap (Note 7) and 104 MW to the Buniel wind farm.

Photovoltaic solar power was up 1,347 MW:

	MW
Francisco Pizarro	36
Fuentes Alcarria	50
Los Manantiales I	3
Valbuena	3
Cornicabra	29
Espliego	36
Poleo	42
Peñarrubia	50
Sabic	100
Virgen de Areños III	16
Ballestas	74
Velilla	309
Cespedera	27
Llanos Pelaos III	6
Tagus III	41
Cedillo	375
Salinas I	50
Salinas II	50
Salinas III	50
Total	**1,347**

In relation to ongoing projects:

- In onshore wind, construction is continuing of the common evacuation infrastructures of the Buniel (104 MW) and Valdemoro (50 MW) wind farms in Burgos.
- In photovoltaic, work continues on the evacuation facilities of the Virgen de Areños III plant (50 MW) in Palencia, Fuentes (50 MW), Manantiales I (30 MW) and Valbuena (50 MW) plants in Guadalajara, the Guillena complex (144 MW) in Seville and the Salinas complex (148 MW) in Cuenca, where the mechanical assembly of the three plants has been completed.

  The mechanical assembly of Phase III of Francisco Pizarro (36 MW) in Cáceres has also been completed and work is under way on the Velilla project (350 MW) in Palencia. Meanwhile, work continues on the Balsicas plant (100 MW) in Murcia.
- In addition, construction is continuing on the Caparacena (330 MW) plant in Granada and the Tagus (380 MW) plant in Cáceres. Fuendetodos (125 MW) in Zaragoza has started clearing and earthmoving work.
- In hydroelectric power, following restoration of Unit 1 of the Valparaiso hydroelectric plant (30 MW) in Zamora, work continues on the restoration of Unit 2 (30 MW). This will allow renewable energy storage capacity to be increased to 800 MWh (18 hours).

The trend in consolidated production by technology is as follows:

	2023	2022	% chg Consolidated
Onshore wind	10,341	11,254	(8.1)
Hydroelectric	15,460	9,511	62.5
Mini hydroelectric	402	415	(3.1)
Solar and other	2,873	2,150	33.6
Total production (GWh)	**29,076**	**23,330**	**24.6**

- Onshore wind power production reached 10,341 GWh during the period, down by 8.1% compared to 2022, as a result of lower wind resources.
- Hydroelectric production totalled 15,460 MW, up 62.5% on the previous year due to the increase in water resources, better use of pumping and the contribution of the new Gouvaes and Daivoes plants.
- Mini-hydro production totalled 402 GWh, down 3.1% on the previous year.
- Solar power production reached 2,873 GWh in the year, a 33.6% increase following the entry into operation of new facilities.

Thermal capacity and production

Installed capacity in Spain, unchanged with respect to financial year 2022, came to 9,168 MW. The breakdown by technology is as follows:

	2023
Nuclear	3,177
Gas combined cycles	5,695
Cogeneration	296
Total power (MW)	**9,168**

In 2023, production amounted to 31,801 GWh. The breakdown by technology is as follows:

	2023	2022	% chg
Nuclear	23,784	23,886	(0.4)
Gas combined cycles	6,452	7,082	(8.9)
Cogeneration	1,565	1,714	(8.7)
Total production (GWh)	**31,801**	**32,682**	**(2.7)**

IBERDROLA's thermal production in 2023 decreased by 2.7% compared to the same period of the previous year across all technologies: nuclear plants by 0.4%, combined cycle plants by 8.9% and cogeneration by 8.7%.

Supply

The portfolio under management in Spain comprised 22,396 million contracts at the end of 2023. The breakdown is as follows:

Thousands	No. of contracts
Electricity contracts	10,473
National gas contracts	1,260
Contracts for products and services	10,663
Total	**22,396**

By market type, the categories are:

Thousands	No. of contracts
No. of contracts by market type:	18,800
Free market	3,595
Total	**22,395**

IBERDROLA's electricity revenue (in power plant busbars) in 2023 was down 1.5% and was distributed as follows:

	2023	2022	% chg
Free market	65,183	66,653	(2.2)
PVPC	6,535	6,866	(4.8)
Other markets	14,599	19,582	(25.4)
Electricity sales (GWh)	**86,317**	**93,101**	**(7.3)**

IBERDROLA managed a gas balance (without deducting shrinkage) in 2023 of 2.63 bcm, of which 0.53 bcm was sold in wholesale operations, 0.87 bcm was sold to end customers and 1.23 bcm was used for electricity production.

2.2.2.2 United Kingdom

Renewable capacity and production

Consolidated installed capacity in the United Kingdom comes to 2,987 MW. The breakdown by technology is as follows:

	2023	2022	Change MW
Onshore wind	1,956	1,971	(15)
Offshore wind	908	908	—
Solar and other (*)	19	10	9
Batteries	104	104	—
Total power (MW)	**2,987**	**2,993**	**(6)**

(*) Solar capacity measured in MWdc.

In 2023:

- In offshore wind, the decommissioning of the Hagshow Hill farm (15 MW) was completed, allowing repowering work to commence; and

- In solar photovoltaic, construction resumed on the Coldham hybrid project (9 MW) in the United Kingdom, with commissioning expected to be completed in early 2024.

Meanwhile, several projects continue to be developed:

- In onshore wind and solar photovoltaic, work continued on projects awarded under Contracts for Difference (CfD) in the fourth round of auctions held in 2022. The first two wind projects under construction are Cumberhead West (113 MW) and Hagshaw Hill Repowering (80 MW), both in the South Lanarkshire area of Scotland. The decommissioning of the Hagshaw Hill wind farm (16 MW) has been completed to make way for repowering works.

The renewables business in the United Kingdom is currently carrying out offshore wind projects, with English projects under way in East Anglia and at the assured sites in Scotland.

- The offshore wind farm East Anglia 1 continues to supply energy to the national grid.

- After winning a contract for differences in the fourth round of UK auctions, East Anglia 3 started construction and signed key contracts (foundations, export transmission cable, wind turbine supply and installation) with detailed engineering and design work on schedule. HVDC work (installation and manufacturing) continued during the final months of 2023 and is moving ahead smoothly. Contractors started construction work on the foundations and will continue throughout 2024.

- Key engineering and design work on the offshore wind farms of East Anglia 1 North and East Anglia 2 remains on track. The projects were not submitted to the UK CFD Auction Round 5, but are being prepared for participation in the UK CFD Auction Round 6.

- Following their success in the ScotWind leasing of offshore seabed in 2022, our three offshore wind projects are making good progress (with a total capacity of 7 GW). These consist of two large-scale floating projects shared with Shell (3 GW MarramWind and 2 GW CampionWind) and one fixed foundation project (2 GW, MachairWind). Actions are already under way to obtain planning permission for these projects: meta-ocean surveys and the installation of floating LiDAR buoys, preliminary geophysical surveys starting in the vicinity of MachairWind, and preliminary geophysical and geotechnical surveys starting at MarramWind.

The trend in consolidated production, terms of EBITDA, was as follows:

	2023	2022	% chg Consolidated
Onshore wind	3,599	4,415	(18.5)
Offshore wind	3,844	3,392	13.3
Solar and other	5	7	(28.6)
Total production (GWh)	**7,448**	**7,814**	**(4.7)**

- Onshore wind production reached 3,599 GWh, down 18.5% compared to the same period last year, due to low wind resource and "curtailments" (operational shutdowns).
- Offshore wind production at the West of Duddon Sands and East Anglia 1 wind farms was up 13.3%, to 3,844 GWh, owing to improved wind resources, especially on the east coast.

Supply

The portfolio under management in the United Kingdom totalled 7.3 million contracts at the end of 2023, broken down as follows:

Thousands	No. of contracts
Electricity contracts	2,680
National gas contracts	1,829
Contracts for products and services	274
Smart meters	2,484
Total	**7,267**

In terms of sales (*) in 2023, 14,727 GWh of electricity and 18,345 GWh of gas were supplied to customers. This was 20.3% and 20% less than in 2022, respectively, due to lower average demand (customer behaviour and mild weather), fewer customers and the discontinuation of the I&C (Industrial & Commercial) business.

(*) Electricity sales measured in power plant busbars. Gas sales without deducting shrinkage.

2.2.2.3 United States

Renewable capacity and production

Consolidated installed capacity in the United States comes to 8,546 MW. The breakdown by technology is as follows:

	2023	2022	Change MW
Onshore wind	7,809	7,825	(16)
Hydroelectric	118	118	—
Solar and other (*)	606	497	109
Batteries	13	13	—
Total power (MW)	**8,546**	**8,453**	**93**

(*) Solar capacity measured in MWdc.

Power variations over the year were as follows:

- In onshore wind, installed capacity fell by 16 MW at the Peñascal I and II plants.
- In solar photovoltaic, the modules for the Bakeoven (53 MW of the 80 MW the plant will ultimately have), Camino (36 MW) and Montague (20 MW) photovoltaic plants were installed.

In relation to ongoing projects:

In photovoltaic solar:

- Construction continues on the True North photovoltaic plant (321 MW) in Texas. Module installation moved forward, the installation of steel structures continued, the remaining photovoltaic modules were received and, in the meantime, work continued on the substations.
- In Oregon, work is advancing on the Bakeoven (80 MW) and Daybreak (189 MW) projects, with the installation of panels and receipt of modules on site continuing.
- Finally, in Ohio, construction began on the Powell Creek PV project (202 MW): the access road was completed and the installation of inverter piles continued.

In offshore wind:

- Construction of Vineyard Wind 1, a project off the coast of Massachusetts in which Iberdrola holds a 50% stake, achieved its first power milestone on 31 December 2023. The recurring power flow started on 2 January 2024. All common facilities have gone live and are operational. As at 31 December 2023, six turbines were installed (78 MW, 39 MW in Iberdrola's share), while the seventh turbine was installed in early January 2024. Interconnection cable laying was completed and the laying of the foundations and the commissioning of the onshore and offshore substations are well under way. Vineyard Wind 1 continues to advance on schedule.
- Despite having cancelled the PPAs (Power Purchase Agreements) for Park City Wind and Commonwealth Wind to comply with the Company's strict value creation policy, progress continues to be made in obtaining permits for these facilities and for the Kitty Hawk Wind project, awaiting a Record of Decision (ROD) in 2024 and 2025.

Consolidated production by technology and its trend during the year was as follows:

	2023	2022	% chg Consolidated
Onshore wind	18,523	19,039	(2.7)
Hydroelectric	245	188	30.3
Solar and other	807	288	180.2
Batteries	78	73	6.8
Total production (GWh)	**19,653**	**19,588**	**0.3**

- Onshore wind power production reached 18,523 GWh, 2.7% lower than in 2022.

- Production with solar technologies came to 807 GWh, up by 180%, due to increased solar resources and the coming on-stream of new projects (Lundhill and Montague Solar).
- Hydroelectric production increased by 30%, to 245 Gwh.
- Fuel cells produced 78 GWh.

In the United States, the renewable business operates the 636 MW Klamath cogeneration plant. Production in 2023 was as follows:

Production (GWh)	**2023**	**2022**	**% chg**
Cogeneration	3,144	2,516	25.0

2.2.2.4 Mexico

Renewable capacity and production

At year-end, installed renewable capacity in Mexico was 1,335 MW, unchanged with respect to 2022. Of this capacity, 103 MW corresponds to the Venta III wind farm, which falls under the sale agreement to Mexico Infrastructure Partners ("MIP").

	2023
Onshore wind	693
Solar and other (*)	642
Total power (MW)	**1,335**

(*) Solar capacity measured in MWdc.

Consolidated production by technology and its trend during the year was as follows:

	2023	**2022**	**% chg Consolidated**
Onshore wind	1,604	1,884	(14.9)
Own use	1,394	1,662	(16.1)
For third parties	210	222	(5.4)
Solar and other	1,239	1,237	0.2
Total production (GWh)	**2,843**	**3,121**	**(8.9)**

Onshore wind power production amounted to 1,604 GWh, down 14.9% on 2022, mainly due to the disconnection of the Santiago wind farm from 31 October 2022 to 30 August 2023, combined with a lower wind resource.

Solar technology generated 1,239 GWh, up 0.2% due to the higher load factor.

Thermal capacity and production

In Mexico, thermal capacity at year-end 2023 and 2022 was 9,862 MW, with the following breakdown:

	2023
Gas combined cycles	9,660
CCGT – own use	2,617
CCGT – third parties	7,043
Cogeneration	202
Total power (MW)	**9,862**

The agreement reached with Mexico Infraestructure Partners covers a portfolio of 12 combined cycle power plants totalling 8,494 MW, which will be transferred once the Mexican federal competition authority (COFECE) has given the green light.

Thermal production in 2023 totalled 53,954 GWh, up 2.2% on the same period of the previous year:

	2023	2022	% chg
Gas combined cycles	52,557	51,414	2.2
CCGT – own use	12,836	14,145	(9.3)
CCGT – third parties	39,721	37,269	6.6
Cogeneration	1,397	1,403	(0.4)
Total production (GWh)	**53,954**	**52,817**	**2.2**

Supply

Electricity sales in 2023 amounted to 56,825 GWh, up 1% on 2022. The breakdown is as follows:

	2023	2022	Change
CFE	39,963	37,253	7.3
Private	16,862	19,051	(11.5)
Electricity sales (GWh)	**56,825**	**56,304**	**0.9**

2.2.2.5 Brazil

Renewable capacity and production

	2023	2022	Change MW
Onshore wind	1,554	1,394	160
Hydroelectric	1,036	846	190
Solar and other (*)	149	143	6
Total power (MW)	**2,739**	**2,383**	**356**

(*) Solar capacity measured in MWdc.

In onshore wind, the 12 wind farms in the state of Piauí comprising the Oitis wind farm complex, which will have a total of 566 MW, entered commercial operation. Some 160 MW were installed in 2023.

In solar photovoltaic technology, the construction and commissioning of Luzia II and III (149 MW) was completed in 2023 in the state of Paraiba, at which 6 MW have now been installed.

In hydro power, the asset swap whereby Eletrobras acquired 51% of the Teles Pires hydroelectric plant (928 MW in the Group's interest accounted for by the equity method) and Neoenergia acquired 49% of the Dardenelos hydroelectric plant was carried out in September and October. This allows it to take over full ownership and integrate its 261 MW, and Electrobras acquired 51% of the Baguarí hydroelectric plant, removing its 71 MW.

Consolidated production by technology and its trend during the year was as follows:

	2023	2022	% chg Consolidated
Onshore wind	4,976	3,843	29.5
Hydroelectric	2,700	2,632	2.6
Solar and other	243	91	167.0
Total production (GWh)	**7,919**	**6,566**	**20.6**

- With the introduction of the new wind farms, onshore wind production totalled 4,976 GWh, up 29.5% compared to 2022.
- Hydroelectric production reached 2,700 GWh, 2.6% higher than in 2022.
- Solar photovoltaic production amounted to 243 GWh, up 167%, with the entry into operation of the new plants at the Luzia Solar Complex.

Thermal capacity and production

Generation power in Brazil, which comes from the Termopernambuco gas combined cycle facility, is 533 MW; the plant produced 85 Gwh in 2023.

Supply

Electricity sales in 2023 amounted to 16,609 GWh, up 1% on 2022. The breakdown is as follows:

	2023	2022	Change
PPAs	11,128	10,381	7.3
Free market	5,481	5,836	(11.5)
Electricity sales (GWh)	**16,609**	**16,217**	**0.9**

2.2.2.6 Iberdrola Energía Internacional (IEI)

Renewable capacity and production

Iberdrola Energía Internacional's installed renewable capacity came to 3,566 MW, 908 MW more than in 2022.

By technology, installed capacity is as follows:

	2023	2022	Change MW
Onshore wind	2,072	1,885	187
Offshore wind	846	350	496
Solar and other (*)	573	348	225
Batteries	75	75	—
Total power (MW)	**3,566**	**2,658**	**908**

(*) Solar capacity measured in MWdc.

The increase in capacity corresponds to the following facilities:

- 187 MW of onshore wind power was added:
  - In Greece, the commissioning of the Askio II wind farm (50 MW) was finalised, with the installation of the last 13 MW during the year.
  - In Australia, assembly is ongoing of the wind turbines of the Flyers Creek wind farm, where a total of 96 MW of the park's ultimate total of 146 MW was installed. At the same time, commissioning activities are being carried out, with the first export occurring on 31 August.
  - In Poland, the commissioning was completed of the Korytnica II plant (50 MW), with 29 MW installed during the year and with the plant brought online in May. In addition, two onshore wind farms, Podlasek and Wólka Dobryńska, with a capacity of 15 MW and 34 MW, respectively, were acquired, both of which have been in operation since August.
- In offshore wind, the installation of the 62 wind turbines that make up the Saint Brieuc project in France (496 MW) was completed. Commissioning is in preparation, and will take place in the first half of 2024. The first part of the PPA with EDF came into effect in November 2023.

- In photovoltaic solar technology, 225 MW were installed.
    - In Portugal, work on the medium-voltage line and the substation was completed and the photovoltaic modules were assembled in relation to the Montechoro (11 MW) and Montechoro II (25 MW) facilities. In Carregado, 62 MW of the 64 MW of the project has now been installed.
    - In Italy, 7 MW of the Montefiascone photovoltaic plant has been installed, thereby completing the installation of photovoltaic modules. Commissioning is in preparation.
    - In Australia, the Avonlie project (245 MW) commenced commercial operation in August following the installation during the year of the last 120 MW.

In terms of photovoltaic projects underway in Italy, work began on the 33 MW Tarquinia project.

Onshore wind power in Australia saw continued assembly of the wind turbines at the 146 MW Flyers Creek wind farm, while commissioning activities are ongoing.

Development of offshore wind projects continues in Germany:

- At the Baltic Eagle project (476 MW), the installation and burying of the interconnection cables was completed, with testing and finishing of the cabling to be carried out in the next quarter.

- In the meantime, work continues on the Windanker project (315 MW). The main supply contracts and PPAs have been secured.

Installed wind power capacity by country is as follows:

Onshore wind	**2023**	**2022**	**Change MW**
Australia	976	880	96
Greece	415	403	12
Hungary	158	158	—
France	118	118	—
Portugal	92	92	—
Poland	213	134	79
Romania	80	80	—
Cyprus	20	20	—
Total power (MW)	**2,072**	**1,885**	**187**

Installed photovoltaic capacity by country is as follows:

Solar photovoltaic	2023	2022	Change MW
Australia	352	232	120
Greece	6	6	—
Portugal	185	87	98
Italy	30	23	7
Total power (MW)	**573**	**348**	**225**

Renewable production totalled 6,041 GWh at year-end, up 20% on 2022. Onshore wind production increased by 12%, mainly due to the addition of new capacity at the Port Augusta complex in Australia, Askios II and III in Greece and Korytnica II in Poland. Solar photovoltaic production is also increasing due to the addition of new capacity. Offshore wind production increased by 11% due to the entry of new capacity at the Saint Brieuc wind farm in France.

	2023	2022	% chg
Onshore wind	4,366	3,910	11.7
Offshore wind	1,229	1,105	11.2
Solar and other	446	38	1,073.7
Total production (GWh)	**6,041**	**5,053**	**19.6**
Gas combined cycles (*)	**60**	**55**	**9**

2.3 Business performance

2.3.1 *Analysis of the Income statement*

Key figures for 2023 are as follows:

Millions of euros	2023	2022	Change (%)
Revenue	49,335	53,949	(8.6)
Gross income (1)	23,302	20,199	15.4
EBITDA (2)	14,417	13,228	9.0
EBIT (3)	8,973	7,984	12.4
Net profit for the period attributable to the parent	4,803	4,339	10.7

(1) Gross Income: Revenue - Supplies.

(2) EBITDA: Operating profit + Depreciation, amortisation and provisions + Valuation adjustments on trade receivables and contract assets.

(3) EBIT: Operating profit.

In 2023, the IBERDROLA Group reported EBITDA of EUR 14,417 million, up 9%. Without considering the negative exchange rate effect of EUR 135 million, it would have risen by 10%.

Profit for the year exceeded the guidance initially set. All countries turned in a positive performance thanks to the growth in all businesses, which resulted in the parent company's profit for the year gaining EUR 464 million, up 10.7% on 2022; 8.7% not considering the positive effect of the exchange rate of EUR 88 million, to reach EUR 4,803 million.

The year's performance was primarily underpinned by the improvement in Spain and the United Kingdom.

- Improved figures for Spain reflect the adverse effect in 2022 of purchases from the market at high prices due to the shortfall in hydro and nuclear production. This had a greater impact than the new temporary energy levy in 2023 and the exit plan.
- In the United Kingdom, the Company also performed strongly thanks to the recovery of 2022 costs in 2023 and the improvement in grid charges, despite low onshore wind production and the decline in the customer base.
- The United States unit has shown deteriorating performance. The comparison is affected by the effect of non-recurring transactions recorded in 2022, the recognition of regulatory assets in New York, and the CIP agreement and pension-related adjustments following the freezing of certain plans. In addition, penalties for the cancellation of PPAs of offshore wind projects were recognised in 2023.
- Mexico was impacted by the recognition of deferred tax related to the MIP transaction and lower plant availability.
- Brazil was affected by adverse adjustments to the construction margin due to delays and cost overruns in the transmission business and by the recognition of the loss on the sale of transmission assets. These negative effects were partly offset by the gain on the exchange of hydro assets and the increase in tariffs in the distribution business.
- IEI was hurt by the increase in operating costs, which was not offset by the contribution of increased power. Moreover, at year-end 2022, the entry of the non-controlling interest in Wikinger affected its contribution to net profit in 2023.

2.3.1.1 Gross Income

Gross income came to EUR 23,302 million, up EUR 3,103 million, or 15%, compared to the figure reported in 2022. Stripping out the adverse exchange rate effect of EUR 248 million, this figure would be an improvement of EUR 3,351 million (17%) over 2022.

Gross income by country subholding is as follows:

Millions of euros	**2023**	**2022**	**Change (%)**
Spain	8,897	6,763	31.6
United Kingdom	4,729	3,025	56.3
United States	4,868	5,060	(3.8)
Mexico	1,131	1,158	(2.3)
Brazil	3,078	3,111	(1.1)
IEI	670	602	11.3
Corporation and adjustments	-71	480	(114.8)
Total gross income:	**23,302**	**20,199**	**15.4**

Gross income growth in 2023 was driven mainly by the improvement in Spain and the United Kingdom.

- In Spain, gross income increased by EUR 2,134 million, 32% higher than in 2022. Performance was shaped, on one hand, by the adverse impact in 2022 of market purchases at high prices due to the shortfall in hydro and nuclear production; on the other hand, however, the improved marketing policy in the first months of the year succeeded in winning electricity customers with fixed price offers in an environment of highly volatile market prices.

- Gross income in the United Kingdom also performed very well, increasing its contribution by 56.3% to EUR 1,704 million, thanks to the recovery in 2023 of supply costs that had to be borne in 2022 and were not recognised in the SVT tariffs and the improvement in tariffs in the grids business despite low onshore wind production and the decline in the customer base. In the United States, gross income was down EUR 192 million on financial year 2022. The decrease was mainly due to one-off effects in the previous year, such as the recognition of regulatory assets in the state of New York. However, the higher average operating capacity in the year and the improvement of the wind power load factor with a 3% increase in production offset these effects.

- In Brazil, gross income was 1.1% lower than in 2022, declining by EUR 33 million. This was impacted in the grids business by negative adjustments to the construction margin due to delays and cost overruns in the transmission business, partially offset by distributors' tariff revisions.

- Gross income in Mexico decreased by 2%, down EUR 27 million compared to 2022, due to the weaker contribution from renewable assets and outsourced plants (PIE), partly offset by a higher thermal output (+1.1 TWh).

- The other IEI countries increased their contribution by 11%, up by EUR 68 million on the previous year, as a result of the increase in production due to the entry of new facilities.

2.3.1.2 *Gross operating profit - EBITDA*

Consolidated EBITDA was up EUR 1,189 million (+9%) to EUR 14,417 million, compared to EUR 13,228 million in 2022. The net effect of exchange rates fluctuations had a positive impact EUR 132 million. Without this effect, it would have grown by 10%.

Contributions by country subholding were as follows:

Millions of euros	2023	2022	Change (%)
Spain	5,810	4,612	26.0
United Kingdom	3,353	1,959	71.2
United States	2,066	2,600	(20.5)
Mexico	795	863	(7.9)
Brazil	2,123	2,286	(7.1)
IEI	438	442	(0,9)
Corporation and adjustments	(168)	466	(136.1)
GROSS OPERATING PROFIT (EBITDA)	**14,417**	**13,228**	**9.0**

EBITDA growth in 2023 was driven mainly by the improvement in Spain and the United Kingdom.

In addition to the gross income performance, the variables behind the EBITDA performance are as follows:

– Net operating expenses

Net operating expenses by country subholding are as follows:

Millions of euros	2023	2022	Change (%)
Spain	1,384	1,296	6.8
United Kingdom	941	803	17.2
United States	2,223	1,859	19.6
Mexico	330	288	14.6
Brazil	949	820	15.7
IEI	220	136	61.8
Corporation and adjustments	89	7	1,171.4
Net operating expenses	**6,136**	**5,209**	**17.8**

The heading Net operating expenses increased by EUR 927 million to EUR 6,136 million (EUR 5,209 million in 2022). The exchange rate effect had a negative impact of EUR 88 million in the comparison. The change, without the exchange rate effect, EUR 839 million, would be 16%.

The Group's growth, with the resulting increase in external services, and inflation account for approximately EUR 463 million of the increase in expenses.

Other effects in the year are the cost of efficiency measures in Spain (EUR 117 million), the cancellation of the Park City Wind and Commonwealth Wind projects (EUR 37 million), and costs of EUR 145 million in the United States, which will be reconcilable in the future via tariffs and other non-recurring impacts of EUR 77 million.

– Taxes other than income tax

Taxes other than income tax by country subholding are as follows:

Millions of euros	2023	2022	Change (%)
Spain	1,703	855	99.2
United Kingdom	435	263	65.4
United States	578	600	(3.7)
Mexico	6	7	(14.3)
Brazil	7	6	16.7
IEI	12	24	(50.0)
Corporation and adjustments	7	7	—
Taxes other than income tax	**2,748**	**1,762**	**56.0**

Taxes other than income tax increased by EUR 986 million, to EUR 2,748 million. The exchange rate effect had a positive impact of EUR 24 million. Without this effect, the figure would have risen by EUR 1,010 million.

This increase is mainly due to the increase in taxes in Spain. Several favourable court decisions were handed down in 2022, such as those concerning the funding of the Social Bonus or spent nuclear fuel, or the introduction of new measures such as the reduced remuneration for the price of gas (RDL 17/2021) or the temporary energy levy of 1.2% of sales, as described in Note 41.

2.3.1.3 *Net operating profit – EBIT*

EBIT totalled EUR 8,973 million, 12% up on 2022 (EUR 7,984 million). Without considering the negative exchange rate effect of EUR 24 million, the increase would have been 13%.

Breakdown by country subholding:

Millions of euros	2023	2022	Change (%)
Spain	4,281	3,213	33.2
United Kingdom	2,169	921	135.5
United States	595	1,162	(48.8)
Mexico	651	621	4.8
Brazil	1,436	1,676	(14.3)
IEI	214	282	(24.1)
Corporation and adjustments	-373	109	(442.2)
Operating profit – EBIT	**8,973**	**7,984**	**12.4**

- **Valuation adjustments, trade and contract assets**

Provisions for trade receivables and contract assets totalled EUR 618 million, EUR 148 million higher than in 2022 (EUR 470 million), due to higher bad debt provisions in view of higher revenue and government measures to protect vulnerable consumers by limiting cut-offs.

- **Amortisation, depreciation and provisions**

Depreciation and amortisation increased by EUR 25 million (+0.5%) to EUR 4,707 million, mainly due to the Group's growth and the increased asset base.

Impairments and write-downs of non-financial assets were up EUR 49 million and the change in provisions increased by EUR 22 million compared to 2022.

2.3.1.4 Finance income

Financial losses were up by EUR 349 million to EUR 2,187 million (EUR 1,838 million in 2022). The breakdown of this change by item is as follows:

Millions of euros	2023	2022	Change
Gains/(losses) on debt	(2,299)	(1,822)	477
Other non-debt finance income	112	(16)	128
Total	**(2,187)**	**(1,838)**	**(349)**

The change can be largely explained by:

- The loss on debt rose by EUR 477 million, EUR 194 million due to the increase in the average balance and EUR 303 million due to higher interest rates, partially offset by EUR 20 million from the depreciation of foreign currencies against the euro.

- Other items showed an improvement of EUR 128 million, due to higher capitalised financial expenses in the United Kingdom, the United States and the international renewable business and a better result from exchange rate hedges, mainly in USD and BRL.

At 31 December 2023, the Group's average borrowing costs stood at 5.11%, compared to 4.14% in the same period of the previous year (Note 29).

In turn, the average cost of adjusted net financial debt rose 70 basis points to 4.97%, compared to 4.27% in the same period of the previous year, due to higher interest rates stemming from recent central bank rate hikes to curtail inflation. Without considering Brazil, the cost of adjusted net financial debt increased by 77 basis points from 2.99% in 2022 to 3.76% in 2023. In Brazil, the impact of inflation on the debt result was offset by distributors' operating profit, also linked to inflation.

The average cost of adjusted net financial debt is calculated as the quotient of gains/(losses) on debt and the average balance of adjusted net financial debt.

The reconciliation of gains/(losses) on debt with the figures in the Consolidated Income statement is as follows:

Gains/(losses) on debt	**2023**	**2022**
Finance expenses and similar financing expenses (1)	(2,373)	(1,810)
Finance expenses from lease liabilities (1)	(79)	(78)
Hedging cost of financing derivatives (2)	(41)	(52)
Finance income from hedging derivatives (3)	(3)	(51)
Income from placement of surpluses (3)	201	171
Net exchange differences in foreign currency for financing activities (4)	(4)	(2)
Other	—	—
Total	**(2,299)**	**(1,822)**

(1) Note 44 of the Consolidated Financial Statements.

(2) Notes 43 and 44 to the Consolidated Financial Statements, included in the lines "Non-hedging derivatives and inefficiencies".

(3) Note 43 of the Consolidated Financial Statements, included in the line "Finance income related to assets at amortised cost".

(4) Notes 43 and 44 to the Consolidated Financial Statements, included in the lines "Exchange gains in foreign currency for financing activities" and "Exchange losses in foreign currency for financing activities".

The average balance of the adjusted net financial debt is obtained by weighting the number of days during the year in which the balance of each of the transactions comprising the adjusted net financial debt remains outstanding. It thus includes the same items as those indicated in Note 22 to the Financial Statements, broken down as follows:

Average balance	**2023**	**2022**
Adjusted gross financial debt	49,017	46,282
Cash assets	(2,732)	(3,572)
Adjusted net financial debt	**46,285**	**42,710**

2.3.1.5 *Profit/(loss) of equity-accounted investees*

Profit/(loss) at equity-accounted investees was a positive EUR 239 million, mainly due to the asset swap carried out in Brazil with Eletrobras in 2023, which compared with the one-off effect resulting from the restructuring agreement reached with CIP last year in relation to offshore wind assets in the United States.

2.3.1.6 *Net profit for the period attributable to the parent*

Net profit/(loss) for the year amounted to EUR 4,803 million, up EUR 464 million (11%) on the previous year's total of EUR 4,339 million. The exchange rate effect was positive to the tune of EUR 88 million.

Corporate income tax expense was up by EUR 449 million to EUR 1,610 million, compared to 2022 (EUR 1,161 million). The main factors underlying this increase were as follows:

- a higher adjusted taxable income due to profits from companies accounted for using the equity method resulted in an increase in tax expense of EUR 167 million;
- the recognition of the deferred tax related to the sale of assets in Mexico by classifying them as available for sale increased the tax expense by EUR 156 million;
- the comparison was also adversely affected by EUR 125 million due to the recognition in 2022 of a gain on the Brasilia reverse merger.
- Other effects were netted, yielding a net reduction in taxes of EUR 1 million.

Non-controlling interests decreased by EUR 130 million to EUR 591 million, mainly due to lower profit in the United States and Brazil, while at East Anglia 1 they were EUR 63 million higher than in the previous year due to the partner's entry at the end of financial year 2022.

3. LIQUIDITY AND CAPITAL RESOURCES

The principal objective of the IBERDROLA Group's financial management is to ensure a robust financial profile by strengthening the solvency and equity ratios typically tracked by credit rating agencies. It seeks to do so while optimising its liquidity position and managing financial risks accordingly and combining this with a sustainable shareholder remuneration policy.

3.1 Liquidity

The IBERDROLA Group had a strong liquidity position of EUR 20,195 million at the end of 2023 (Note 4 to the Consolidated Financial Statements). Counting the financing operations signed after 31 December, this figure rises to EUR 20,895 million.

This liquidity comes mainly from syndicated lines with relationship banks, loans arranged with multilateral lenders, development banks and export credit agencies, as well as cash and cash equivalents and short-term investments (between 3 and 12 months). These liquidity transactions were arranged with counterparties that have high credit ratings.

This liquidity position covers 27 months of financing needs in the base case and 21 months in the risk scenario.

3.2 Financial solvency

3.2.1 Credit rating of IBERDROLA's senior debt

Credit ratings by rating agency are as follows:

Agency	Long-term (1)	Outlook
Moody´s	Baa1 (15/06/2012)	Stable (14/03/2018)
Fitch	BBB+ (02/08/2012)	Stable (25/03/2014)
Standard & Poor's	BBB+ (22/04/2016)	Stable (22/04/2016)

(1) The above ratings may be reviewed, suspended or withdrawn by the rating agency at any time.

3.2.2 Financial solvency ratios

The calculation of the financial solvency ratios is shown below:

		31.12.2023	31.12.2022
Adjusted FFO / Adjusted net financial debt (1)	%	23.2	25.4
Adjusted RCF / Adjusted net financial debt (1)	%	18.9	22
Adjusted net financial debt/Adjusted EBITDA	Times	3.3	3.3

(1) As shown in the table below.

The IBERDROLA Group relies on the following main measures to assess cash generation for the period:

- Funds from Operations (FFO).
- Retained Cash Flow (RCF). FFO – Own and minority dividend payments – net flows from perpetual (hybrid) bonds.

FFO amounted to EUR 11,096 million on a rolling 12-month basis, unchanged from the same period of the previous year and preserving strong financial ratios. Stripping out the recovery of the hydroelectric levy in 2022, FFO would show an increase of 8% compared to the same period of the previous year.

These measures are calculated as follows:

Millions of euros	**31.12.2023**	**31.12.2022**
Net profit for the period attributable to the parent	4,803	4,339
Net profit for the year from discontinued operations	21	71
Impairment losses, trade and other receivables	618	470
Amortisation, depreciation and provisions	4,826	4,774
Result of equity-accounted investees	(239)	(146)
Discounting to present value of provisions	177	109
Non-controlling interests	591	721
Dividends received	72	67
Amounts allocated to the Income statement – capital grants	(82)	(86)
Adjustment for tax-deductible items	156	—
Tax deductibility of goodwill	71	71
Undue payments relating to the hydroelectric levy ruling	—	826
Social Bonus ruling	82	(93)
Funds from operations (FFO)	**11,096**	**11,123**
Dividends paid	(2,072)	(1,478)
Adjusted retained cash flow (RCF)	**9,024**	**9,645**

Millions of euros	**31.12.2023**	**31.12.2022**
EBITDA	14,417	13,228
Exit plan	—	—
Contribution of new hires pro-forma, 1 year	—	—
Adjusted EBITDA	**14,417**	**13,228**

3.3 Capital funds

3.3.1 Leverage

Adjusted net financial debt at 31 December 2023 increased by EUR 4,083 million to EUR 47,832 million, compared to EUR 43,749 million at 31 December 2022, due to the substantial investments made in the period.

Additionally, adjusted net leverage worsened by 1.44% to 44.2%, compared to 42.8% for the previous year (see Note 22).

3.3.2 Debt structure

Note 22 to the Consolidated Financial Statements provides a reconciliation between the headings of the Consolidated Statement of financial position and the various debt aggregates referred to in this section 3 of the consolidated Management Report.

The structure by interest rate and currency of the debt classified under "Bank borrowings, debentures or other marketable securities" after hedging is shown in Note 29.

In accordance with the policy of minimising the Company's financial risks, foreign currency risk has continued to be mitigated by financing the international businesses in their local currency (pound sterling, Brazilian real, US dollar, etc.) or functional currency (US dollar, in the case of Mexico). Interest rate risk is mitigated by the issuance of fixed rate debt, derivatives and hedging future financing.

The breakdown of adjusted gross financial debt by source of financing is as follows:

	31.12.2023	31.12.2022
Bond market – EUR	20.80 %	23.10 %
Bond market – USD	20.10 %	19.60 %
Bond market – GBP	6.10 %	6.80 %
Brazilian real bond market	6.00 %	5.40 %
Promissory notes	9.50 %	8.80 %
Multilateral banking and development	16.50 %	15.60 %
Structured financing	0.50 %	— %
Leases and other	5.50 %	6.50 %
Bank loans and credits	15.00 %	14.20 %
Total	**100.00 %**	**100.00 %**

The IBERDROLA Group has a comfortable debt maturity profile, with an average life of its adjusted gross financial debt of about six years. The maturity profile of the IBERDROLA Group's debt classified under "Bank borrowings, bonds or other marketable securities" at year-end 2023 is shown in Note 29.

The average maturity of bank borrowings, bonds and other marketable debt securities is calculated pro rata to the maturity date of the long-term debt instruments, thus excluding short-term transactions.

This information is obtained mainly by making the following adjustments to the maturity profile in Note 29:

- Issues of domestic commercial paper (USCP) and Euro Commercial Paper (ECP) (Note 29).
- Drawdowns on credit facilities (Note 29).
- Unpaid accrued interest (Note 29).
- Derivatives on treasury shares: swaps on treasury shares, put options sold and accumulators (Note 22).

Furthermore, during the first year, surplus cash is considered to be used to repay maturities.

3.4 Working capital

Working capital improved by EUR 3,932 million from December 2023, mainly due to the following factors:

- the positive effect of EUR 3,485 million resulting from the accounting classification of Mexican and Brazilian assets held for sale;
- inventories improved by EUR 391 million, mainly due to outlays made for the construction of the East Anglia Three Limited (EA3) transmission line, which will subsequently be sold to an OFTO (Offshore Transmission Owner), classified in inventories;
- the change in derivatives, mainly commodity derivatives, led to an improvement of EUR 1,165 million;
- conversely, current financial investments were EUR 1,275 million, mainly as a result of the change in collateral and the reduction in trade receivables of EUR 964 million, which had risen sharply in the previous year due to government protection measures.

Millions of euros	31.12.2023	31.12.2022	Change
Assets held for sale	4,720	166	4,554
Nuclear fuel	278	259	19
Inventories	2,550	2,159	391
Trade and other current receivables	8,906	9,869	(963)
Other current financial investments	1,564	2,839	(1,275)
Derivative financial instruments – assets (1)	635	1,640	(1,005)
Taxes receivable	1,133	1,351	(218)
CURRENT ASSETS	**19,786**	**18,283**	**1,503**
Liabilities linked to assets held for sale	1,097	27	1,070
Provisions	920	922	(2)
Derivative financial instruments – liabilities (2)	843	3,013	(2,170)
Trade payables, other current financial liabilities and other current liabilities	10,739	12,283	(1,544)
Taxes receivable	1,635	1,418	217
CURRENT LIABILITIES	**15,234**	**17,663**	**(2,429)**
NET WORKING CAPITAL	**4,552**	**620**	**3,932**

(1) Not including cash and cash equivalents or debt derivative assets related to financial transactions (Note 22).

(2) Not including financial debt or debt derivative liabilities related to financial transactions (Note 22).

4. MAIN RISKS AND UNCERTAINTIES

4.1 Comprehensive risk control and management system

Group companies are subject to various risks inherent in the different countries, territories, sectors and markets in which they operate and the activities they carry out, which may prevent them from achieving their objectives and successfully implementing their strategies.

Aware of the importance of this matter, IBERDROLA's Board of Directors makes every effort to ensure that the significant risks inherent to all the activities and businesses of the Group's companies are appropriately identified, measured, managed and controlled, and to establish, through the *General Risk Control and Management Policy*, the basic mechanisms and principles necessary for the sound management of the risk/reward ratio with a level of risk that enables it to:

- attain the strategic objectives determined at Group level with volatility curtailed;
- provide the maximum level of assurance to the shareholders;
- contribute to fulfilling the Sustainable Development Goals (SDGs) approved by the United Nations (UN), with a special focus on Goals 7 and 13;
- protect the results and reputation at Group level;
- defend the interests of shareholders, customers and stakeholders of Group companies;
- ensure corporate stability and financial strength in a sustained fashion over time; and
- disseminate a risk culture among the professionals of the Group's companies through communication and training.

When acting upon the commitment expressed through the core principles, the Board of Directors and its Executive Committee rely on the support of the Audit and Risk Supervision Committee which, as an advisory body, supervises and reports on the adequacy of the system for assessing, controlling and managing all material risks, with the support of the IBERDROLA's Internal Audit and Risk Division (or the division which assumes its functions), which reports functionally to that committee. This process is carried out in coordination with the audit and compliance committees that exist at the country subholding companies.

Every action aimed at controlling and mitigating risks will conform to the following main principles of conduct:

a) Integrate the risk/opportunity vision into the Group's management, through a definition of the strategy and the risk appetite and the inclusion of this variable in strategic and operating decisions.

b) Segregate functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control and monitoring of such risks, ensuring an appropriate level of independence.

c) Guarantee the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.

d) Disclose transparent information to regulatory agencies and the principal external players regarding the risks facing the Group's companies and the operation of the systems developed to control such risks, maintaining suitable channels that favour communication.

e) Ensure adequate levels of compliance with the corporate governance rules established by the Company through its *Governance and Sustainability System* and the update and continuous improvement of such system within the framework of best international practices as to transparency and good governance; and implement the monitoring and measurement thereof.

f) Act at all times in compliance with the values and standards for conduct enshrined in the *Code of Ethics*, under the principle of "zero tolerance" for the commission of unlawful acts and situations of fraud set out in the *Crime Prevention Policy* and the *Anti-Corruption and Anti-Fraud Policy* and the principles and good practices set forth in the Corporate Tax Policy.

The *General Risk Control and Management Policy* and the basic principles underpinning it take the form of a three lines of defence model and a comprehensive risk control and management system, supported by IBERDROLA's Risk Committee and based upon a proper definition and allocation of duties and responsibilities in operations and supervision that implement a set of suitable procedures, methodologies and tools for supporting the various stages and activities of the system, including:

a) The existence of a structure of policies, guidelines and limits, as well as risk indicators, and the corresponding mechanisms for their approval and implementation, which are there to review and establish the risk appetite annually assumed in both qualitative and quantitative terms, in accordance with the objectives set out in the multi-year plan and the corresponding annual budgets, both at Group level and at each of its main subsidiaries.

b) The ongoing identification of significant risks and threats based on their possible impact on key management objectives and the Financial Statements (including contingent liabilities and other off-balance sheet risks).

c) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the Group's companies as a whole.

d) The measurement and control of risks by following procedures and standards which are homogeneous and common to the Group's companies as a whole.

e) The analysis of risks associated with new investments, as an essential element of decision-making based upon profitability/risk.

f) The maintenance of a system for monitoring and controlling compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.

g) The ongoing assessment of the suitability and effectiveness of the application of the system, as well as best practises and recommendations in the area of risks, with a view to eventually incorporating them into the model.

h) The audit by the Internal Audit Division of the comprehensive risk control and management system.

In addition, the *General Risk Control and Management Policy* is further developed and supplemented by the policies listed below, which are also subject to approval by the Company's Board of Directors:

a) Corporate Risk Policies:

- Corporate Credit Risk Policy
- Corporate Market Risk Policy
- Operational Risk in Market Transactions Policy
- Insurance Policy
- Investment Policy
- Financing and Financial Risk Policy
- Treasury Share Policy
- Risk Policy for Equity Interests in Listed Companies
- Purchasing Policy
- Information Technology Policy
- Cybersecurity risk policy.
- Occupational safety and health policy.
- Reputational Risk Framework Policy

b) Specific Risk Policies for the various businesses of the Group:

- Risk policy of the Electricity Generation and Customers businesses of the IBERDROLA Group
- Risk Policy for the Network Businesses of the IBERDROLA Group.
- Risk Policy for the Real Estate Business of the IBERDROLA Group.

The *General Risk Control and Management Policy*, as well as a *Summary of the Corporate Risk Policies* and a *Summary of the Specific Risk Policies for the various Group businesses* are available on the corporate website (www.iberdrola.com).

In order to align the risk impact with the established risk appetite, the Executive Committee of the Board of Directors, acting upon a proposal of the business or corporate divisions involved and upon a prior report from IBERDROLA's Risk Committee, annually reviews and approves specific guidelines regarding risk limits in the *Corporate Risk Policies*.

The country subholding companies are responsible for adopting and implementing IBERDROLA's risk policies and for approving the guidelines regarding specific risk limits, taking into account the specific needs and circumstances of the businesses in the different countries or territories.

The governing bodies of the head of business companies of each country or region must approve specific risk limits applicable to each of them and implement the necessary control systems to ensure compliance.

Listed country subholding companies, by virtue of their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies, aligned with those of IBERDROLA.

The risk factors to which the Group is generally subject are listed below:

a) Corporate governance risks: relating to a possible breach of: (i) applicable law, (ii) the provisions of the governance and sustainability system, (iii) the recommendations of the CNMV's Code of Good Governance and its practical guides, and (iv) international standards in this realm.

   The consequences may include: (i) the challenging of corporate resolutions; (ii) proposals of addenda to General Shareholders' Meeting announcements on the part of shareholders dissenting from the leadership of the Board of Directors; (iii) sanctions or requirements imposed by the CNMV; and (iv) divestment and/or lack of interest among investors in acquiring IBERDROLA's shares.

b) Market risks: exposure of the results and equity of the Group's companies to variations in prices and other market variables, such as:

   - Financial: exchange rates, interest rates, credit spreads, inflation, liquidity, solvency and the value of financial assets and liabilities.

   - Energy and other commodity prices: electricity prices, gas and other fuel prices, CO_2 emission allowances or other support mechanisms for renewables, as well as those related to other commodities (including steel, aluminium, copper and polysilicon).

c) Credit risks: defined as the possibility that a counterparty fails to perform its contractual obligations, thus causing an economic or financial loss to the Group's companies. Counterparties may be end customers, counterparties in financial or energy markets, partners, suppliers or contractors.

d) Business risks: defined as the uncertainty regarding the performance of key variables inherent to the various activities carried out by the Group's companies through their businesses, such as the nature of demand, weather conditions and the strategies of different players.

e) Political and regulatory risks: those arising from regulatory changes made by the various regulators, such as changes in remuneration of regulated activities or in the required conditions of supply, or in environmental or tax regulations, including risks related to political changes that could affect legal certainty and the legal framework governing the businesses of the Group's companies in each jurisdiction, the nationalisation or expropriation of assets, the cancellation of operating licences and the early termination of government contracts.

f) Operational, technological, environmental, social and legal risks: those related to direct or indirect economic losses resulting from external events or inadequate internal procedures (see section 4.6).

g) Reputational risks: potential negative impact on the value of the Group's companies resulting from the conduct of the company falling short of expectations among the various stakeholders, as defined in the Stakeholder Relations Policy, including behaviours or conduct related to corruption.

Given the multidimensional nature of the risks, the taxonomy defined in the system envisions additional classification variables for improved monitoring, control and reporting. These additional categories include:

- Classification of risks as Structural, Hot Topics and Emerging (see section 4.7).

  The inclusion of risk factors that are complementary to the main risk factor, such as financial, environmental, social and governance (ESG), fraud or corruption, tax, health, cybersecurity or third party.

- The Audit and Risk Supervision Committee of the Board of Directors periodically monitors the situation of the Company's risks:

  - It reviews the Group's quarterly risk reports, which include monitoring compliance with risk limits and indicators and updated key risk maps submitted by the Group's Chief Internal Audit and Risk Officer.

  - It also coordinates and reviews the risk reports sent at least semi-annually by the audit and compliance committees of the main subsidiaries, including the subholding companies for the main countries or regions in which the Group operates. These reports, along with presentations given in person by the Group's Chief Internal Audit and Risk Officer, are used to draw up a risk report for the Board of Directors at least semi-annually.

In addition, the Board of Directors' Audit and Risk Supervision Committee periodically asks each of the heads of the businesses and the relevant corporate areas to report on trends in their respective businesses or corporate areas and associated risks.

For further details, see section E. “Risk control and management systems” of the Corporate Governance Report for financial year 2023, the section “Long-term risks and opportunities. Comprehensive risk control system” of the 2023 Sustainability Report and the Risks section of the Integrated Report – April 2024.

4.2 Credit risk

The IBERDROLA Group is exposed to the credit risk arising from the possibility that counterparties (customers, suppliers, financial institutions, partners, insurers, etc.) fail to comply with contractual obligations.

Risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. In particular, there is a *Corporate Credit Risk Policy* setting the framework and action principles for proper risk management, which are further developed at business and country level (admission criteria, approval flows, authority levels, rating tools, exposure measurement methodologies, etc.) through procedures.

With regard to credit risk on trade receivables from electricity and gas retail supply activity in the liberalised market, the historical cost of defaults has remained close to 1% of total turnover of this activity across all countries in which it is carried out.

In the Networks businesses in Spain and the United Kingdom, no energy is supplied, and in the Networks businesses in the United States and Brazil, in general, the costs of arrears are recovered through rates.

4.3 Financial risks

4.3.1 *Interest rate risk*

The IBERDROLA Group is exposed to the risk of fluctuations in market interest rates affecting cash flows and the market value of debt in respect of items in the Statement of financial position (debt and derivatives). In order to adequately manage and limit this risk, the IBERDROLA Group manages annually the proportion of fixed and variable debt and establishes the actions to be carried out throughout the year: new sources of financing (at a fixed, floating or indexed rate) and/or the use of interest rate derivatives.

Bank borrowings, bonds and other marketable securities arranged at floating interest rates and cash placements of the IBERDROLA Group are largely pegged to market rates (mainly Euribor, SONIA, SOFR and the IPCA CDI for the debt of the Brazilian subsidiaries).

The IBERDROLA Group also arranges derivatives to hedge interest rate risk on future financing. The volume of such derivatives arranged by the IBERDROLA Group at 31 December 2023 is described in Note 30 to the Consolidated Financial Statements.

The Group's debt structure at 31 December 2023, after considering the hedge provided by the derivatives and the exposure to fluctuations in interest rates, is included in Note 29 to the Financial Statements.

4.3.2 *Currency risk*

Currency risk resulting from fluctuations in foreign currency rates compared to the functional currency can occur in the following scenarios:

- Collections and payments for supplies, services, equipment acquisition or commodities in currencies other than the operating currency.
- Income and expenses incurred by certain foreign subsidiaries indexed to currencies other than the operating currency.
- Debt and financial expense denominated in currencies other than the operating currency.
- Consolidated profit or loss of the foreign subsidiaries (mainly US dollar, pound sterling and Brazilian reais), since the IBERDROLA Group's reporting currency is the euro.
- Consolidated net equity value of investments in foreign subsidiaries.
- Expense for taxes in Mexico because the operating currency (United States dollar) differs from the currency for purposes of calculation of corporate tax (Mexican peso).

The IBERDROLA Group reduces this risk by:

- Carrying out all its economic flows in the operating currency of each Group company, provided that this is possible and economically viable and efficient, or otherwise through the use of financial derivatives.
- Financially hedging, as far as possible, the risk of transfer of earnings expected for the current year, thereby limiting the ultimate impact on Group earnings.
- Financially hedging, as far as possible, the exchange rate risk in the Mexican corporate tax, thereby limiting the ultimate impact on the earnings of Mexico and of the Group.
- Mitigating the impact on the consolidated net equity value of a hypothetical depreciation of currencies due to the Group's investments in foreign subsidiaries by maintaining an adequate percentage of foreign currency debt, as well as through financial derivatives.

The sensitivity of consolidated profit and equity to changes in the US dollar/euro, pound sterling/euro and Brazilian real/euro exchange rates is described in Note 4 to the Financial Statements. Detailed information on foreign currency debt is included in Note 29 to the Financial Statements.

4.3.3 *Liquidity risk*

The exposure to adverse situations in the debt or capital markets, liquidity requirements in clearing houses, or to events resulting from the IBERDROLA Group's economic and financial position might hinder or prevent the IBERDROLA Group from obtaining the financing required to properly carry on its business activities.

The Group's liquidity policy is designed to ensure that it can meet its payment obligations without having to rely on financing under unfavourable terms. For this purpose, various management metrics are used, such as the arrangement of committed credit facilities of sufficient amount, term and flexibility, diversification of the hedging of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued.

Cash and cash equivalents, liquid assets, short-term investments and loans and receivables are shown in Note 4 to the Consolidated Financial Statements.

4.3.4 Solvency risk

The IBERDROLA Group faces the risk of its financial situation getting worse and leading to a downward revision of the credit rating assigned by rating agencies, which may make financing more expensive or unavailable.

In order to mitigate this risk, the IBERDROLA Group continuously monitors the solvency and equity ratios most commonly followed by rating agencies as well as the risks that may have an impact on those ratios in order to anticipate or undertake actions aimed at correcting possible instances of non-compliance.

Moreover, communication is active with investors and rating agencies in order to explain the performance of financial indicators and their deviations, if any.

4.3.5. Other indexing processes

Risks may also arise from other indexing processes (inflation, industrial metal prices, etc.), which are often included in contracts for the acquisition of equipment or construction materials for projects or new facilities, and where fluctuations in the reference or other index may affect the total cost of supply.

In a bid to mitigate this effect, use may be made of market risk hedging mechanisms and/or financial derivatives arranged in highly probable transactions.

4.4 Regulatory and political risks

The businesses of the IBERDROLA Group are subject to laws and regulations concerning tariffs and other regulatory aspects of their activities in each of the countries in which they are carried out. The introduction of new laws and regulations or amendments to the already existing ones may have an adverse effect on our operations, annual results and economic value of our businesses.

Sections 4.5.1 and 4.5.2 summarise the regulatory frameworks in place in the main markets where the Group operates, as well as the most relevant regulatory measures approved in 2023 or expected to be implemented in 2024. Appendix II of these financial statements set out the most significant regulatory changes of 2023 in the main markets where the Group operates.

Country risk

All of the activities of the IBERDROLA Group are exposed, to a greater or lesser extent depending on their nature, to various risks inherent to the country where they are carried out:

a. Imposition of monetary restrictions and/or limitations on the movement of capital.
b. Changes in the trade environment and in government policies.
c. Economic crises, political instability and social unrest affecting operations, either directly or indirectly, such as the ability to export components or commodities consumed by the Group, or due to the location of Group suppliers.
d. Nationalisation or expropriation of assets.
e. Transfer and convertibility of currency.
f. Cancellation of operating licences.
g. Early termination of government contracts.
h. Changes in tax rates in levies and taxes and/or new taxes, including tariffs.
i. Changes in the economic terms governing the hand-back of concessions, especially hydropower plants and distribution businesses.
j. Worsening of sovereign ratings, generating an increase in country risk premia.
k. Other regulatory changes.

The results of our subsidiaries, their market value and their contribution to the parent company of the Group may be affected by such risks.

The IBERDROLA Group's main operations are concentrated in Spain, the United Kingdom, the United States, Brazil and Mexico, which are countries with low or moderate risk and whose credit ratings at 31 December 2023 were as follows:

Country	Moody´s	S&P	Fitch
Spain	Baa1	A	A-
United Kingdom	Aa3	AA	AA-
United States	Aaa	AA+	AA+
Brazil	Ba2	BB	BB
Mexico	Baa2	BBB	BBB-

The IBERDROLA Group also has a significant presence in countries such as Germany, France, Australia and Portugal. The presence in countries other than those mentioned above is not significant at the Group level from an economic point of view.

4.5 Business and market risks

The Group has a presence in the regulated segments of electricity transmission and distribution in Spain, the United Kingdom, the United States (through AVANGRID) and Brazil (through NEOENERGIA). In the United States, the Group also has a presence in the natural gas distribution sector.

The IBERDROLA Group operates in the renewables generation sector, mainly in Spain, the United States, the United Kingdom, Mexico, Brazil and other countries, as well as operating thermal generation assets in Spain, Mexico and Brazil. The Group also has back-up plants for its renewable business in the United States and Australia.

The IBERDROLA Group has a retail supply business of electricity and gas to end customers in Spain, the United Kingdom, Mexico, Brazil and other countries.

Lastly, the IBERDROLA Group has a property development business that is subject to the risks inherent to such activity.

Sensitivities in this section are shown in annual terms (following 12 months).

4.5.1 *Networks business*

The Group targets its activity in this segment on assets under long-term concessions, in addition to electricity transmission assets awarded in competitive auctions, as is the case at NECEC (AVANGRID) and certain assets in Brazil.

The regulations of each country in which the IBERDROLA Group's networks businesses operate establish frameworks, which are regularly revised, that set pre-defined remuneration tariffs. These frameworks include diverse incentives and penalties, such as for efficiency, service quality and default management (in the latter case, at AVANGRID and NEOENERGIA). Any structural and significant changes to the aforementioned regulations may represent a risk for said businesses. Regulatory litigation may arise from time to time, in addition to the uncertainty related to the terms under which tariffs are revised.

In general, the profitability of the IBERDROLA Group's network businesses is not exposed to demand risk, except for the Brazilian subsidiaries.

The IBERDROLA Group's network businesses in Spain and in the United Kingdom do not sell energy, so they are not exposed to any market risk associated with energy prices.

The Group's network businesses in Brazil and some networks subsidiaries of AVANGRID in the United States sell energy to regulated customers at a previously approved tariff. In the case of prudent procurement management in line with the provisions established by the regulator, the regulatory frameworks in both countries guarantee that sums will be collected in subsequent tariff readjustment revisions for possible purchase price deviations from those previously recognised in the tariff.

That being said, in the case of extraordinary events (extreme drought in Brazil, catastrophic storms in the United States, etc.), occasional temporary imbalances between payments and collections may arise with an impact on the cash on hand of some of these businesses and potentially on profits recognised under IFRS.

In addition to the risks discussed in this section, the Networks businesses face operational risks, as described in section 4.6: notably service continuity risks and cost overruns and delays in construction, especially in assets awarded in auctions, non-recognition of investments, uncertainty with regard to the terms and conditions for renewal of concessions, non-recovery of finance costs and, lastly, regulated revenues de-indexed from inflation (particularly in Spain).

a. Spain

The business manages 11.44 million supply points. The current regulatory model is based on Electricity Industry Law 24/2013 of 26 December, as further implemented by various CNMC circulars. The model is based on recognised historical investment (at 31 December 2014) financially remunerating capital for depreciation and certain operation and maintenance costs, which are increased by investments. In addition, every year the regulated asset base is expanded to include the recognised investments made during the period. Quality incentives and losses (technical and commercial) are added to this. Remuneration is also set for other regulated activities required for the activity, such as reading, subscription, structure, etc. Neither the remuneration nor the asset base are currently revised annually for inflation.

On 20 November 2019 the remuneration rate applicable in the upcoming six-year regulatory period 2020-2025 was set and published in the Official Spanish Gazette (*Boletín Oficial del Estado* – BOE) (WACC 5.58%, before tax, nominal). On 19 December 2019 the methodology applicable in that period was established and published in the BOE.

It should be noted that the remuneration for 2017, 2018 and 2019 is currently under appeal by the Group. Facilities commissioned in year n begin to be remunerated from year n+2. Since 2020, there has been no officially published remuneration, which is settled on a provisional basis. The regulator is the CNMC, which carries out inspections.

b. United Kingdom

The group operates in the United Kingdom through its subsidiary Scottish Power, Ltd., which manages the following licences, comprising 3.56 million supply points:

- SP Distribution PLC (SPD) and SP Manweb PLC (SPM).
- SP Transmission PLC (SPT).

The framework of remuneration for electricity transmission and distribution activities in the United Kingdom takes the form of a price control model based on recognised cost of capital (WACC), asset depreciation, and operating and maintenance costs, plus an incentive which is obtained if performance is better than the regulatory standard, and which the companies share (in part) with subscribers.

The current regulatory model for SPD , SPM and SPT is based on the RIIO-2 framework (RIIO ED2 for SPD and SPM and RIIO T2 for SPT). Recognised ROE after tax (in real terms) is 5.49% for SPD and SPM and 4.76% for SPT. The SPT revision (RIIO T2) is valid from April 2021 to April 2026. The SPD and SPM revision (RIIO ED2) is valid from April 2023 to March 2028.

The regulator (OFGEM) also establishes incentives/penalties for safety, environmental impact, consumer satisfaction, social obligations, connections and quality, which may have an effect on the Income statement.

c. United States

The IBERDROLA Group operates in the United States through its listed subsidiary AVANGRID, which in turn has the following subsidiary networks companies (which manage 2.32 million electricity supply points and 1.04 million natural gas supply points):

- New York State Electric & Gas (NYSEG), New York, with a 3-year rate case in force since 1 May 2023 (base ROE of 9.20%).

- Rochester Gas and Electric (RG&E), New York, with a 3-year rate case in force since 1 May 2023 (base ROE of 9.2%).

- Central Maine Power (CMP), Maine, whose annual rates are in force since 1 July 2023. They may be extended for its electricity distribution business (base ROE of 9.35%) and transmission business (base ROE of 10.57%). The ROE calculation method for the transmission business is being revised by the FERC.

- United Illuminating (UI), Connecticut, with rates in force since 1 September 2023 for its electricity distribution business (base ROE of 9.1%, although reduced in the first year to 8.63%) and transmission business (base ROE of 10.57%). The ROE calculation method for the transmission business is being revised by the FERC.

- As well as the following natural gas distribution companies:
  - Maine Natural Gas Corporation (MNG), ROE of 9.55% and 10-year rates effective until 2026.
  - Connecticut Natural Gas (CNG), 9.30% ROE and three-year tariffs effective since 2019. Remuneration rate in the process of updating.
  - Southern Connecticut Gas (SCG), ROE of 9.25% and rates for three years effective since 2018. Remuneration rate in the process of updating.
  - Berkshire Gas (BG), ROE of 9.70% with rates fixed until November 2025.

Companies carrying on regulated business in the United States are exposed to risks associated with the regulations of a number of federal regulatory bodies (FERC, CFTC, DEC) and state commissions, responsible for establishing the regulatory frameworks for the various companies subject to regulation (tariffs and other conditions).

The distributors' tariff plans have been designed to reduce the risk to which the business is exposed through mechanisms for deferral, reconciliation and provisions for costs. Regulated distributors pass on the costs of gas and electricity to end customers, thereby mitigating any impacts of fluctuations in demand.

d. Brazil

The IBERDROLA Group operates in Brazil through its listed subsidiary NEOENERGIA, which in turn has the following subsidiary networks companies (78 TWh in energy distributed in 2023), managing approximately 16.35 million supply points:

- Neoenergia Elektro, operating in the states of São Paulo and Mato Grosso do Sul, with 2.9 million points of supply;

- Neoenergia Coelba, operating in the state of Bahia, with 6.4 million supply points;

- Neoenergia Pernambuco, operating in the state of Pernambuco, with 3.9 million supply points;

- Neoenergia Cosern, operating in the state of Rio Grande do Norte, with 1.5 million supply points;

- Neoenergia Brasilia, operating in the Federal District, with 1.2 million supply points.

- Several transmission assets with their own specific regulation.

The next tariff review of Neoenergia Pernambuco will take place in April 2025, with the concession agreement expiring in March 2030; Neoenergia Brasília in October 2026 with expiry in June 2042; Neoenergia Elektro in August 2027 and expiry in August 2028; Neoenergia Coelba and Neoenergia Cosern will be in April 2028, although the contract expires in August 2027 and December 2027, respectively.

Tariffs are adjusted on an annual basis by means of monetary correction. The tariff review framework for electricity distribution activity in Brazil is based on a cost revision model for purposes of recognition in tariffs.

The Brazilian regulatory framework for tariff reviews is based on a system of price caps that is revised every four or five years, depending on each company's concession contract, with tariffs being revised annually by the regulator based on predetermined parameters. Neoenergia Coelba, Neoenergia Cosern and Neoenergia Brasilia have a five-year review term, while Neoenergia Pernambuco and Neoenergia Elektro both have four-year review terms.

Brazilian legislation applicable to the regulated electricity distribution business establishes two types of costs: i) "Plot A", which includes the costs of energy, transmission and other obligations and regulatory charges, which can be recovered through tariffs ("pass through") in accordance with the conditions and limits imposed by ANEEL, and ii) "Plot B", which includes remuneration for investment and the costs of operation and maintenance (calculated using a reference model that compares all distribution companies in the country and determines efficient cost levels, which generates either an incentive or a risk for the investor).

ANEEL also acknowledges other smaller incentives to minimise default and impairment of service quality and customer satisfaction that can affect the Income statement.

Pursuant to current legislation, electricity distribution companies transfer the cost of supplying electricity to the end customer through the regulated tariff, provided the energy contracted is between 100% and 105% of the demand required.

The liberalisation process is subject to change from January 2024, with a full opening to medium and high-voltage customers, as there will no longer be a minimum demand requirement. From January 2026, low-voltage consumers are expected to have access to the free market for energy, except for residential and rural classes. From January 2028, all customers will have access to the free market.

4.5.2 *Production and customer supply activities*

The IBERDROLA Group operates in the renewables production sector, mainly in Spain, the United States, the United Kingdom, Mexico and Brazil, as well as other countries (notably Australia, France and Germany). This segment includes hydroelectric, wind (onshore and offshore) and photovoltaic generation, as well as storage (pumping and batteries) technologies.

The IBERDROLA Group also has a wide array of thermal production plants in Spain and Mexico, and a single plant in Brazil. There are also back-up plants for its renewable business in the United States and Australia.

Lastly, the IBERDROLA Group is present in the retail supply of electricity and gas to end customers in Spain, the United Kingdom, Mexico, Brazil and other countries.

Market risk

Market prices for electricity, both wholesale and retail, are closely correlated with the prices of fuel (predominantly gas) and of the emission allowances needed to produce electricity. These prices are subject to uncertainty (varying according to the structure of each country's electricity market and its regulation). Forward electricity prices are further influenced by projections of new generation plants coming on stream and of increases or decreases in future reserve capacity.

The margin of the generation and commercial segments is subject to the risk of the spread between the price obtained (either from customers in the case of retail sales or from the markets in the case of wholesale sales) and the cost of production. In the case of sales to customers, the uncertainty in the margin is strongly influenced by the greater or lesser degree of competition between retail suppliers.

The IBERDROLA Group’s exposure to market risk is low overall, due to:

- Part of its production is sold at regulated prices (e.g. East Anglia and Wikinger), or has regulatory support mechanisms (ROCs in the UK, Rinv in Spain, CELs in Mexico, etc.).
- The rest of the energy is sold to end customers in Spain, the United Kingdom, Mexico, Brazil and Australia. Energy is sold at fixed or indexed prices, alongside other services, for delivery within the usual time frames of the retail markets of the countries in which it operates. The offsetting of risk positions between generation and customer sale activities therefore offers a natural risk-hedging mechanism. The remaining risk is mitigated through wholesale market transactions (through physical transactions and derivatives).
- Of particular note is the high percentage of long-term fixed-price contracts for the sale of energy which the Group has in AVANGRID, as well as numerous hydroelectric plants in Brazil (contracts with Coelba and Celpe) and Australia.
- In new investments, incentives are provided for sale at regulated prices or the signing of long-term fixed-price PPAs.
- Centralised management of positions by a specialised area (Energy Management), including the sale and purchase of surpluses and shortfalls.

In those markets where there is not enough uncommitted own production (Italy, France, Germany), Energy Management supplies electricity and gas to the retail activity at wholesale market prices (hourly or forward) in accordance with the usual practices of each of the countries.

Other risks

In addition to the aforementioned market risk, other notable risks include:

- Regulatory: inter alia, i) intervention in the operation of wholesale markets, ii) modification or elimination of tariffs, premiums and incentives for renewables, iii) levying or increasing energy charges and for management of nuclear waste and iv) other obligations (energy anti-poverty measures, maximum regulated prices in the United Kingdom, etc.).

- Natural resource: the Group's renewable energy businesses may be exposed, to a greater or lesser extent, to resource risk (mainly hydro and wind and, to a lesser extent, solar):

  - In the medium to long term, years with lower than average water and/or wind resources are offset by years with above-average overall resources. As a consequence of climate change, structural changes of the hydrological resource may be seen in the long term.
  - The risk of water scarcity in a given year largely affects Spain, and to a lesser extent Brazil.
  - The risk of wind resources in a given year affects all countries in which the Group operates. At global level, the Group considers that this annual risk is partially mitigated by the large number of wind farms in operation and their geographical diversification.

- Promotion: the Group has major renewable projects under construction and development in the different countries in which it operates. In the particular case of offshore wind projects, it must be highlighted that they require large investments subject to complex proceedings and may entail the writing off of investments made prior to the making of the final decision.

- Evolution of demand: stemming from temperature factors (largely affected by global warming), the general economic situation, energy efficiency measures, electrification of the economy, etc.

- Operational (analysed in section 4.6): from both typical events and potentially extreme weather events as a consequence of climate change. These include risks associated with nuclear power plants in Spain, in addition to cost overruns and construction delays.

It should be noted that supplementary discretionary trading activities are limited to certain countries only, are small-scale in nature and their overall risk is limited by individual stop-loss limits, the aggregate sum of which may never exceed the maximum limit of 1% of the expected consolidated net profit. IBERDROLA has maintained low levels of discretionary trading in recent years in line with the widespread move away from market speculation.

a. Spain

The Group currently has an installed capacity of renewable energy in Spain of 6,351 MW of wind power, 10,826 MW of hydroelectric power, 3,951 MWdc of photovoltaic power and 244 MW of mini-hydro power. In Spain, the Group also has 9,168 MW of installed capacity in conventional generation, of which 3,177 MW are nuclear power, 5,695 MW combined cycles and 296 MW co-generation. The sales volume of the free-market retail supply business in Spain amounted to 65.2 TWh of electricity and — TWh of gas in 2023. Additionally, the last resort tariff retail supply subsidiary supplied 6.5 TWh of electricity.

Additional information on risks related to nuclear activity in Spain is provided in section 4.6.

Hydroelectric production risk

Despite having a large water storage capacity in Spain, the Group's annual results depend significantly on annual rainfall contributions. The changes in output from a dry year to a wet year with respect to the average reference value can be up to -4,000 GWh and +5,000 GWh respectively in Spain, with an estimated impact range of EUR -220 million and EUR +275 million. In the medium to long term, dry years are offset by wet years.

Regulatory framework for wind and mini-hydroelectric

The wind and mini-hydro capacity installed by the Group prior to 2013 was subject to a specific remuneration regime in accordance with Law 24/2013 and Royal Decree 413/2014. Said regime, combining market income and a supplement per MW, guarantees reasonable profitability before taxes to the plants, which was set at 7.398%. Royal Decree-Law 17/2019 was approved in late 2019, extending the value of reasonable profitability through to 2031. Facilities built prior to 2004 have zero supplement per MW.

In accordance with Royal Decree 413/2014:

a. at the end of each regulatory half-period of three years, various remuneration parameters for standard facilities are reviewed, including price estimates for the following three years, as well as past prices. This is done by calculating whether the set limits (bands) have been exceeded in the past three years; and
b. the existing plants were segmented based on various criteria such as commissioning year and size, and they were assigned standard investment values, useful regulatory life, peak factor, O&M expenses and hours.
c. In order to qualify for investment remuneration, wind farms have to meet a minimum number of operating hours.

Renewable plants commissioned after 2013 either only receive market income (or PPA agreements) or had to participate in bids (which took place in 2016 and 2017) to access the Specific Remuneration Regime described above. The production of hydroelectric power plants is not regulated by Royal Decree 413/2014.

Natural gas and CO_2 price risk

Given the current market conditions, the production price of the combined cycle plants defines, to a large extent, the price of electricity in Spain since combined cycles provide the marginal technology necessary to cover electricity demand. With variable productions costs with natural gas in the region of EUR 65/MWh, a 5% change in prices could give rise to an impact of EUR ±16 million on operating results.

The price of CO_2 also influences the cost of production at thermal power plants. With CO_2 prices around EUR 80 per tonne, a 5% change in prices could give rise to an impact of EUR ±7 million on operating results.

In 2023, the IBERDROLA Group supplied gas at prices indexed to European markets, with uncertainty associated with the difference between the purchase price and the price at which it is sold to customers or the price of gas consumed by combined cycle plants.

Demand risk

Given the current market conditions, where the price is primarily determined by the generation cost at combined cycle plants, which make up around 15% of the generation mix, demand fluctuations that could occur within one year are not deemed to impact on marginal technology in the market. The impact on the market price of a 1% change in demand is therefore minimal, amounting to approximately EUR 0.25 per MWh.

A moderate drop in demand in Spain does not affect the scheduled output of the Group's nuclear, hydroelectric and wind power plants, since there is a mandatory electricity market in Spain guaranteeing the efficient dispatch of output from all generation technologies.

Nevertheless, there is an impact if a drop in electricity demand may entail an equivalent reduction in the Group's retail sales (and the loss of the associated margin), mitigated to some extent by increasing sales of own energy on the wholesale market. This same effect of loss of margin on retail sales can be seen in the demand for gas.

Taking both effects into account, it is estimated that a 1% fluctuation in demand would have an impact of around EUR ±20 million overall, for both electricity and gas.

b. United Kingdom

The Group currently has an installed capacity of renewable energy in the United Kingdom and Ireland of 1,956 MW in onshore wind farms and 908 MW in offshore wind farms in operation, including an interest of 50% in West of Duddon Sands (389 MW) and 60% in the East Anglia 1 offshore wind farm (714 MW).

Sales of the retail supply business in 2023 amounted to 18.5 TWh of electricity and 22.92 TWh of gas, both lower than in 2022, owing to the impact of price hikes on consumer habits.

The bulk of the Group's onshore wind farms currently in operation, as well as West of Duddon Sands, were developed under current Renewables Obligation legislation. Under such legislation, the total revenues obtained reflect the price of the energy produced (at market) and the sale of associated Renewables Obligation Certificates (ROCs).

UK regulations require that electricity suppliers meet ROC delivery date requirements per MWh sold that are 10% more than are expected to be available on an annual basis, and determine the price at which the rest must be bought, which in practice amounts to setting a reference price of the ROCs.

For facilities commissioned subsequent to 1 April 2017 (for onshore wind farms, those built from 12 May 2016), the revenue system is market-based, except for specific assets that have PPAs with large customers or that have opted for the "Contract for Difference" (CfD) remuneration scheme, which eliminates market risk for 15 years. Such is the case with the East Anglia 1 offshore wind farm and the East Anglia 3 facility, which is presently under construction.

The fixed prices for the projects under the CfD scheme are established on a project-by-project basis through public tenders. The counterparty guaranteeing this price, The Low Carbon Contracts Company, finances its potential payments by imposing a levy on retail suppliers in accordance with their market share, and therefore credit risk vis-à-vis this counterparty is practically zero.

The portfolio of offshore wind projects under development in the country includes the East Anglia Hub, as well as offshore land rights in Scotland (of up to 4.5 GW).

In the retail business, following the entry into force of the Domestic Gas and Electricity Act 2018, OFGEM publishes the maximum prices that retail suppliers may charge to end customers under the Standard Variable Tariff. These maximum prices have been revised on a quarterly basis since October 2022 and, also since October 2022, the new rules in place allow retail suppliers to reasonably recover all their costs, and there may be mismatches in the short term.

The structure of the tariffs applied, both those defined freely and those fixed by the regulator, means that the IBERDROLA Group's margin is affected by changes in demand. In the UK, the impact of temperature on energy demand is important, mainly for household customers who use gas to warm their homes. In this regard, it is estimated that in a warm year, the actual customers' demand would be 1.8% lower for electricity and 8.9% lower for gas compared to average values.

c. United States

The IBERDROLA Group is present in the renewables business in the United States through its listed company AVANGRID, which has an installed capacity of 7,809 MW in onshore wind farms and 606 MWdc in operational photovoltaic plants, plus a further 636 MW in thermal power.

AVANGRID aims to secure more than 80% of its capacity through long-term PPAs and financial transactions to reduce volatility. At year-end 2023, approximately 78% of its capacity was sold through PPAs with an average term of 9 years, and a further 11% was secured by hedges.

With electricity prices around USD 55MWh, a 5% change in prices could give rise to an impact of EUR ±11 million on operating results.

AVANGRID has a significant portfolio of offshore wind energy projects, including the 806 MW Vineyard wind farm under construction, which is scheduled for commercial operation in 2024.

d. Brazil

In Brazil, the Group, through NEOENERGIA, currently has 44 onshore wind farms and 2 solar plants in operation under long-term and short-term agreements with the country's distributors and free consumers respectively. For long-term agreements with distributors, surpluses and shortages in the production contracted with the distributors are settled over periods of four years, and surpluses must be offered and shortages purchased at market prices.

Also in Brazil the Group has 2,169 MW in hydroelectric plants (consolidated power and equity-accounted interests), of which approximately 63% is sold to electricity distribution companies under long-term contracts (PPAs).

The asset swap with Eletrobras was completed in September 2023, whereby Neoenergia fully consolidates Dardenelos, with a total installed capacity of 261 MW, and no longer holds a 51% stake in Teles Pires (1,820 MW) and in Baguari (140 MW)

Neoenergia has a combined cycle gas plant of 533 MW in the state of Pernambuco, with long-term purchase and sale agreements nearing maturity. In December 2021, the plant won the auction held by ANEEL, selling its available capacity (498 MW), with supply commencing in July 2026, for a 15-year term.

Renewable energy without a PPA is sold through the Group's retail supplier in the free market. For 2024, the outlook is for low price levels near the regulated minimum. Fluctuation risk is low due to sales already agreed upon and the long position.

e. Mexico

In Mexico, the group is present in the segments of retail supply of electricity to large customers and renewable generation (693 MW in wind farms and 642 MWdc in solar plants) and gas (9,660 MW of combined cycles and 202 MW of cogeneration).

The electricity produced is supplied under two sales models: a) to third parties on a self-supply basis for renewable cogeneration plants and b) on the free market (selling both to third parties and directly on the organised market). Sales to third parties are made either at prices discounted from the official tariff published by the CFE or at prices reflecting production costs of the thermal power plants.

In June 2023, IBERDROLA signed a share purchase agreement between its subsidiaries and Mexico Infrastructure Partners (MIP), whereby IBERDROLA undertook to divest a portfolio of 12 power generation assets and an onshore wind farm in the country. Iberdrola will also purchase production from four of the plants sold off, by means of PPAs at different terms. A document has been submitted for the approval of the Federal Economic Competition Commission (Cofece). The process of acquiring permits to complete the transaction is progressing satisfactorily. The information disclosed in this section assumes that the transaction is completed successfully.

Commodity price risk

The Group's thermal generation in México is gas-intensive. Gas prices are therefore an essential component of this risk. In 2024, approximately 58% of the electricity generated in Mexico or purchased under long-term agreements will be sold under long-term sales agreements to other major industrial customers and partners, thus passing on the risk associated with the purchase price of gas used in generating this electricity.

The remaining energy (both thermal and renewable) is sold to customers, either under self-supply or in the free market, at a price largely linked to the official basic supply tariffs published by the CFE. The Group's competitiveness in this case consists of obtaining a better price for the supply of gas than the cost used to define the CFE's basic supply tariff, for which hedging contracts are concluded to stabilise this price. After concluding the bulk of these hedges, in the event of an adverse scenario (high cost of gas relative to other energy commodities), the impact would amount to EUR 13 million in the 95th percentile.

Demand risk

Plants selling electricity on a self-supply basis have no firm sales commitments exceeding their production capacity, and therefore a shift in demand would not have an impact on their operations or results as the electricity generated would be sold to another customer. However, in sales to customers under the market regime, a change in demand would have a negative impact due to the difference between the sales price to customers and the wholesale market price, which would be the alternative market in which to sell the electricity produced. A 1% change in demand would have an estimated impact of some EUR 2 million.

Regulatory uncertainty in the Mexican electricity market

Despite the fact that on 17 April 2022 the "Initiative to reform the Constitution" sent by the Mexican executive was voted down in the Chamber of Deputies, the decree to reform and add various provisions of the Electricity Industry Law (*Ley de la Industria Eléctrica*, LIE), presently suspended with general effects, remains in place. The purpose of this decree is to promote the participation of the CFE, with the definitive impact for the IBERDROLA Group remaining as yet uncertain.

In addition, the Group is having to face an additional risk in Mexico due to the delays in registering customers for the new market scheme. This delay is preventing IBERDROLA from being able to supply these customers, meaning the energy must be sold on the market instead. Should the current delays in granting these registrations drag on, the impact could reach EUR 24 million.

f. International

The installed capacity of Iberdrola Energía Internacional at year-end 2023 totalled 3,566 MW.

In Germany, the Group owns 51% of and operates the Wikinger offshore wind farm with a capacity of 846 MW. Pursuant to German regulations, the Wikinger plant will have a fixed price for the energy it produces over the first 12 years of operation.

The Group is now building several significant offshore wind farm projects in Europe, which are expected to be brought into operation throughout 2023-2024:

- The Saint Brieuc project (496 MW) in French Bretagne.
- The Baltic Eagle (476 MW) project in Germany, which is 51% owned by the Group.

In other countries, the Group currently has an onshore installed capacity of 2,072 MW in wind farms and 573 MWdc in photovoltaic facilities. In Greece (partially), Portugal (partially), France, Cyprus and Hungary, the revenue schemes are regulated, with local variations, while in Australia, Italy, Romania, Poland and Greece (partially) and Portugal (partially) there is market exposure. This exposure is mitigated through sales of energy under contracts of differing terms and transactions in the wholesale markets.

In addition, the Group has a significant portfolio of potential offshore wind projects, particularly the 309 MW Windanker wind project in Germany.

Iberdrola engages in commercial and retail activities in Australia, Portugal, Italy, France and Germany, although the scale of this activity is not material at Group level.

The company in Australia also has a portfolio with back-up generation capacity to ensure customer supply. They are currently operating 75 MW of batteries and 243 MW of gas cycles in order to ensure supply in the event that renewable generation is not available.

4.6 Operational, technological, social, environmental and legal risks

These relate to direct or indirect economic losses caused by external events or inadequate internal processes. The IBERDROLA Group is exposed to the following mainly operational risks, among others:

- technological failures, human error and technological obsolescence;
- operation and construction of facilities;
- sabotage and/or terrorism;
- those related to trading in markets;
- security of facilities, physical assets and information systems, including cyber-security;
- reliability of financial and non-financial information;
- climate change, extreme natural events and pandemics;
- risks from nature: environmental management and biodiversity
- communities affected by facilities:
- procurement and the supply chain, in both the industrial and social sense.
- the health and safety of people;
- Diversity and inclusion;
- regulatory compliance;
- fraud and corruption; and
- litigation, arbitration and tax issues.

The operational component of many of these risks could cause damage or destruction to the IBERDROLA Group's facilities and financial losses, as well as injuries or losses to third parties or damage to the environment, along with the ensuing lawsuits, especially in the event of power outages caused by incidents at our distribution networks, as well as possible penalties imposed by the authorities.

Although many of these factors are unpredictable, the IBERDROLA Group mitigates these risks by carrying out the necessary investments, implementing operation and maintenance procedures and programmes (supported by quality control systems), planning appropriate employee training, and taking out the required insurance covering both material damages and civil liability.

In relation to insurance coverage, the IBERDROLA Group has international insurance programmes to protect assets (insurance for material damage, machinery breakdowns, loss of profits and damage due to natural disasters) and against the liability it may incur as a result of its activities (general civil liability, liability for environmental risks, etc.).

However, this insurance does not completely eliminate operational risk, since it is not always possible, or interesting from the viewpoint of efficiency, to pass such risk entirely on to insurance companies. In addition, coverage is always subject to certain limitations and, sometimes. to excesses.

Given the configuration of the electricity sector's value chain, the IBERDROLA Group's activities might be affected by failures in third-party infrastructures and equipment, like transmission networks, competitors' generation plants, communications networks, etc.

Operational risk of nuclear power plants (Spain)

One of the main operational risks of these plants is unscheduled downtime (partially covered by a loss of profits insurance policy over and above an excess).

It should also be noted that nuclear power plants are exposed to specific risks to third parties derived from the operation thereof and from the storage and handling of radioactive material. The scope of this liability is established in Law 12/2011 of 27 May on civil liability for nuclear damage or damage caused by radioactive material, the entry into force of which on 1 January 2022 set the liability of nuclear power plant operators in the event of a nuclear accident at EUR 1.2 billion. Such liability carries with it the obligation to provide financial protection in the amount and to the extent specified in the law, which is assured at the IBERDROLA Group by the contracting of a nuclear civil Liability insurance policy for each facility.

In 2019, the Government and nuclear generators agreed on a scheduled closure plan for Spanish nuclear plants. The agreement provides guarantees on the recoverability of investments required until the last day of useful life of the plants and allows for rational and safe operation of the plants through to the end of the decade.

ESG risks

The Group has policies and procedures to monitor and mitigate the risks to which it is subject, under the supervision of the Board of Directors, with the support of its various committees and the management of the corporate divisions and businesses.

The comprehensive risk control and management system therefore provides for the continuous monitoring and detection of risks that are not strictly financial in nature which the investor community has been monitoring with growing interest in the last financial years, such as environmental and social aspects, and the Group's corporate governance ("ESG"). The impact of said risks, which are timely reported both internally and externally, can be of a varied nature, both in economic terms and reputational terms.

The governance and sustainability system is a distinctive feature of Iberdrola, which pioneered the development of its own internal system, which was initially called the "corporate governance system". The system has undergone constant changes in order to adapt it to regulatory changes and most stringent international standards and in 2020 it was reframed to include environmental, social and governance criteria.

In pursuit of continuous improvement, the Group has begun to work on implementing the new European regulation on non-financial reporting, the Corporate Sustainability Reporting Directive (CSRD) and the standards approved for implementing the CSRD, the European Sustainability Reporting Standards (ESRS). The aim is to not only improve the Group's reporting, but also its processes of identification, measurement and management of risks, opportunities and impacts related to the following standards:

- ESRS E1 Climate change
- ESRS E2 Pollution
- ESRS E3 Water and marine resources
- ESRS E4 Biodiversity and ecosystems
- ESRS E5 Circular economy
- ESRS S1 Own personnel
- ESRS S2 Workers of the value chain
- ESRS S3 Affected groups
- ESRS S4 Consumers and end users
- ESRS G1 Business conduct

Many of these risks are monitored not only in the Group itself, but also along the supply chain, as noted in the "Purchasing and Supplier Management Activity Report 2022 – 2023".

For further information on these ESG risks, see the 2023 Sustainability Report, as well as the Integrated Report – April 2024 and the 2023 Annual Corporate Governance Report.

Cyber-security, climate change, compliance, legal and tax risks are described in greater detail below, according to their importance.

4.6.1 *Cybersecurity*

IBERDROLA Group companies may be affected by threats and vulnerabilities in connection with information, control systems or information and communications systems used by the Group, or by any consequences of unauthorised access to or the use, disclosure, degradation, interruption, modification or destruction of information or information systems, including the consequences of acts of terrorism.

The main risks are:

- Risks related to Operations Technology (OT), such as IT and communications systems used to manage industrial operations (production, management and distribution of energy) or other operating processes such as those related to physical safety (fire protection, CCTV, alarm reception centres) or intelligent buildings (lifts, climate control, etc.).
- Risks related to administration or customer interfaces (IT), especially breaches of the information they contain, under the umbrella of the General Data Protection Regulation (GDPR) in Europe and other countries, and the Group's classified information.

- Other cybersecurity risks having an impact on reputation.

The OT Cyber infrastructure of thermal generation and of the large hydroelectric power plants is set up to control and manage the operation of each plant from the Operation Control Centre (*Despacho Central de Operaciones,* DCO) in Spain and for other own local generation centres. The potential impact of a cyber-attack could put generation and the safety of the whole country's electrical system at risk.

The operating management of the Group's Networks Businesses is based on cyber infrastructures used to supervise and monitor physical electricity and gas transmission and distribution networks (with offices located in the Group's facilities) and the associated field devices. These devices may be located at the IBERDROLA Group's facilities (substations, transformer centres, etc.) or at customer facilities (meters). The potential impact of a cyber-attack could put at risk the energy supply to whole distribution areas of the Group and/or borderline areas operated by other suppliers.

In the particular case of wind farms (onshore or offshore) and photovoltaic plants, said facilities are connected to Supervision, Control and Data Acquisition systems ("SCADA") that communicate with Control Centres (CORE), from which said facilities can be monitored and controlled remotely. The global impact of a cyber-attack would affect said remote control capacity, putting operating safety at risk.

These risks are managed in accordance with the basic principles defined in internal rules promoting the safe use of IT and communications systems and other cyber assets, reinforcing detection, prevention, defence and response capabilities regarding possible attacks.

The IBERDROLA Group currently has specific insurance against cyber risks, under the terms allowed by the insurance market, which is revised and updated periodically in view of the rapid evolution and wide variety of cyber risks.

Within the IBERDROLA Group, training, awareness and compliance plans on Cybersecurity and Data Protection are in place for all professionals that include standards, procedures, guidelines and risks depending on the role performed by each professional. Specifically, it is carried out for the owners and managers of critical cyberinfrastructure and for the personnel involved in the protection of cyberinfrastructure.

The Group's various businesses have appointed specific cybersecurity managers and drawn up plans and processes for their internal networks and cyber infrastructures, aligned with the Group's global framework but adapted to their specific requirements.

The IBERDROLA Group complies with local rules on critical infrastructure protection in the countries where it operates, which guarantees the highest level of protection against these types of threats. In the case of Spain, the nuclear plant of Cofrentes meets the highest requirements in terms of physical safety and cyber security within the Group. It has its own Cybersecurity Plan, in order to comply with the Spanish Critical Infrastructures Act (Law 8/2011) and the Nuclear Safety Council, as well as its Additional Technical Guidelines, and collaborates in the exchange of information through the Spanish cybersecurity plan.

When it comes to commercial operations, the IBERDROLA Group has implemented a global model to guarantee compliance with all obligations in force in each country. In Europe, the IBERDROLA Group is subject to the GDPR. The Personal Data Protection Policy is implemented at each of the Group's country subholding companies and is developed through local data protection rules and procedures adapted to the legal provisions applicable in each country.

4.6.2 *Climate change*

Climate change represents a systemic global risk. Companies must do their part to combat this risk through mitigation actions, reducing their emissions and decarbonising their business model, and also by acting against the impacts of climate change, by improving their adaptation and resilience capacities.

Climate change encompasses various risks with growing impacts over the long term, which, to a greater or lesser extent, may be regarded as risks that are not new to the sector. Climate change accelerates risks already listed in the IBERDROLA Group's risk catalogue (see *General Risk Control and Management Policy*). In line with the TCFD nomenclature, IBERDROLA classifies climate change risks as follows:

- **Physical risks**, associated with a potential material impact on facilities derived from the effects of changes in the climate (rising temperatures, rising sea level, variations in rainfall, increase in both the frequency and intensity of extreme weather events, etc.). In accordance with TCFD nomenclature, a distinction is made in this category between acute or one-off risks and chronic risks.
- **Transition risks**, linked to all risks that may arise during the gradual global decarbonisation process, such as regulatory changes, market prices, technological and reputational risks, whistleblowing (e.g. for deficient reporting) lawsuits, changes in demand, insurance costs, counterparty credit impairment, and so on.

Climate change risks are identified, analysed and managed through a multi-departmental approach, involving both corporate and business functions. IBERDROLA tackles climate change risks from a favourable position, as it has:

a. Wide-ranging experience in the management of risks accelerated by climate change, both physical and transition.
b. Financial strength
c. A diversified business (from a corporate, geographic and technological standpoint), with reduced exposure to gas assets and no coal-fired power plants.

IBERDROLA has been working for years to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board. In addition, and in pursuit of continuous improvement, the Group has begun to work on implementing the new European regulation on non-financial reporting, the Corporate Sustainability Reporting Directive (CSRD) and the standards approved for implementing the CSRD, known as the European Sustainability Reporting Standards (ESRS).

For more information on metrics and indicators, the Climate Action Plan and climate change risk governance at IBERDROLA, see the "Climate action and TCFD" section of the Statement of Non-Financial Information – Sustainability Report 2023. Note 6 to the Consolidated Financial Statements of the Annual Financial Report 2023 provides information on the consideration of this risk in the preparation of the Group's accounts.

Transition risks

The main transition risks, such as regulatory or market risks, usually call for management approaches implemented at country level. Notable is the development of distributed generation, trends in wholesale market prices due to higher renewable production at a reduced variable cost and trends in demand, as well as potential regulatory measures.

In emitting activities, Iberdrola has an ambitious plan in place to reduce its future emissions. The Group's strategic positioning, as a result of its decision to focus its investment on energy obtained from renewable sources and networks, puts it on a good footing to face these risks. The opportunities arising from decarbonisation of the global economy (growth in renewables, investments in inclusive smart grids, electrification of transport, green hydrogen, etc.) are seen as outweighing the risks.

The aforementioned section "Climate Action and TCFD" of the Non-Financial Statement – Sustainability Report 2023 contains the analysis carried out on the basis of scenarios, with three time horizons: up to 2025, up to 2030 and up to 2050, in addition to management and mitigation mechanisms.

Collaboration with other industry players is important in emphasising the need to fight climate change and to foster continuous innovation as a strategic concern for the Group.

Physical risks

The main management and mitigation mechanisms applied are as follows:

- Consideration of climate change in new investment decisions, to make future assets more climate resilient. The Group's Investment Policy stipulates the need to carry out a specific analysis of climate change risks in the construction briefs for new assets. Since the network businesses rely on multi-year reviews and future investments in thermal power plants will be very small, the analysis focuses on new renewables facilities.
- Gradual renewal of the Group's assets: the fact that the impacts are primarily long-term means that it is largely the Group's future assets, and not its current ones, that will be more severely impacted.
- Regulatory coverage in the Networks business.
- Insurance coverage.
- Previously implemented resilience measures, such as equipment redundancy, emergency plans, fencing and burial of lines, smart grids and so on.

These risks are site-specific, progressive, technology-related and relatively long-term, although, as in the specific case of extreme weather events, the increase in frequency and intensity can already be felt in the short term.

IBERDROLA analyses the resilience of the different areas based on three key concepts: robustness (based on design and construction procedures), recovery (based on early detection tools and action protocols) and adaptability.

Iberdrola monitors and manages the physical risks arising from climate change by means of a continuous process of improvement that integrates analysis of climate science, teams' operating experience and the application of these elements in the company's standard procedures.

In term of businesses, it is worth noting:

a. Networks business: increases in temperature and greater frequency of extreme climatic events may entail increased technical losses, poorer levels of service and an increase in operation and maintenance costs (associated with various factors such as a shorter useful life of assets) and annual capital expenditure, albeit in manageable amounts given the multi-year tariff reviews that take place at these regulated businesses.

b. Renewable Generation: in terms of impact, extreme temperatures, fires, heavy winds, extreme precipitation and water scarcity are some of the acute physical risks that most severely affect the Group's renewable assets, according to the 2022 analysis carried out in response to the requirements set out in the European Taxonomy of sustainable activities, based on a conservative RCP 8.5 scenario. The main chronic physical risk associated with each facility is that of potentially negative future developments in hydro, solar and wind resources. Added to the high uncertainty associated with long-term global climate projections for these variables is the need to determine the impact on the geographical regions where our assets are located. There is currently much uncertainty surrounding the long-term outlook of renewable energies, especially solar and wind power.

   - In the case of hydro resources, a potential decrease in annual average rainfall could lead to a negative impact on the output of the Group's hydroelectric plants, which is a particular concern when it comes to run-of-river plants, although the negative effects in certain regions could be partially offset against other impacts. Additionally, climate change could affect seasonal rainfall. In Spain, assuming, for example, 5% lower production over an average year of the current generation facilities, a medium-term impact on the margin (discounting pumping) of approximately EUR 28 million is estimated, based on average prices over the next decade and current exchange rates.

   - In the case of wind resources, for illustrative purposes, a 1% reduction in the Group's current overall wind power production would result in a lower profit margin of some EUR 35 million, based on average prices over the coming decade and current exchange rates.

The aforementioned section "Climate Action and TCFD" of the Non-Financial Statement – Sustainability Report 2023 contains the analysis carried out on the basis of scenarios, with a 2030-2070 horizon. Based on the impacts discussed (which take into account the current uncertainty associated with climate projections) and the mitigating elements in place, it is estimated that the physical risks of climate change may not have a material and permanent impact on the consolidated figures of the Group, which is believed to be globally resilient.

4.6.3 *Legal and tax risks*

The IBERDROLA Group companies are party to certain in-court and out-of-court disputes within the ordinary course of their activities, the final result of which is generally uncertain. An adverse result or an out-of-court resolution of these or other proceedings in the future could have a material adverse effect on our business, financial situation, operating results and cash flows, and our reputation. As is standard practice, provisions have been made for this purpose, based on the opinion of the Group's legal advisors.

Notes 35 and 45 to the Consolidated financial statements include a more detailed description of the most significant open matters.

4.6.4 Compliance

Iberdrola Group companies have compliance systems consisting of a set of substantive rules, formal procedures and material actions aimed at guaranteeing their conduct in compliance with ethical principles and applicable legal provisions, preventing, avoiding and mitigating the risk of irregular, unethical or unlawful behaviour.

The components of these compliance systems, which have been developed in accordance with national and international best practices in compliance, anti-fraud and anti-corruption, include: i) the Code of Ethics, which is applicable to all employees of Iberdrola Group companies, directors and suppliers; ii) the Company's Compliance Unit, which is a standing internal collegial body linked to the Sustainable Development Committee – among other tasks, it disseminates a prevention culture based on the principle of zero tolerance towards unlawful acts or irregular conduct; iii) the compliance units of the subholding and holding companies, which proactively oversee the application and effectiveness of their respective compliance systems, notwithstanding adequate coordination of the Group at all levels; and iv) the entirety of the compliance policies, protocols, procedures and controls which are there to prevent irregular conduct or any breaches of regulations or ethical principles.

4.6.5 Other risks

- Merger and acquisition risk: there is a risk that the Group will not identify suitable acquisition opportunities or obtain the necessary funding, and also that transactions will not be profitable. Hidden liabilities and failures in the integration of companies could also come to light.

- Pension plans and contingent liabilities: the risks associated with pension plans are analysed in Note 27 to these financial statements. Note 45 provides a detailed description of contingent liabilities.

- Talent retention and attraction, particularly in certain sectors, and organisations' continuity plans for critical positions.

- Emerging risks: emerging risks are monitored, as set out in the Group's General Control and Risk Management Policy, and in a manner similar to the monitoring of structural and current risks. The Policy defines these as "possible new threats the impact of which is as yet uncertain and of undefined probability, but which are growing and could become material for the Group's companies". By way of example, the following information is provided on two emerging risks:

	Artificial intelligence	**Supply chain and impacts on energy transition**
Description	The disruption caused by the wholesale use in 2023 of generative Artificial Intelligence has hastened the emergence of new risks and opportunities in the business world, affecting all sectors to a greater or lesser extent. The use of generative artificial intelligence at IBERDROLA therefore requires governance, oversight and analysis, in line with regulatory proposals being made in this regard in different countries.	Tensions in the supply chain that might reduce investor appetite for renewable energy as a key strategic lever in the fight against climate change, resulting from: 1) Commercial disputes between the countries where the Group operates and China that might lead the former to establish tariff measures, and 2) Rising geopolitical tensions against the present landscape (war in Ukraine, escalation of the conflict in the Middle East, etc.) 3) Intensification of other risks (such as financial or commodity-related ones) due to crises or other events that may also lead governments to take protectionist measures
Impacts	The main potential impacts of this technology, now being tackled by IBERDROLA, include: • Leakage of confidential information due to the use of public platforms • Illicit use by third parties, as in more sophisticated cyber-attacks • Unethical use for decision-making that may violate the people's fundamental rights, as in candidate selection processes: • Biased decisions or inaccurate information due to the immaturity of the technology (misconceptions, biases, etc.) However, we cannot miss out on the competitive advantages that using disruptive technology like generative AI can provide to the Group.	The main impacts that may arise from this risk relate to difficulty in accessing equipment and services, delays in deliveries and cost overruns in building projects (due to indexing to commodities, levying of tariffs, macro conditions related to interest rates and exchange rates, etc.).
Mitigation	To mitigate these impacts, IBERDROLA has a Policy of Responsible Use of Artificial Intelligence Tools, which seeks to ensure that use of such tools is consistent with the Company's corporate ideals and the principles making up its corporate culture, based on ethics and a commitment to sustainable development. In addition, IBERDROLA has implemented an Artificial Intelligence Governance Model. It has drawn up an inventory of all the solutions used in the Group that incorporate this technology and it has carried out an assessment of the potential risk of its use in each technology. No instances of high risk exist at present. This model is based on the creation of local and global committees and working groups to assure the considerations of ethics, security, privacy and innovation that are included in the policy, setting risk levels and actions, while working to leverage all the opportunities these technologies offer. This governance model is ready to evolve and adapt to any new challenge in this area.	To mitigate the aforementioned threats, the Group has an array of mechanisms in place. Among these are the diversification of suppliers, the fostering of policies of energy self-sufficiency (see the Group manifesto "Electric, together), the contracting of hedges when a decision is made to undertake new investments (to cover inflation, commodity and exchange rate risks) the signing of strategic agreements with top-tier manufacturers to ensure preferential access to production chains. The Group's size enables it to achieve synergies with third parties and transfer best practices, in addition to the potential ability to transfer teams from certain projects to others.

4.7 Risks materialised during the year

See section E.5 of the 2023 Corporate Governance Report.

5. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

Events subsequent to the close of the financial year are described in Note 51 to the Financial Statements.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

IBERDROLA is today the Utility of the future due to its innovative strategy, which is applied across all its business units and areas of activity. Thanks to a constant commitment to innovation, IBERDROLA has been recognised as the private utility that invests the most in R&D in the entire world, according to the European Commission's classification. This position was reached thanks to the talent, experience and effort of 40,000 people across more than 40 countries.

In 2023, IBERDROLA invested EUR 384 million in R+D+i activities, up 6% from 2022. The IBERDROLA Group's efforts in R+D+i are based on five pillars fully aligned with the central vectors underpinning the transformation of the energy sector, decarbonisation and electrification of the economy.

- **Disruptive technologies** that are increasingly efficient, sustainable and environmentally-friendly, enabling the operation of facilities and processes to be optimised.
- **Competitive new products and services** that meet customers' needs with a greater degree of personalisation of contents and offers.
- **Digitalisation and automation** in all business and processes, introducing new technologies such as blockchain, big data, IoT, virtual reality, artificial intelligence, etc.
- **Innovation with start-ups, entrepreneurs and suppliers** with the goal of developing alliances and new disruptive business models, favouring the exchange of know-how and having a driving effect on collaborators.
- **Culture of innovation and talent.** Iberdrola fosters a culture of innovation through the transfer of knowledge and by attracting talent and fostering an entrepreneurial spirit. Within the Universities Programme Iberdrola U, several initiatives are developed in the academic world, such as lectures, R&D projects, training of students, in-house training and young entrepreneurs.

Iberdrola Innovation Middle East, through the Iberdrola technology centre in Qatar dedicated to the digitalisation of the electricity sector, is carrying out development programmes of digital products and services for Iberdrola's three lines of business: sustainable generation, networks and customers. The programmes are organised for the design and deployment of digital platforms in which artificial intelligence applications are launched to optimise the operation and maintenance of generation assets and the network, effectively and safety integrate renewable generation, scale and operate batteries and other flexible assets, manage demand and provide digital tools to our customers so they can be active players in the energy transition.

Some of the innovative initiatives, classified by broad area, are:

6.1 Sustainable energy

In onshore wind and photovoltaic

In 2023, Big Data techniques continued to be applied to the MeteoFlow prediction system in order to improve weather forecasts. With respect to the wind resource, the ENERPREDIC project continued, which is aimed at calculating producible wind energy, as did development in the RECURSO project. Substantial improvements were also made in optimising layouts with quantum computing, developing long-term time series of wind product, software for evaluations, sensitivity analysis of stellar models and, lastly, development of a method for estimating the energy losses from ice via a meso-scale atmospheric simulation. Also, work this year centred on the study of frost and of the blocking effect and its impact on energy production. With respect to the solar resource, the NEXT GEMS project applies HPC computing and earth system models to analyse variations in the resource. In the maintenance area, the ASPA project remains ongoing. It simulates the behaviour of each turbine using artificial intelligence techniques and a digital twin. Also continuing is the diagnostic matrix, where a maintenance model is being studies with the objective of preventing damage and wear so as to achieve more efficient and constant predictive maintenance. Also in this area, a software tool has been designed to recognise defects in blades using AI. In civil maintenance, improvements have been made in the analysis of the rotational and structural mechanics of wind turbines. The AEROEXTENS and NEWPREDICT projects have generated new knowledge on strategies for controlling wind turbines. Work is also continuing on the ECOSIF project, which is seeking to determine the best supporting structure for panels. In network integration, work is focusing on the THIRTIES project to optimise decentralised control of voltage levels. Work is also proceeding on deepening knowledge of the modelling of wireless networks for solar trackers, and the network modelling of the communications CIBER. In storage, Iberdrola continued to study solutions with different functionalities as part of the ALMACENLAD project. Also noteworthy is the study of plant hybridisation projects as part of the larger HIBRIDAR project.

In hydroelectric power,

In 2023, analysis continued of future power needs and technology advancements in the NEWPUMPING project. These improvements, together with digitalisation of management and hybridisation, will enable the manageability needed in all renewable generation. Two pumping projects are noteworthy: HYDROSES and AVANHID. Also, the biodiversity project KANTAURIBAI will seek to improve the interconnectivity of the River Urumea by developing new infrastructure to aid the recovery of the Salmonidae species.

In offshore wind

In offshore wind energy, work proceeded on the MEGAWIND project. The aim is to improve the foundations that are most commonly used and that have the best market potential – namely monopiles – by making them part of the new generation of large offshore wind turbines and developing design and manufacturing innovations for the monopile itself, the transition piece and the system joining them. In floating offshore wind, the MARINFLOAT project is being carried out. It analyses avifauna and marine mammals, and carries out environmental impact studies, meteoceanic studies and theoretical studies of the seabed.

New lines of work

Iberdrola has generated new know-how on floating photovoltaic technology, thus acquiring the additional expertise for future projects, and it is investigating new technologies for recycling and recovering waste from wind turbine blades, as well as agrovoltaism, which combines renewable energy with agriculture and livestock farming. Lastly, new developments have been undertaken for generating photovoltaic solar power in the NUEVASOLAR project. This is being achieved with new panel technologies, dry cleaning of panels and new, more efficient structures.

A further highlight is the creation of the renewables excellence centre, in which major innovation initiatives have been carried out. Other highlights include the work conducted on tools for operation and maintenance activities, cyber-security and data and reporting.

Internationally, the following initiatives are significant:

In the United States, survey work is advancing in floating offshore wind. More precisely, studies are focusing on the reliability of generated electricity production, taking into account the shadow between freely moving turbines and with anchors that cannot be modelled with ideal systems. The project seeks to unify the modelling and simulation of many separate elements into a single multi-mode model, with real oceanographic data to create a unique and pioneering prediction system. In addition, we are taking part in various associations and initiatives such as the National Consortium of Research and Development of Offshore Wind Power – NOWRDCA, which seeks to lower the cost of energy (LCOE) from offshore wind power, while maximising the economic and social benefits. It is also an advisory member of Windstar, which aims to reduce costs and increase reliability across all stages of development of a wind farm.

In the United Kingdom, work continues on the Whitelee BESS wind farm battery project, which began last year. The facility will ensure greater use of the electricity generated by the wind farm and will provide security and stability to the local electricity grid. The project is aligned with the objective of installing more than 0.9 GW of energy storage technology by the year 2030. In offshore farms, the novel PING Monitor technology is under study. It aims to detect early damage to wind turbines through the use of a monitoring device comprising an intelligent listening sensor whose signals can be associated with possible damage.

In Brazil, artificial intelligence is being used in hydroelectric generation both to boost plant output and reserve capacity under the Hidrodigital project, and for the identification of systems and equipment with a high potential for failure as part of the SIPRO-H project. Also, geolocalisation software was implemented through the PROXI project to allow for the real-time display of conditions in rivers, flooding maps, potentially affected structures and planned escape routes. In solar generation, the project at the Fernando de Noronha floating solar plant aims to reduce the consumption of fossil fuels on the island.

In Australia, we have begun to take part in the new markets for fast frequency response (FFR), using a battery-based power storage system. Fast frequency response can deliver a rapid active power increase or decrease within two seconds or less to correct a supply-demand imbalance, assisting in the management of power system frequency. In addition, new technologies for the inspection of wind turbines are being applied for preventive maintenance, such as drones.

In Mexico, a project is focusing on the reuse of sensors for the measurement of wind and solar resource through determination of its transfer of steady state functions. Also, to improve the maintenance of wind farms, virtual reality is being used in a new solution that can provide an immersive experience in a wind turbine, and in the My Smart Plant app to allow real time operational control by field operators and immediate action when necessary.

In relation to nuclear power, work is ongoing to ensure high levels of plant safety, reliability and efficiency, as part of a clear commitment to the digital transformation. In this regard, the following is notable:

- The bringing online of the PriSM tool at the Cofrentes plant in view of the promising results achieved for real time surveillance of the main units and early identification of potential degradation mechanisms using machine learning methods.

- The COATI project has completed its work for the development of a software tool that will allow users to draw up specific loading plans for spent fuel assemblies, and which has drawn the interest of potential users. A second phase has been launched with a view to optimising the complete emptying of fuel pools, thus completing the tool.

- The PROSA project is being carried out to develop innovative tools for the integrated management of process planning, risk assessment at nuclear plants and the provision of assistance to operators using augmented reality technologies.

- Work is being done related to the treatment of radioactive waste and special waste in the development project for the total capacity temporary storage facility.

6.2 Flexibility solutions for the electricity system

In **thermal generation**, the digital transformation of plants continues, to enable them to operate with low emissions, and to meet increasing demands for efficiency, flexibility and responsiveness. The FLAGSHIP project has ended. It aimed to develop advanced tools for the simulation and optimisation of the operation of combined cycle plants by creating digital twins. The NeoCC project has been launched. It is working to develop a set of novel technology solutions designed to significantly improve start-up processes and operating strategies of combined cycle facilities. In addition, work continues on the validation of the new prototype for robotic inspection of generators.

In Brazil, projects are centred on enhancing the efficiency of operating assets, which will have an effect on quality, safety and costs. In addition, the Operations area has developed a Load Level Calculator, which can be used to securely and quickly calculate the availability and flexibility of a plant's generation during periods of intervention.

In Mexico, initiatives for the analysis and implementation of new solutions aim to boost the efficiency of combined cycle plants when working below 100% capacity. To this end, a model is being developed for determining the optimal operating conditions so as to increase the gas turbine's efficiency at partial load levels.

When it comes to **energy management**, the focus in recent years has been to make the electricity system more flexible by following three main tracks with respect to innovation: integration of the production from innovative renewable and storage (hybridisation), having a presence in new energy markets and adding new forms of flexible demand (hydrogen, heat and prosumers). This transition is being enabled by digitalisation. Progress continues in the implementation and aggregation of resources at Virtual Power Plants (VPP), enabling services to be provided as an aggregator of distributed energy services and becoming part of the new service of active demand response. In addition, the Flexener project concluded during the year with outstanding results. It pursued research into new technologies in the fields of generation, storage and even demand aiming for the integration of a 100% renewable, flexible and robust electricity system.

Another of the major routes towards a decarbonised system is research and development of new services for the system, and trials carried out in emerging markets. The following projects are being carried out in this framework:

- DEFINER: work continues on the development of a tool for the management of flexible electricity demand.
- AVANHID: work continues on the modelling, control and optimised integration of advanced systems of hydroelectric generation.
- ONE SYSTEM: a new project that seeks to develop a simulation model that represents the energy vectors, i.e. electricity, decarbonised gas and green hydrogen.
- PERAL: a new project to develop voltage control strategies in order to manage, in a unified manner, synchronous and asynchronous generation resources, storage systems, flexible demand (electrolysers) and self-consumption.

Collaboration is also ongoing in the ATMOSPHERE project to investigate new technologies related to critical units of green hydrogen generation plants. It covers the entire value chain, with the aim of achieving a significant reduction in these plants' investment and operation and maintenance costs. Applications are being developed to enable intelligent integration of electrolysers in the system to help create and manage a renewables mix that is ever more complex, as in the FEDECOM Project.

Participation is ongoing in European projects like the BeFlexible Project, which aims to facilitate adequate coordination between all the players involved in providing services to distributors. These also include the Posytyf project, which analyses the contribution of renewable technologies to the provision of voltage balance and control services through VPP.

6.3 Green solutions – new products and services

New initiatives to boost customer experience

Work is continuing on the new features included in all our digital channels — the public website, the customer app, the Recarga Pública app and My Customer Area — and pilots have been launched targeting new customer communication and sales channels, like WhatsApp. We have also decided to pursue sustainability by developing features such as a sustainability calculator linked to product recommendations. Work has proceeded this year in projects such as rebranding, a new design system, the redesign of our B2B private area, along with the implementation of improvements and functionalities in the digital channels and points of contact with users.

New products and functionalities

- *Smart Solar*, the distributed generation solution for self-consumption. Development is continuing on the Solar Cloud product, which has been enabled for contracting through the public website and the app. The product allows residential customers to use their energy surpluses to reduce bills in other points of supply held by the same customer. In turn, the service can shift energy surpluses to other months, where they can be offset in the residential bill. In addition, Iberdrola now has 475 solar communities. Customers in the vicinity of a solar community receive 100% renewable energy and savings on their bill without having to make an investment. In the SME sector, a business solar calculator has been developed so that customers can receive, through the public website, an offer for solar power.

- *Smart Home:* in this area, work continues on the development of the Advanced Smart Assistant, a connected energy solution that can autonomously connect and manage all the customers' smart solutions using an innovative control algorithm. The platform is designed to shift consumption towards the most economical hourly ranges of the customer's tariff, taking account of the availability of power in the home and solar output (if a photovoltaic installation exists), at all events in keeping with the customer's energy needs. It also optimises the charging of electric vehicles, reduces the consumption used by climate control – taking account of the home's thermal inertia – and automatically manages the electrical hot water heater.

- Within smart mobility, we continue to pursue the electrification of transport as part of the strategy of transition towards a decarbonised economy. Iberdrola and AEDIVE have signed an agreement for the creation of an alliance for the electrification of heavy road transport in Spain, bringing to the table all the sectors involved: manufacturers, charging infrastructure, logistics operators and end customers. As part of the charging infrastructure projects carried out by Iberdrola in heavy transport and buses, work is continuing on the integration of charging stations in the supplier BIA Power's Smart Charging platform. It will optimise charging according to different parameters, such as reduction of peak power levels, the cost of energy, the availability of renewable energy and so on. It can also integrate with other systems such as fleet management systems, the user management system or ERP, or photovoltaic generation systems. In public charging, Iberdrola will carry out 12 projects to implement ultra-fast charging stations for trucks, and a charging hub with 48 high and low-voltage charging stations. Iberdrola is also adapting its proprietary charging station management platform to those operating in its network in order to offer platform-as-a-service capabilities to third parties, leveraging its know-how in managing a network of more than 8,000 charging stations.

- In Smart Climate, we are continuing to pursue the rehabilitation and energy efficiency of buildings by providing solutions for energy savings and decarbonisation of both single-family homes and multi-dwelling buildings. Different solutions are being offered: efficient electrical climate control with heat pumps, interventions on the thermal insulation of a home, power supply and optimal maintenance of equipment. Various projects have been launched to replace fossil fuel boilers for companies. As in the residential sector, our proposal is for efficient electrical climate control with heat pumps, a supply of energy and optimal maintenance of equipment.

- A noteworthy aspect of Smart Cities is the decarbonisation of ports, and a novel infrastructure that can supply ships with renewable energy is currently being implemented. The Onshore Power Supply (OPS) solution allows ships to turn off their engines while docked at port and thus reduce both atmospheric and acoustic contamination. Also, with the aim of carrying out comprehensive decarbonisation projects, collaboration is ongoing with city councils and urban developers, with solutions being proposed that will have an impact on the public. For instance, the ATELIER project is a smart city project that reveals Positive Energy Districts. Smart Cities has also launched an online, free and scalable carbon footprint calculator so that companies can measure their own Scope 1 and 2 emissions. It is also being used in alliances with large customers and institutions whose decarbonisation commitment includes Scope 3.

- The aim of the Industrial Decarbonisation team is to fully electrify and decarbonise production processes in the industrial sector. The most prominent technologies include the heat pump, the electric boiler and thermal storage. For this purpose, we have launched projects like the AN Group, which consists of the implementation of an industrial heat pump at the Vicolozano factory. Along similar lines, implementation has commenced of a biomass plant with two boilers of 14 MW each for the production of steam used for treating material extracted from the Cobre las Cruces mining operation in Seville. Iberdrola is also leading the development and implementation of heat and cold distribution networks in Spain with the aim of decarbonising heating, cooling and hot water systems in cities through the use of renewable sources of energy. Iberdrola has launched the company's first Heat Network in Spain. Located in Palencia, it will provide air conditioning and sanitary hot water to more than 9,000 people using renewables.

- In the United Kingdom, customers have a broad portfolio of sustainable and affordable household heating solutions, including aerothermal heat pumps, solar panels, batteries and charging of electric vehicles. In addition, we have developed an industry-leading home energy management system to provide customers with enhanced visibility of low-carbon technologies and insight into their overall energy consumption. The Sales division is taking part in a number of initiatives in response to demand from domestic customers, such as the Demand Flexibility Service of the Electricity System Operator and Equinox, an innovative flexibility test of heat pumps led by National Grid and financed by Ofgem.

- In Brazil, service channels are being created and integrated to connect customers and make their lives easier, providing digital services that allow for autonomy, ease and accessibility. Along these lines, the Digital Connection project envisages the transformation of processes, architectures, digital channels, data analytics and robotic automation of processes. Automation is also being introduced in collection actions, advisory, submission of complaints and bills and follow-up of legal processes, sending to customers of communications with suggestions and notices, display of past consumption, among other areas. Products like 360° Customer Voice Research and CT Movement are providing an innovative vision in the application of analytical models and artificial intelligence in order to achieve a better customer experience.

6.4 Smart grids

In 2023, we have continued to support the strategic project known as Global Smart Grids Innovation Hub, which is a pioneering, worldwide benchmark in smart grid innovation. The initiative brings together the innovative potential of more than 200 professionals for R&D projects related to greater digitalisation, treatment of data generated by grid assets and the response of the electricity grid to new models of consumption like electric mobility and self-consumption. This year saw the consolidation of the work of Innovation Data Space (IDS), an open data space in which more than 15 collaborators are now taking part. It facilitates the secure use of data with artificial intelligence and advanced analytics. The first Smart Grids INNOVA Valencia 2023 conference was held. A number of demos by Global Smart Grids Innovation Hub were sent, and R&D projects were shared in an industrial setting among collaborators and public entities. I-DE received this year the Forbes Innovation award in the Disruptive Technology category for their project "Wall-i. pARedes Virtuales", a year after winning the award with R0V3RT, the autonomous substation robot.

Digitalisation of the low voltage grid is the foundation for building the smart city of the future and efficiently achieving decarbonisation targets related to electrification at customer level. Work is ongoing at a global level on the new model for a low-voltage grid by enhancing grid digitalisation, in the following projects: the defining of a smart transformation centre with advanced sensor capabilities for detecting anomalies and staying ahead of breakdowns and incidents; the active operation of the BT grid with the eLVIS project, the low-voltage control system, aiming at the control and optimisation of the low-voltage grid and management of incidents therein through mobility applications, and the technical supply management project, a BT grid planning system that provides new capabilities for grid simulation and calculation.

In Europe, the ATELIER project remained on track in 2023, with the aim of developing positive energy districts (PEDs) in eight European cities. i-DE is taking part in the Bilbao demonstrator, which is being carried out in the Zorrotzaurre area, where solutions for the smart city of the future will be implemented and tested. On the road towards a new role as a distribution system operator (DSO), we continue to lead the BeFlexible project, the aim of which is to increase prosumer participation in order to make the electricity system more flexible. Work continued in the ONENET project, in which 72 partners are participating. It was launched for the development of new customer-centric flexibility tools with an open and flexible architecture based on the concept of an interoperable network of platforms with coordinated operation. The FLEXENER project is also continuing in collaboration with another seven companies. Its main objective is to investigate new technologies and simulation models in the field of renewable generation, storage systems and flexible demand management and distribution grid operation.

In Spain, work is proceeding on the new smart substation. The goal is to develop a comprehensive control system of substations by applying and developing the international standard in collaboration with manufacturers. This would achieve sustainable facilities by reducing materials, though particularly due to design, which would take account of the ecological footprint. In cyber-security, work continued on the SEC2GRID project. It aims to develop new smart electronic devices that would lend greater security to the electricity grid in the face of cyber-attacks. A macro-project has also been launched for the use of power electronics and electricity storage with the aim of enhancing the security of supply in medium-voltage grids. Progress continues in the project for a digital model of substations, with the aim of improving efficiency via robotisation of oversight and remote operation, and to increase the safety of work by using augmented reality. The new processes associated with the Low-Voltage Master Plan continue to broaden its scope beyond the aim of prioritising remote management implemented through the Star Project, thus improving customer service. A number of new projects were undertaken this year: ASTRA-CC, the aim of which is to develop an architecture of a continuous current public electricity grid so as to facilitate the connection of renewable energies, storage or fast charging; the SensoCeT project to optimise operations by incorporating digitalisation technologies and predictive maintenance in transformation centres by using smart sensors; the AFOROBT project, to develop an expert system of automatic oscillograph analytics so as to detect, identify and classify failures in low-voltage grids.

In the United States, a project is under way to unlock additional capacity in its renewable energy transmission lines in the state of New York. The project will implement advanced monitoring of the main transmission lines so as to reduce grid congestion. It will achieve this by providing real-time data on where additional power can flow safely through the existing transmission infrastructure. These critical data and visibility may help connect more renewable energy resources to the electricity grid. Meanwhile, analyses of impact and estimates of load growth are being made of electric vehicle + distributed energy resources (DERs) with a view to improving prognoses and load planning. To achieve this, a number of scenarios have been formulated on the impacts of the adoption of electric vehicles, heat pumps, solar energy panels and existing infrastructure so as to grasp the need for upgrades in each scenario.

In the United Kingdom, we have become the only networks company that is testing and executing the management of regional grids through the Green Recovery Fund. We have also reached a significant milestone with the completion of Distributed Restart (Dist ReStart), an international project aimed at exploring how distributed energy resources (DERs) can be used to restore power in the event of a total or partial shutdown of the National Electricity Transmission System. Along with our current leadership position in applications of power electronics and grid resilience, we have decided to pursue data management and digitalisation as our new strategic priorities. As part of the ENSIGN project, in which we are working with four leading academic institutions, we are creating a digital twin of the country's electricity grid. This will allow for testing of digital solutions to manage the increasing demand for electricity. Meanwhile, in the FITNESS project, we have cemented our leadership position in the digitalisation of electricity transmission substations.

In Brazil, Networks innovation is centred on the development of new technologies and services aimed at transforming the customer experience, and contributing to the expansion of smart grids, automation of assets and the digitalisation of processes. With respect to safety, projects have been carried out for maintenance of vegetation, the use of robotic arms via remote control, and the measurement of grid impedance without disconnecting the electrical substation. A number of initiatives are noteworthy in the detection of non-technical losses. Based on the processing of asset data by integrated smart management systems, reports on losses can be produced and facilities with irregularities identified. Another innovative project is the digital inspection of transmission lines with drones and the use of artificial intelligence to identify or correct anomalies, and maintain an asset's security. In smart grids, Neoenergia is a pioneer in Latin America in developing a private LTE network for its operation With respect to initiatives for digital transformation in the operations of distributors, the SISCON programme aims to modernise operating centres and field processes based on the information infrastructure and standardisation of operating processes. Another significant project was Smart Cutting (MOTE), which developed devices to automate the cut-off and reconnection of energy for customers in a flexible manner and preserving the safety of field teams. Lastly, work continued on the GODEL project, through which new products are being developed, including a Smart Sensor for detecting outages, or Conecta, for storing distributed generation and new loads in the grid.

6.5 Green hydrogen

Iberdrola has the largest green hydrogen production plant in Europe, namely Puertollano. Equipped with a 20 MW electrolyser, it will be capable of generating up to 3,000 tonnes of green hydrogen for use in processes of ammonia generation in the production of green fertilisers. We also have the first publicly used hydrogen plant, located in Barcelona. It will be able to supply green hydrogen to 24 municipal buses of the Barcelona transport authority (TMB). We have also been awarded the seal for an Important Project of Common European Interest (IPCEI) by the European Commission, to build an ambitious project with a total electrolysis capacity of 780 MW. It will be divided into the following phases: Puertollano I, Puertollano II, Palos de la Frontera I and Palos de la Frontera II.

In 2023, the GREEN MEIGA project was approved, which envisages the development of a 151 MW hydrogen plant for the final production of 100,000 tonnes of green methanol a year, which will reduce CO2 emissions by nearly three million tonnes over ten years.

Further highlights included the high level of activity in research projects, both nationally and internationally. Within Spain, IBERDROLA is leading two industrial research projects. First, the ATMOSPHERE project, which aims to develop new technologies for storage, generation and safety in green hydrogen plants, and secondly, AVOGADRO, which seeks to develop an advanced hydrogen charging system for mobility applications. Meanwhile, two projects were approved this year for the construction of a 5 MW green hydrogen plant in Galicia (H2GALICIA) in collaboration with Foresa, and a 2.5 MW green hydrogen plant in Catalonia (H2CATALUÑA) for the decarbonisation of one of the leading companies in the production of hydrogenated fats. On the international stage, work is continuing on the FEDECOM and AMBHER projects. The former aims to develop tools for optimising the Puertollano and TMB plants, while the latter is going to work on short-term storage systems using metal organic frameworks (MOFs) and long-term storage using catalytic membrane reactors for ammonia synthesis. Work also began on the HyLICAL project, which is exploring new technologies for liquefaction of hydrogen, and ANDREAH, for the development of an ammonia cracking system to obtain ammonia of high purity.

In Brazil, a project is being pursued for the production of green hydrogen from photovoltaic solar energy for use in supplying power to vehicles. The Hydrogen Calculator has also been developed, as a tool designed to automate calculations on the sizing of projects in green hydrogen and its derivatives, in addition to its application in mobility.

6.6 IBERDROLA Ventures – PERSEO

Iberdrola Ventures – PERSEO is Iberdrola's start-up programme created in 2008 with a budget of EUR 200 million to foster the development of a dynamic start-up and entrepreneurship ecosystem in the electricity sector. The programme focuses on new technologies and business models that will make the energy model more sustainable through greater electrification and decarbonisation of the economy.

Since its inception, more than EUR 150 million has been invested in energy start-ups worldwide. Through PERSEO, Iberdrola is offering start-ups, particularly in Spain, the United Kingdom, Brazil, Australia and the United States, its investment support as well as its experience and capacity for market access. The current investment portfolio encompasses a wide and diversified range of products under the umbrella of Perseo, which is combined with other funding programmes. Among the main milestones achieved in 2023, the following stand out:

- Pilot projects Some 22 pilot projects were carried out in technologies such as IoT and artificial intelligence, mainly centred on the inspection and maintenance of grid and renewables assets, and devices to improve the services provided to customers. One example was the collaboration with the start-up Enline Transmission, a company that has developed software for the design and optimisation of transmission grids and electricity distribution.

- Challenges: Iberdrola launched six challenges for the start-up community in fields such as the fair transition, or improving the monitoring and maintenance of electricity grids.

- Investment: The venture capital fund Seaya Andromeda Sustainable Tech Fund I FCR grew this year to EUR 300 million, in collaboration with other investors to support European technology scale-ups related to sustainability, the energy transition and the electrification of the economy. A further highlight was the investment in the Kyoto Group as a key component for enabling the generation of green heat for industrial customers. A new investment was made in GED Tech Seed, a venture capital fund for seed phases in Portugal. It reached a size of EUR 100 million, aiming to invest in start-up companies with a significant R&D component in different sectors.

- "Venture Builder": Perseo has continued the initiative launched in 2020 to invest in and build electrification and the circular economy – in areas such as recycling of photovoltaic modules, blades and batteries – and in hard-to-decarbonise sectors such as industrial heat production and heavy transport. Through this initiative, investments were made in 2023 in Exiom Sola, a maker of photovoltaic modules, and in LATEM, a company created for the manufacture of recycled aluminium.

Further information on the R&D+i projects in which IBERDROLA is involved can be found under the Innovation section of the corporate website.
https://www.iberdrola.com/innovacion

7. ACQUISITION AND DISPOSAL OF TREASURY SHARES

The Group's *Treasury Share Policy* establishes the following:

> Treasury share transactions are considered those transactions carried out by the Company, whether directly or through any of the Group's companies, the object of which are Company shares, as well as financial instruments or contracts of any type, whether or not traded in the stock market or other organised secondary markets, which grant the right to acquire, or the underlying assets of which are, Company shares.
>
> Treasury share transactions will always have legitimate purposes, such as, among others, to provide investors with liquidity and sufficient depth in the trading of Company shares, to execute treasury share purchase programmes approved by the Board of Directors or General Shareholders' Meeting resolutions, to fulfil legitimate commitments undertaken in advance or any other acceptable purposes in accordance with applicable regulations. Under no circumstances shall the purpose of treasury share transactions be to interfere with the free establishment of prices. In particular, any conduct referred to in Section 83 *ter* 1) of the Securities Market Act and Section 2 of Royal Decree 1333/2005 of 11 November, implementing the Securities Market Law as to matters of market abuse, must be avoided.
>
> The Group's treasury share transactions will not be carried out, under any circumstances, based on inside information.
>
> Treasury shares will be managed providing full transparency as regards relationships with market supervisors and regulatory bodies.

Note 22 to the Consolidated Financial Statements presents the transactions in IBERDROLA treasury shares held by Group companies in the last financial years. Further information on transactions in financial years 2023 and 2022 is provided in the following tables:

Own shares in Iberdrola, S.A	No. of shares	Nominal (millions of euros)	Own share cost (millions of euros)	Average share price (euros)	Total shares	% of capital
Balance at 01.01.2022	**82,915,340**	**62**	**823**	9.93	**6,366,088,000**	**1.30**
Acquisitions	186,499,093	140	1,881	10.10	—	—
Reduction in share capital	(197,563,000)	(148)	(1,985)	10.05	—	—
Disposals (1)	(8,807,646)	(7)	(87)	10.13	—	—
Iberdrola Retribución Flexible (2)	1,403,649	1	—	—	—	—
Balance at 31.12.2022	**64,447,436**	**48**	**632**	9.81	**6,362,094,000**	**1.01**
Acquisitions	256,119,934	192	2,785	10.88	—	—
Reduction in share capital	(206,364,000)	(155)	(2,112)	10.23	—	—
Disposals (1)	(9,492,205)	(7)	(94)	9.95	—	—
Iberdrola Retribución Flexible (2)	1,075,832	1	—	—	—	—
Balance at 31.12.2023	**105,786,997**	**79**	**1,211**	**11.45**	**6,350,278,000**	**1.67**

(1) Includes awards to employees

(2) Shares received.

Treasury shares in trust of SCOTTISHPOWER	No. of shares	Nominal (millions of euros)	Own share cost (millions of euros)	Average share price (euros)	Total shares	% of capital
Balance at 01.01.2022	**695,770**	**1**	**8**	11.39	**6,366,088,000**	**1.09 %**
Acquisitions	212,631	—	2	10.54		
Disposals (1)	(346,665)	—	(2)	6.98		
Iberdrola Retribución Flexible (2)	85,349	—	—	—		
Balance at 31.12.2022	**647,085**	**—**	**8**	**11.97**	**6,362,094,000**	**1.02 %**
Acquisitions	197,082	—	2	11.54		
Disposals (1)	(284,836)	—	(2)	7.24		
Iberdrola Retribución Flexible (2)	80,337	—	—	—		
Balance at 31.12.2023	**639,668**	**0**	**8**	**0.00**	**6,350,278,000**	**1.01%**

(1) Includes awards to employees

(2) Shares received.

In 2023 and 2022, treasury shares held by the IBERDROLA Group were always below the relevant legal limits.

Finally, the conditions and time periods of the current mandate given by the shareholders to the Board of Directors to acquire or transfer treasury shares are detailed below.

At the General Shareholders' Meeting held on 17 June 2022, the shareholders resolved to expressly authorise the Board of Directors, with powers of substitution, pursuant to the provisions of Section 146 of the Spanish Companies Act, to carry out the derivative acquisition of shares of IBERDROLA, S.A. under the following conditions (coinciding with those of the authorisation that was in force from 13 April 2018 until that date):

- Acquisitions may be made directly by the Company or indirectly through its subsidiaries, except for those subsidiaries which carry out regulated activities pursuant to the provisions of the Electricity Sector Act and the Hydrocarbon Sector Act.

- Acquisitions may be made by means of purchase and sale transactions, swaps or any other transaction permitted by law.

- Acquisitions may be made up to the maximum threshold allowed by law (10% of the share capital).

- Such acquisitions may not be made at a price higher than the market price or lower than the par value of the shares.

- This authorisation was granted for a period of five years as from the approval of the resolution.

- As a result of the acquisition of shares, including those which the Company or the person acting in their own name but on behalf of the Company has previously acquired and held in treasury, the resulting shareholders' equity cannot decrease below the amount of the share capital plus the restricted reserves required under law or the by-laws.

The shares acquired under the aforementioned authorisation can be transferred or retired or used for the remuneration systems provided for in the Spanish Companies Act. They may also be used to develop programmes that encourage the acquisition of interests in the Company's share capital, such as dividend reinvestment plans, loyalty bonuses and other similar instruments.

– Stock market data

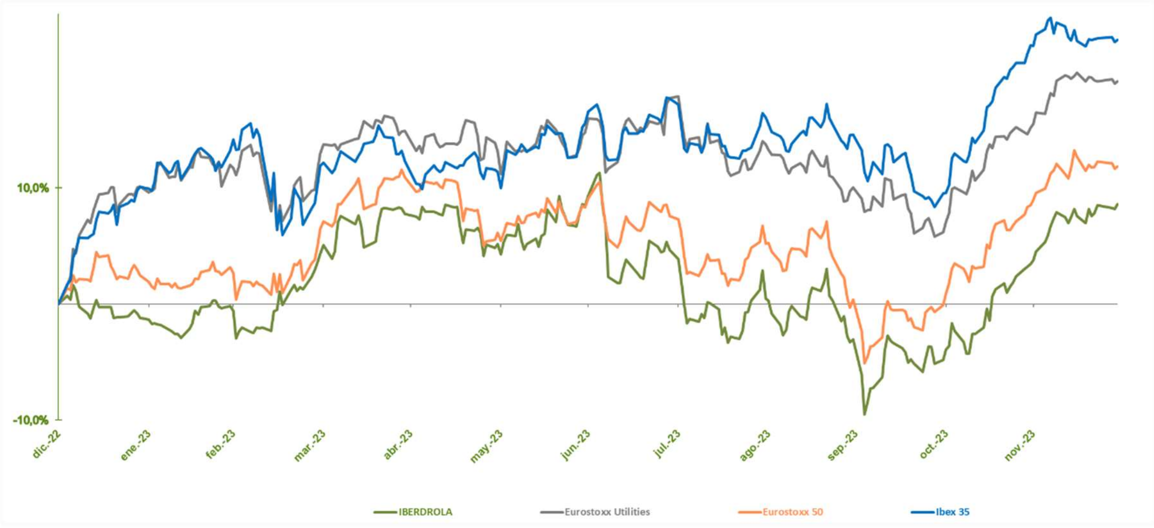
		2023	2022
Stock market capitalisation (1)	Millions of euros	75,378	69,538
Earnings per share continuing operations	Euros	0.718	0.655
P.E.R. (share price at year end/profit per share)	Times	16.521	16.687
Price / Carrying amount (capitalisation on carrying amount at year end) (2)	Times	1.750	1.690

(1) 6,350,278,000 and 6,362,094,000 shares at 31 December 2023 and 2022, respectively.

(2) Capitalisation at 31 December 2023 (75,378) / Equity of the parent company (43,111). Capitalisation at 31 December 2022 (69,538) / Equity of the parent company (41,119).

– The IBERDROLA share

Stock market performance of IBERDROLA compared to the indexes:



	2023	2022
Number of shares outstanding	6,350,278,000	6,362,094,000
Share price at period end	11.87	10.93
Average share price for the year	11.14	10.28
Average daily volume	11,714,666	14,507,114
Maximum volume (20/10/2023 and 21/10/2022)	48,932,871	82,592,287
Minimum volume (04/09/2023 and 17/05/2022)	3,926,418	5,239,815
Shareholder remuneration (Euros)	0.501	0.449
Gross interim dividend (31/01/2023 and 02/02/2022) (1)	0.180	0.170
Gross final dividend (28/07/2023 and 29/07/2022) (2)	0.316	0.274
Engagement dividend (03/05/2023 and 20/06/2022)	0.005	0.005
Shareholders' profitability (3)	4.22%	4.11 %

(1) Amount paid on account of the dividend under the *Iberdrola Retribución Flexible* optional dividend system.
(2) Final dividend under the *Iberdrola Retribución Flexible* optional dividend system.
(3) Interim dividend, final dividend and attendance fee for the General Shareholders' Meeting/period-end share price.

8. OTHER INFORMATION

Compliance with Section 262.1 of the Spanish Companies Act with respect to the average supplier payment period

As detailed in Note 36, the Company's average payment period to its suppliers in 2022 was 15 days.

Alternative performance measures

In addition to the financial information prepared in accordance with IFRS, the financial information contained in this report includes certain Alternative Performance Measures ("APMs") for the purposes of Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 and as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415en). APMs are measures of financial performance based on the financial information of Iberdrola, S.A. and the companies of its group but which are not defined or detailed in the applicable financial reporting framework. These APMs are used to contribute to a better understanding of Iberdrola, S.A.'s financial performance, but should be viewed as additional information only and in no case do they replace the financial information prepared in accordance with IFRS. Furthermore, the way in which Iberdrola, S.A. defines and calculates these APMs may differ from how other entities apply similar measures and, therefore, they may not be directly comparable.

For more information on these topics, including their definition or the correlation between the corresponding performance indicators and the consolidated financial information reported in accordance with IFRS, please refer to the information available on the corporate website.

- Definitions of Alternative Performance Measures

https://www.iberdrola.com/documents/20125/42337/alternative-performance-measures-definitions.pdf

- Alternative Performance Measures for the quarter

https://www.iberdrola.com/documents/20125/3103725/alternative-performance-measures-23Q1.pdf

9. NON-FINANCIAL INFORMATION AND DIVERSITY

The statement of non-financial information, referred to in Section 262 of the Spanish Companies Act and Section 49 of the Code of Commerce, is presented in a separate report called Statement of Non-financial Information. The consolidated Sustainability Report of Iberdrola, S.A. and its subsidiaries for financial year 2023 expressly indicates that the information contained therein is part of this consolidated Management Report. Said document will be verified by an independent assurance provider and is subject to the same requirements in terms of approval, deposit and publication as this consolidated Management Report.

ANNUAL CORPORATE GOVERNANCE REPORT 2023

The disclosures contained in this section of the Management Report are the same as the disclosures in the Annual Corporate Governance Report sent separately to the Spanish National Securities Market Commission for publication at www.cnmv.es.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE: 31/12/2023

TAX IDENTIFICATION CODE (C.I.F.) A-48010615

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

Registered office: Plaza Euskadi número 5, 48009 Bilbao (Biscay), Spain

A OWNERSHIP STRUCTURE

A.1. Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the provision of double loyalty voting:

[ ] Yes [X] No

Date of last change	Share capital (€)	Number of shares	Number of voting rights
01/08/2023	4,762,708,500	6,350,278,000	6,350,278,000

As of the date of approval of this report, the share capital of "Iberdrola, S.A." comes to €4,817,474,250 and is represented by 6,423,299,000 ordinary shares having a nominal value of €0.75 each, belonging to a single class and series and fully subscribed and paid up, as a result of the implementation of the second increase in share capital by means of a scrip issue approved by the shareholders at the General Shareholders' Meeting on 28 April 2023. The terms "Iberdrola" or the "Company" will hereafter be used to refer to "Iberdrola, S.A." and "Iberdrola Group" in reference to the group of companies made up of Iberdrola, as the holding entity of the Group, and its subsidiaries.

Indicate whether there are different classes of shares with different associated rights:

[ ] Yes [X] No

A.2. List the company's significant direct and indirect shareholders at year end, including directors with a significant shareholding:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK, INC.	0.00	5.16	0.00	0.14	5.30
NORGES BANK	3.45	0.00	0.00	0.00	3.45
QATAR INVESTMENT AUTHORITY	0.00	8.71	0.00	0.00	8.71

Pursuant to the provisions of Sections 23.1 and 32 of Royal Decree 1362/2007 of 19 October, it is deemed that the holder of a significant interest is a shareholder holding at least 3% of voting rights (or 1% if the party required to report resides in a tax haven or in a country or territory with no taxation or with which there is no effective exchange of tax information).

The information provided regarding significant interests is based on the reports sent by the holders thereof to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) ("CNMV") and/or to the Company itself. Specifically, the percentages of "BlackRock, Inc." have been calculated taking into account the voting rights reported in its latest notice to the CNMV and the total number of voting rights of Iberdrola as at the end of financial year 2023.

According to available information, the approximate breakdown of the interests in the share capital by type of shareholder at year-end 2023 is as follows:

International investor	70.07%
Domestic entities	7.73%
Domestic retail investors	22.20%

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BLACKROCK, INC.	BLACKROCK GROUP	5.16	0.14	5.30
QATAR INVESTMENT AUTHORITY	QATAR HOLDING LLC	6.28	0.00	6.28
QATAR INVESTMENT AUTHORITY	DIC HOLDING LLC	2.43	0.00	2.43

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements

The significant shareholders have not notified the CNMV or the Company of significant changes during financial year 2023.

A.3. Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A.2 above:

Name or company name of director	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty	
	Direct	**Indirect**	**Direct**	**Indirect**		**Direct**	**Indirect**
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	0.17	0.06	0.00	0.00	0.23	0.00	0.00
MR ARMANDO MARTÍNEZ MARTÍNEZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR JUAN MANUEL GONZÁLEZ SERNA	0.00	0.01	0.00	0.00	0.01	0.00	0.00
MR ANTHONY L. GARDNER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR IÑIGO VÍCTOR DE ORIOL IBARRA	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MS MARÍA HELENA ANTOLÍN RAYBAUD	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR MANUEL MOREU MUNAIZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR XABIER SAGREDO ORMAZA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS SARA DE LA RICA GOIRICELAYA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS NICOLA MARY BREWER	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS REGINA HELENA JORGE NUNES	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR ÁNGEL JESÚS ACEBES PANIAGUA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS MARÍA ÁNGELES ALCALÁ DÍAZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MS ISABEL GARCÍA TEJERINA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.26

Pursuant to the Company's *Director Remuneration Policy*, the shareholders acting at a General Shareholders' Meeting approve long-term share incentive plans linked to Iberdrola's performance regarding its strategic objectives (Strategic Bonus). Among other aspects, the shareholders approve: (i) the objective and quantifiable financial, business and sustainable development parameters against which the Company's performance is assessed; (ii) the maximum number of shares to be delivered to the beneficiaries (executive directors, management personnel and other professionals who, due to their position or responsibility, are deemed to contribute decisively to the creation of sustainable value), with a specific limit for executive directors; and (iii) the duration of the plan.

Since 2008, the Company's shareholders have approved consecutive strategic bonuses, each of which has a six-year term, structured in two phases: the performance evaluation phase, which closes in the third year of the plan; and the payment phase, in respect of which payment is made in instalments and deferred through the delivery of shares over the next three years. At year-end 2023, the 2020-2022 Strategic Bonus (currently in the payment phase) and the 2023-2025 Strategic Bonus (in the evaluation phase) are in force, with targets that project an ambitious and challenging scenario for a company that is not satisfied with simply continuing its profitable growth, being financially sound and being committed to the Sustainable Development Goals, but rather seeks to continue strengthening its industry leadership in the energy transition and decarbonisation.

Pursuant to the 2020-2022 Strategic Bonus, the executive chairman may receive up to a maximum of 1,900,000 shares, and the chief executive officer up to a maximum of 240,000 shares, which, if applicable, will be paid in three equal and deferred instalments, in 2023 (portion already paid), 2024 and 2025. The maximum amount of shares that the chief executive officer can receive was allocated thereto when he was a member of Senior Management, and it was not changed due to his appointment as chief executive officer on 25 October 2022. The number of shares to be delivered to each beneficiary will depend on the evaluation of the Company's performance and the level of achievement of said objectives (i.e. the weighted coefficient of achievement of the objectives), and the annual accrual and corresponding payment will be subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which such evaluation was based remain in effect.

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% voting rights attributed to shares (including loyalty votes)	% of voting rights through financial instruments	% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote
No data					

List the total percentage of voting rights represented on the board:

Total percentage of voting rights held by the Board of Directors	0.26

A.4. If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

A.5. If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
NORGES BANK	Contractual	On 16 January 2023, "Iberdrola Renovables Energía, S.A." (Sociedad Unipersonal) and its subsidiary "Iberenova Promociones, S.A." (Sociedad Unipersonal), which form part of the Iberdrola Group through the subholding company "Iberdrola España, S.A." (Sociedad Unipersonal), entered into a framework agreement with "NBIM Iberian Reinfra AS", a company belonging to the Norges Bank Group, to co-invest in renewable assets in Spain, helping to accelerate the decarbonisation of the country. The agreement provides for the acquisition by "NBIM Iberian Reinfra AS" of a 49% stake in the share capital of several Iberdrola Group companies owning onshore wind and solar photovoltaic PV projects in Spain with an aggregate project portfolio of 1,265 MW. The deal, which closed on 31 May 2023 after verification that the required conditions had been met, provides that the parties may expand it to include other renewable assets in Spain or in other countries.
NORGES BANK	Corporate	Pursuant to the framework agreement described above, "Iberdrola Renovables Energía, S.A." (Sociedad Unipersonal) and "NBIM Iberian Reinfra AS" have established the holding company "Energías Renovables Romeo, S.L.", in which they hold 51% and 49% of the share capital, respectively. In turn, this holding company holds 100% of the share capital of the following companies, the assets of which will be controlled and managed by the Iberdrola Group, providing operation and maintenance services and other corporate services: "Energías Eólicas de Cuenca, S.A." (Sociedad Unipersonal) and "Sistemas Energéticos Loma del Viento, S.A." (Sociedad Unipersonal).

A.6. Unless insignificant for both parties, describe the relationships that exist between significant shareholders, shareholders represented on the Board and directors or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
No data			

There are no directors connected to significant shareholders and, specifically, none of the directors has been appointed on behalf of, nor has their appointment been proposed by, said shareholders.

A.7. Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Sections 530 and 531 of the Spanish Companies Act (Ley de Sociedades de Capital). If so, describe them briefly and list the shareholders bound by the agreement:

[ ] Yes [X] No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes [X] No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

A.8. Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

[ ] Yes [X] No

A.9. Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
105,786,997		1.67

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain significant changes

During financial year 2023, the Company sent to the CNMV the following updates to its treasury share position as a result of various changes in the number of voting rights arising from corporate transactions:

- On 2 February, coinciding with the increase in share capital carried out as a result of the "Iberdrola Retribución Flexible" programme, in implementation of the corresponding resolution approved by the shareholders at the General Shareholders' Meeting on 17 June 2022, there was a communication of the subsequent update of the percentage of treasury shares due to the change in the number of voting rights of the Company, as well as certain direct acquisitions and transfers, which resulted in a total position of 82,183,894 shares (1.275%).
- On 7 July, coinciding with the reduction in share capital carried out in implementation of the corresponding resolution approved by the shareholders at the General Shareholders' Meeting on 28 April 2023, there was a communication of the subsequent update of the percentage of treasury shares due to the change in the number of voting rights of the Company, as well as certain direct acquisitions and transfers, which resulted in a total position of 63,355 shares (0.001%); and
- On 4 August, coinciding with the increase in share capital carried out as a result of the "Iberdrola Retribución Flexible" programme, in implementation of the corresponding resolution approved by the shareholders at the General Shareholders' Meeting on 28 April 2023, there was a communication of the subsequent update of the percentage of treasury shares due to the change in the number of voting rights of the Company, as well as certain direct acquisitions and transfers, which resulted in a total position of 25,159,644 shares (0.396%).

During financial year 2023 the Company also provided four more notices arising from consecutive direct acquisitions of own shares that exceeded 1% of voting rights since the preceding notice:

- On 12 January notice was provided of direct acquisitions of a total of 77,258,807 shares (1.214%).
- On 31 March notice was provided of direct acquisitions of a total of 66,647,817 shares (1.034%).
- On 15 June notice was provided of direct acquisitions of a total of 66,787,382 shares (1.036%).
- On 15 December notice was provided of direct acquisitions of a total of 63,741,974 shares (1.004%).

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

AUTHORISATIONS TO ISSUE NEW SHARES

At the General Shareholders' Meeting held on 2 April 2020, the shareholders resolved to authorise the Board of Directors to increase share capital upon the terms and within the limits set forth in Section 297.1.b) of the Companies Act (*Ley de Sociedades de Capital*) and to issue debentures exchangeable for and/or convertible into shares and warrants in an amount of up to €5,000 million. Both authorisations were granted for a term of five years and include the power to exclude preemptive rights up to an overall maximum nominal amount of 10% of the share capital. Neither of them has been used, either in whole or in part, through the date of approval of this report.

Furthermore, the shareholders acting at the General Shareholders' Meeting held on 28 April 2023 approved the two customary increases in share capital by means of a scrip issue to implement the "Iberdrola Retribución Flexible" optional dividend system through the issuance of new bonus shares, together with the corresponding reduction in share capital by means of the retirement of own shares in order for the number of outstanding shares to remain at around 6,240 million. Both the increases and the reduction in share capital have been implemented as of the date of approval of this report.

AUTHORISATION TO ACQUIRE OWN SHARES

The shareholders acting at the General Shareholders' Meeting held on 17 June 2022 resolved to authorise the Board of Directors to carry out the derivative acquisition of shares of Iberdrola on the following terms:

2. Purchases may be made by Iberdrola directly, or indirectly through its subsidiaries, excluding those that carry out regulated activities pursuant to the provisions of the Electricity Industry Act (*Ley del Sector Eléctrico*) and the Hydrocarbons Act (*Ley de Hidrocarburos*).
3. Purchases will be made using purchase/sale or swap transactions or any other means allowed by law.
4. Purchases may be made up to the maximum sum permitted by law (i.e. 10% of the share capital).
5. Purchases may not be made at a higher price than that quoted on the Stock Exchange or at a price lower than the share's nominal value.

- The authorisation was granted for a period not to exceed five years as from the approval of the resolution.
- As a result of the acquisition of shares, including those that the Company or the person acting in their own name but on behalf of the Company has previously acquired and holds in treasury, the resulting shareholders' equity cannot decrease to below the amount of the share capital plus the restricted reserves required under law or the By-Laws.

The shares purchased as a result of the aforementioned authorisation can be used for either transfer or retirement or can be applied to the remuneration systems provided for in the Companies Act, as well as to the development of programmes fostering the acquisition of interests in the Company, such as dividend reinvestment plans, loyalty bonuses or similar instruments.

A.11. Estimated float:

	%
Estimated float	80.60

A.12. Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[X] Yes [ ] No

Description of restrictions

ACQUISITION OF SHARES

At the industry level, and pursuant to applicable law in Spain, prior government approval is required for the acquisition of a stake equal to or greater than 10% of the share capital of listed Spanish companies in the energy infrastructure and energy supply sectors, among others (Section 7 *bis* of Law 19/2003 of 4 July, introduced by Royal Decree-law 8/2020 of 17 March, and sole transitional provision of Royal Decree-law 34/2020 of 17 November).

In addition, due to the activities carried out by the companies of the Iberdrola Group outside Spain, the acquisition of a significant interest in the share capital of Iberdrola would also be subject to the provisions of the applicable laws of the following countries:

1) United States of America The acquisition of a stake resulting in ownership of an interest equal to or greater than 10% of the share capital of Iberdrola may be subject to prior approval by certain regulatory authorities.

2) Australia: The acquisition of an interest of at least 20% of the share capital of Iberdrola by a person, whether alone or with one or more associates, will require approval by the Australian Treasurer, pursuant to Australia's Foreign Acquisitions and Takeovers Act 1975 (Cth).

3) United Kingdom: Under the National Security and Investment Act 2002, the acquisition of a controlling interest in Iberdrola constitutes an indirect acquisition of control in "Scottish Power Limited" ("SPL"). In addition, due to SPL's activities in the energy sector, the acquisition of more than 25%, more than 50% or more than 75% of the voting rights or shares of Iberdrola requires a mandatory notification to the UK Secretary of State for Energy Security, who must approve the acquisition in order for it to close. A failure to comply with these notification and approval requirements will render the acquisition void, unless the transaction is subsequently approved with retroactive effect.

4) Brazil: A takeover of Iberdrola would entail the indirect acquisition of control of "Neoenergia S.A.", a listed company in Brazil, and its regulated subsidiaries dedicated to the hydroelectric generation, transmission and supply of electricity, which would give rise to the obligation to make a transfer of control takeover bid for the acquisition of the shares of the other shareholders of "Neoenergia S.A.", and would require the prior approval of the National Electricity Agency for the takeover of such regulated companies and, if applicable, of the Administrative Council for Economic Defence.

5) Mexico: Under Mexican competition law, the acquisition of control (by any act) of Iberdrola would be considered a concentration with effects in Mexico. Concentrations must be reported to and authorised by the Federal Economic Competition Commission prior to consummation only if they exceed any of the monetary thresholds provided for by applicable law, which are updated annually and, at the close of 2023, are as follows: (a) if the concentration has a value or price in Mexico, in respect of shares or assets in Mexico, exceeding MXN$1,867,320,000; (b) if the concentration involves the direct or indirect acquisition of 35% or more of the shares or assets of a Mexican entity with annual sales or assets in Mexico with a value exceeding MXN$1,867,320,000; and (c) if the concentration involves the direct or indirect acquisition of assets or shares in Mexico with a value exceeding MXN$871,416,000 and the parties to the transaction directly or indirectly have annual sales or assets in Mexico exceeding MXN$4,979,520,000. A failure to report or obtain prior authorisation to consummate a concentration that exceeds the monetary thresholds is punishable by a fine of up to 5% of the cumulative revenues in Mexico of each of the parties to the concentration.

VOTING RIGHTS

Pursuant to the provisions of Section 34 of Royal Decree-Law 6/2000 of 23 June on Urgent Measures to Intensify Competition in the Goods and Services Market, the individuals or legal entities having a direct or indirect interest equal to or greater than 3% of the capital or voting rights of two or more companies that have the status of principal operator of one of the economic markets or sectors in Spain contemplated in said legal provision (which includes the generation and supply of electricity, as well as the production and supply of natural gas, in which Iberdrola has the status of principal operator) may not exercise rights in excess of such percentage in more than one entity.

Furthermore, Article 29.2 of the By-Laws provides that no shareholder may cast a number of votes greater than those corresponding to shares representing 10% of the share capital. In the case of a takeover bid, this restriction shall be deprived of effect upon the occurrence of the circumstances provided for in Section 527 of the Companies Act and Article 50 of the By-Laws.

A.13. Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

[ ] Yes [X] No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14. Indicate whether the company has issued shares that are not traded on a regulated EU market.

[ ] Yes [X] No

If so, indicate each share class and the rights and obligations conferred:

B GENERAL SHAREHOLDERS' MEETING

B.1. Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details:

[X] Yes [ ] No

	% quorum different from that established in Article 193 of the Spanish Corporate Enterprises Act for general matters	**% quorum different from that established in Article 194 of the Spanish Corporate Enterprises Act for special resolutions**
Quorum required at 1st call	0.00	66.67
Quorum required at 2nd call	0.00	60.00

Description of differences

Article 21.2 of the By-Laws increases the quorum required to hold a valid meeting "in order to adopt resolutions regarding a change in the object of the Company, transformation, total split-off, dissolution of the Company, and the amendment of this section 2", in which case "shareholders representing two-thirds of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders' Meeting, and shareholders representing sixty per cent of such share capital must be in attendance at the second call".

B.2. Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

[X] Yes [ ] No

	Qualified majority different from that established in Article 201.2 of the Spanish Corporate Enterprises Act for matters referred to by Article 194.1 of said Act	**Other matters requiring a qualified majority**
% established by the company for the adoption of resolutions	75.00	75.00

Article 52 of the By-Laws provides that all resolutions intended to eliminate or amend the provisions contained in title IV (breakthrough of restrictions in the event of takeover bids), in Article 28 (conflicts of interest), and in sections 2 to 4 of Article 29 (limitation upon the maximum number of votes that a shareholder may cast) shall require the affirmative vote of three-fourths (3/4) of the share capital present in person or by proxy at a General Shareholders' Meeting.

B.3. Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

In addition to the provisions of Section 285 et seq. of the Companies Act that apply to the Company, Articles 21.2 and 52 of Iberdrola's By-Laws (mentioned in sections B.1 and B.2 above) require a qualified quorum and qualified majority, respectively, for the approval of certain resolutions.

B.4. Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

	Attendance data				
			% distance voting		
Date of general meeting	**% physical presence**	**% present by proxy**	**Electronic voting**	**Other**	**Total**
18/06/2021	0.00	59.37	0.67	5.79	65.83
Of which float:	0.00	47.63	0.53	5.79	53.95
17/06/2022	0.22	49.95	1.82	20.14	72.13
Of which float:	0.07	41.28	1.80	20.14	63.29
28/04/2023	8.93	40.74	1.77	20.53	71.97
Of which float:	0.18	37.28	1.77	20.53	59.76

In 2022 and 2023 the General Shareholders' Meeting was held on site with the ability to attend remotely, while the 2021 meeting was held exclusively by remote means.

B.5. Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason:

[ ] Yes [X] No

B.6. Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

[ ] Yes [X] No

B.7. Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting:

[ ] Yes [X] No

B.8. Indicate the address and manner of accessing the company's website, information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

Address of the website with information on corporate governance:

https://www.iberdrola.com/corporate-governance

Address of the website with information on corporate governance:

https://www.iberdrola.com/corporate-governance/general-shareholders-meeting

C STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	14
Minimum number of directors	9
Number of directors set by the general meeting	14

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
MR JOSÉ IGNACIO SÁNCHEZ GALÁN		Executive	Chair	21/05/2001	28/04/2023	Resolution of Shareholders at General Meeting
MR ARMANDO MARTÍNEZ MARTÍNEZ		Executive	Chief executive officer	25/10/2022	28/04/2023	Resolution of Shareholders at General Meeting
MR JUAN MANUEL GONZÁLEZ SERNA		Independent	Lead Independent Director	31/03/2017	18/06/2021	Resolution of Shareholders at General Meeting
MR ANTHONY L. GARDNER		Independent	2nd Vice-Chair	13/04/2018	17/06/2022	Resolution of Shareholders at General Meeting
MR IÑIGO VÍCTOR DE ORIOL IBARRA		Other external	Director	26/04/2006	02/04/2020	Resolution of Shareholders at General Meeting
MS MARÍA HELENA ANTOLÍN RAYBAUD		Other external	Director	26/03/2010	28/04/2023	Resolution of Shareholders at General Meeting
MR MANUEL MOREU MUNAIZ		Independent	Director	17/02/2015	28/04/2023	Resolution of Shareholders at General Meeting
MR XABIER SAGREDO ORMAZA		Independent	Director	08/04/2016	28/04/2023	Resolution of Shareholders at General Meeting
MS SARA DE LA RICA GOIRICELAYA		Independent	Director	29/03/2019	28/04/2023	Resolution of Shareholders at General Meeting
MS NICOLA MARY BREWER		Independent	Director	02/04/2020	02/04/2020	Resolution of Shareholders at General Meeting
MS REGINA HELENA JORGE NUNES		Independent	Director	02/04/2020	02/04/2020	Resolution of Shareholders at General Meeting
MR ÁNGEL JESÚS ACEBES PANIAGUA		Independent	Director	20/10/2020	18/06/2021	Resolution of Shareholders at General Meeting
MS MARÍA ÁNGELES ALCALÁ DÍAZ		Independent	Director	26/10/2021	17/06/2022	Resolution of Shareholders at General Meeting

MS ISABEL GARCÍA TEJERINA		Independent	Director	16/12/2021	17/06/2022	Resolution of Shareholders at General Meeting

Total number of directors	14

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	**Category of the director at the time of cessation**	**Date of last appointment**	**Date of cessation**	**Specialised committees of which he/she was a member**	**Indicate whether the director left before the end of his or her term of office**

Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of non-executive directors, explanation or opinion of the director dismissed by the general meeting

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	**Post in organisation chart of the company**	**Profile**

MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Executive chairman	Salamanca, Spain, 1950. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Chairman of the boards of directors of the Iberdrola Group's country subholding companies in the United Kingdom ("Scottish Power Ltd."), the United States of America ("Avangrid, Inc.", a NYSE-listed company) and Brazil ("Neoenergia, S.A.", a company listed on the BOVESPA). Member of the group of top utility executives of the World Economic Forum (Davos), as well as a member of the European Round Table for Industry (ERT), of the Global Leadership Council of UNICEF's Generation Unlimited, of the Renewable Hydrogen Coalition and of the J.P. Morgan International Council. Trustee of Fundación Princesa de Asturias, Fundación Carolina, Fundación Universitaria Comillas-ICAI, Fundación Conocimiento y Desarrollo, Real Instituto Elcano and Museo Nacional del Prado. ACADEMIC TRAINING: Industrial engineer with a degree from the Escuela Superior de Ingeniería (ICAI) of Universidad Pontificia Comillas (Madrid) and degrees in Business Administration and Foreign Trade from ICADE (Madrid) and in General Corporate Management and Foreign Trade from Escuela de Organización Industrial (EOI) in Madrid. A recipient of honorary doctorate degrees from the universities of Salamanca, Edinburgh and Strathclyde (Glasgow), he has been on the faculty of Escuela Técnica Superior de Ingeniería (ICAI) and is currently a visiting professor at the University of Strathclyde, chairman of the Social Council of Universidad de Salamanca, a trustee of the Comillas-ICAI University Foundation and a member of the Presidential Advisory Council of the Massachusetts Institute of Technology (MIT). NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: He has served as chief operating officer of "Industria de Turbo Propulsores, S.A." (ITP) and as chairman of the European aerospace consortium Eurojet (Germany). He has held various positions at "Sociedad Española del Acumulador Tudor, S.A." (now, Exide Group, engaged in the manufacture and sale of batteries). NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: In the telecommunications industry, he has been chief executive officer of "Airtel Móvil, S.A." (now, "Vodafone España, S.A.U."), and in the food industry, a member of the Supervisory Board of "Nutreco Holding N.V.", a listed company in The Netherlands, and a founding member and director of the Matarromera Group (Spain). SOME RECOGNITIONS: – Chosen by Time magazine as one of the 100 most innovative global leaders in the fight against climate change in 2023. – Award for Best Business Leadership in Energy Transition by El Periódico de la Energía and considered Best Chief Executive Officer of European electricity utilities, for the twelfth time, according to the Institutional Investor Research Group in 2023. – ESG Leadership Award from the Foreign Policy Association and Medal of Honour from the World Association of Jurists for his promotion of ESG principles, presented at the United Nations in 2023. – José Echegaray Award from Ecoprensa given to international personalities who have most contributed to promoting the liberal spirit and ideology in 2023. – Management Leadership Award (Spanish Association for Quality) and Business Career Award (El Economista) in 2020. – Recognised as one of the five Best-Performing CEOs in the World and the top in the utilities sector (Harvard Business Review), and as one of the 30 most influential leaders in the fight against climate change (Bloomberg) in 2019. – National Innovation and Design Award in the Innovative Career category (Spanish Ministry of Science, Innovation and Universities), Honourable Mention for his professional career (Official Industrial Engineers Association), designation as Universal Spaniard (Fundación Independiente), and León Award for his business management (El Español) in 2019. – Honorary Member of the Spanish Institute of Engineering (2018). – Appointed by Queen Elizabeth II as a Commander of the Most Excellent Order of the British Empire and recipient of the international Responsible Capitalism Award (First Group) in 2014.

		– Best CEO of European utilities and of Spanish listed companies in investor relations (Thomson Extel Survey) in 2011. – Business Leader of the Year Award (Spain-U.S. Chamber of Commerce) and recipient of the International Award for Economics (Fundación Cristóbal Gabarrón) in 2008. – Best CEO of the Year (Platts Global Energy Awards) in 2006. – Best CEO in Investor Relations (IR Magazine) in 2005, 2004 and 2003.
MR ARMANDO MARTÍNEZ MARTÍNEZ	Chief executive officer	Miranda de Ebro, Spain, 1968. ACADEMIC TRAINING: Degree in industrial engineering (with a major in electricity) from Universidad de Valladolid (Spain) and a diploma in Company Management from Instituto Panamericano de Alta Dirección de Empresa, IPADE Business School. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: He has spent most of his professional career at the Iberdrola Group and has more than 25 years' experience in the energy industry. In 1997 he joined Iberdrola as director of the Santurce (Biscay) thermal power plant. From 2000 to 2014 he worked at "Iberdrola México, S.A. de C.V.", first as director of Generation, and from 2011 onwards, as general director of that Mexican company. In July 2014 he was appointed as general director of the Global Liberalised Business. From February 2016 to October 2021, he held the position of director of the Networks Business. In October 2021 he was appointed as Business CEO, effective from 1 November 2021, with overall responsibility for all businesses at the global level. He has chaired the boards of directors of "Iberdrola España, S.A. (Sociedad Unipersonal), "Iberdrola Redes España, S.A." (Sociedad Unipersonal), "Scottish Power Energy Networks Holdings Ltd.", "Avangrid Networks, Inc.", "Neoenergia Distribuicao Brasilia S.A.", "Iberdrola Clientes, S.A." (Sociedad Unipersonal), of "Scottish Power Retail Holdings Ltd.", "Iberdrola México, S.A. de C.V." and "Iberdrola México Energía S.A. de C.V."

Total number of executive directors	2
Percentage of Board	14.29

EXTERNAL PROPRIETARY DIRECTORS		
Name or company name of director	**Name or company name of the significant shareholder represented by the director or that nominated the director**	**Profile**
No data		

<table>
<tr><th colspan="2">EXTERNAL INDEPENDENT DIRECTORS</th></tr>
<tr><th>Name or company name of director</th><th>Profile</th></tr>
<tr><td>MR JUAN MANUEL GONZÁLEZ SERNA</td><td>Madrid, Spain, 1955.
OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES:
Chairman of “GSU Found, S.L.” and “Tuero Medioambiente, S.L.”, as well as director of “HM Hospitales 1989, S.A.”, “Hommingcloud, S.L.” and “Digital Cinegetics, S.L.”.
He is a founding trustee and chairman of Fundación González Serna Urbán, chairman of the Sustainability Committee of the Spanish Commercial Coding Association (*Asociación Española de Codificación Comercial*) (AECOC), honorary chairman of the Family Business Association of Castile and León (*Asociación Empresa Familiar de Castilla y León*) and a trustee of Fundación Casa Ducal de Medinaceli.
ACADEMIC TRAINING:
He has a degree in Law, Economics and Business Studies from the Instituto Católico de Administración y Dirección de Empresas (ICADE) of the Universidad Pontificia Comillas (Madrid) and a Master’s in Business Administration (MBA) from the Escuela de Dirección del Instituto de Estudios Superiores de la Empresa (IESE Business School) of the University of Navarra in Barcelona.
NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR:
He has been an independent director of the Iberdrola Group’s country subholding company in Spain, “Iberdrola España, S.A.” (Sociedad Unipersonal), and of “Iberdrola Renovables, S.A.”, as well as chair of the Appointments and Remuneration Committee of the latter company.
NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES:
In 1991, together with his spouse, Lucía Urbán, he founded Grupo SIRO, now Cerealto, of which he was chairman for 31 years.
He also has extensive experience in the financial and venture capital industry: currently a member of the Advisory Board of CaixaBank de Castilla y León, and has been an advisory director of Rabobank in Spain and Europe, a director of “CO2 Revolution, S.L.” of “Banco Urquijo Sabadell Banca Privada, S.A.” and of “Sociedad para el Desarrollo Industrial de Castilla y León, Sociedad de Capital Riesgo, S.A.” (SODICAL, now “Ade Capital Social, Sociedad de Capital Riesgo de Régimen Común, S.A.”).
He has also been a member of the Executive Committee and a trustee of Fundación SERES.</td></tr>
</table>

MR ANTHONY L. GARDNER	Washington D.C., United States of America, 1963. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Executive adviser to "Brookfield Asset Management Ltd.", senior adviser to "Brunswick Group, LLP" and member of the advisory boards of the Centre for European Reform, the European Policy Centre and the Ditchley Park Foundation. He is also a senior fellow of the German Marshall Fund and a member of The Trilateral Commission. ACADEMIC TRAINING: He studied Government at Harvard University and International Relations at the University of Oxford. He holds a Juris Doctor degree from Columbia Law School and a Masters in Finance from London Business School. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: He has been a member of the Sustainable Development Committee of Iberdrola. He has also been an independent director of the Iberdrola Group's country subholding company in the United Kingdom, "Scottish Power, Ltd.", and a member of that company's Audit and Compliance Committee. NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: He was the US ambassador to the European Union from 2014 to 2017. Prior to that appointment, for six years he was the managing director at Palamon Capital Partners, a private equity firm based in London. He was also the director of one of the finance departments of Bank of America and of GE Capital, as well as director in the international acquisitions group of GE International. He has worked as an attorney at international law firms in London, Paris, New York and Brussels. He has dedicated more than twenty years of his career to US-European affairs, as a government official, lawyer and investor. As Director for European Affairs on the National Security Council (1994-1995), he worked closely with the US Mission to the European Union to launch the New Transatlantic Agenda. He previously worked with the Treuhandanstalt (German Privatisation Ministry) in Berlin, the Stock Exchange Operations Committee in Paris and as secondee for the European Commission in Brussels. He has been a director of "Brookfield Business Partners L.P.", as well as a senior advisor of the law firm "Sidley Austin LLP", and of the Bill & Melinda Gates Foundation.

MR MANUEL MOREU MUNAIZ	Pontevedra, Spain, 1953. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Chairman of "Seaplace, S.L.", vice chair of "Tubacex, S.A." and member of its Audit and Compliance and Strategy and Monitoring committees, as well as sole director of "Heath Wind, S.L." "H.I. de Iberia Ingeniería y Proyectos, S.L." and "Howard Ingeniería y Desarrollo, S.L." Professor of the Master's Programme in Oil at Universidad Politécnica de Madrid (ETSIM), of the Maritime Master's Programme of Instituto Marítimo Español, and of Universidad Pontificia Comillas, and member of the Spain Committee of Lloyd's Register EMEA. ACADEMIC TRAINING: Doctorate in naval engineering from Escuela Técnica Superior de Ingenieros Navales (ETSIN) of the Universidad Politécnica de Madrid, and Master's degree in Oceanic Engineering from the Massachusetts Institute of Technology (MIT). NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: He has been a member of the Corporate Social Responsibility Committee of Iberdrola and of the Board of Directors of "Iberdrola Renovables, S.A.", and a director and member of the Audit and Compliance Committee of "Gamesa Corporación Tecnológica, S.A." (now "Siemens Gamesa Renewable Energy, S.A."). Throughout his career, he has participated in numerous projects with various companies in the energy and industrial sector in matters related to floating offshore wind power generation, and other naval and offshore projects for electricity production, fuel systems, manufacturing, water treatment, etc. NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: He has been a member of the board of "Metalships and Docks, S.A.", "Neumáticas de Vigo, S.A." and "Rodman Polyships, S.A.", dean of the Colegio Oficial de Ingenieros Navales y Oceánicos de Madrid y de España, president of the Spanish Institute of Engineering, and a professor of the Escuela Técnica Superior de Ingenieros Navales of the Universidad Politécnica de Madrid and for the Repsol's Master's Programme in Oil.

MR XABIER SAGREDO ORMAZA	Portugalete, Spain, 1972. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: He is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa and of BBK Fundazioa, as well as a trustee of the Biocruces Sanitary Research Institute, of the Bilbao Museum of Fines Arts and of the Guggenheim Museum Foundation, at which he also serves as a member of the Executive Committee. He is a member of the Board of Directors of the Orkestra Basque Institute of Competitiveness and of the Management Council of Universidad de Deusto, and is a visiting professor at various institutions. ACADEMIC TRAINING: Degree in Economics and Business from Universidad del País Vasco, with a major in Finance, holder of postgraduate degrees in various areas, and certified training in information technology risks. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: He has been the chair of Iberdrola's Audit and Risk Supervision Committee, a director of "Iberdrola Generación, S.A." (Sociedad Unipersonal) and a member of its Audit and Compliance Committee, as well as a director of "Iberdrola Distribución Eléctrica, S.A." (Sociedad Unipersonal), at which he has held the position of chair of the Audit and Compliance Committee. NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: He has been the director of the Expansion and Assets area of the credit institution Ipar Kutxa, managing director of the concessionaire Transitia and a member of the Board of the Bilbao Port Authority. In addition, he has been chair and vice-chair of the Board of Directors of Caja de Ahorros Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK) and chair of its Audit Committee, as well as chair of the Board of Trustees of Fundación Eragintza. In 2021 he received the "Top Talent Saria CEO" award (Grupo Noticias) and in 2022 he won the "Tu Economía" award in the best business management category (La Razón), was recognised in the financial organisation category in the 1st Edition of the Carlos V National Awards for Business Excellence (European Society for Social and Cultural Promotion) and he was chosen as "CEO of the Year" in the 9th Edition of the Capital Awards (Premios Capital).

MS SARA DE LA RICA GOIRICELAYA	Bilbao, Spain, 1963. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Director of Fundación ISEAK (Initiative for Socio-economic Analysis and Knowledge), a member of the Think Tank of AMETIC (*Asociación Multisectorial de Empresas de la Electrónica, las Tecnologías de la Información y la Comunicación, de las Telecomunicaciones y de los Contenidos Digitales*), an honorary member of the Spanish Economics Association (*Asociación Española de Economía*), an associate researcher at CreAM (Centre for Research and Analysis of Migration – London University College) and at IZA (Institute of Labor Economics – Bonn). ACADEMIC TRAINING: With a PhD in Economics from the University of the Basque Country, she has dedicated a large portion of her professional life to the study of and search for solutions on issues such as immigration, the labour market, gender equality and poverty. She regularly publishes academic articles in domestic and international magazines dealing with economic issues, mainly related to labour, participates in conferences and seminars, and supervises graduate students in their dissertations. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: She has been a member of the Appointments Committee of Iberdrola. She has also been an independent director of the Iberdrola Group's country subholding company in Spain, "Iberdrola España, S.A." (Sociedad Unipersonal). NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: She has been president and secretary of the European Society for Population Economics and a member of its Executive Committee, chair of the Committee on the Situation of Women in Economics (COSME), and a member of the Economic and Social Council (CES). She has also been the secretary of the Spanish Economics Association (AEE). In addition, she has been a member of the Scientific Advisory Board of Fundación Gadea and of the Scientific Committee of the Basque Institute for the Evaluation of the Educational System (IVEI-ISEI). Furthermore, she has been a member of the Board of Directors of Basquetour, Turismoaren Euskal Agentzia, Agencia Vasca de Turismo, S.A., a government-owned company of the Department of Tourism, Trade and Consumption of the Basque Government, created to lead the promotion and implementation of the competitiveness strategy of Basque tourism. She has worked on editorial boards and/or research project review boards. She is a member of the Economic Affairs Advisory Council, which advises the Ministry of Economy, Trade and Business of the Government of Spain. She is also a member of the Advisory Commission to the Ministry of Work and Social Economy on the matter of Minimum Interprofessional Salary. In 2018 she was given the "2018 Basque Economist Award" (Ekonomistak Saria 2018) by the Basque Association of Economists (*Colegio Vasco de Economistas*) and in 2023 was awarded the "Excellence in Communication Award" by Cadena Ser Bilbao and the "1st Emilio Ontiveros Economy Award" by Fundación Emilio Ontiveros.

MS NICOLA MARY BREWER	Taplow, United Kingdom, 1957 OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: She is an independent director and a member of the Nomination Committee, the Remuneration Committee and the Sustainability and Technology Committee of the Board of Directors of "The Weir Group plc", which has appointed her as Senior Independent Director with effect from 25 April 2024. She is also a visiting professor at University College London, a member of the international think tank The Trilateral Commission and a trustee of the charity organisation Middle Temple Charity. ACADEMIC TRAINING: She was educated at the Belfast Royal Academy and read English at the University of Leeds, graduating with a BA in 1980 and then taking a Doctorate in linguistics in 1988. She was granted an Honorary Doctorate of Laws from the University of Leeds in 2009. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: She has been an independent director of the Iberdrola Group's country subholding company in the United Kingdom, "Scottish Power, Ltd.", and a non-executive director of "Aggreko plc". NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: She was a diplomat in the Foreign and Commonwealth Office ("FCO") of the British government, with overseas postings in South Africa, India, France and Mexico, and was the founding director of the Diplomatic Academy of the FCO. She succeeded Mr Paul Boateng as British High Commissioner to South Africa, Swaziland and Lesotho. She was appointed by open competition as the first Chief Executive of the newly established Equality and Human Rights Commission, the successor body to the Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission. She was Director-General for Europe at the FCO, leading the FCO's contribution to the UK's 2005 Presidency of the European Union, advising the Foreign Secretary and the Minister on the European Union and other European policy issues. She also served as the FCO's Director for Global Issues and then as Director-General for Regional Programmes at the Department for International Development (DfID), supervising the UK's overseas bilateral aid programmes. Outside of her career as a diplomat, she was Vice-Provost (International) at University College London, a trustee of the charity institution Sentebale and a director of the non-profit organisation London First. She was appointed Companion of the Order of St Michael and St George (CMG) in the 2003 New Year Honours and Dame Commander of the Order of St Michael and St George (DCMG) in Queen Elizabeth II's 2011 Birthday Honours, and she was distinguished as "Chevalier dans l'Ordre de la Légion d'Honneur" by the French Republic in 2022.

MS REGINA HELENA JORGE NUNES	São Paulo, Brazil, 1965 OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Founder and CEO of “RNA Capital Ltda.” and director of “Cielo S.A.” ACADEMIC TRAINING: Degree in Business Administration from Mackenzie University. She attended courses in Trade Finance and Corporate Finance at the School of Continuing Studies at New York University, Leadership at Columbia University, and International, Global and Multinational Business Development at INSEAD Fontainebleau. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: She has held the position of independent director at “Neoenergia S.A.”, the Group’s country subholding company in Brazil. She has been an independent director and member of the Audit Committee of “Companhia Distribuidora de Gás do Rio de Janeiro S.A.”, the main activity of which is the distribution and retail sale of natural gas in the State of Rio de Janeiro (Brazil). NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: She has more than 30 years of experience in the domestic and international financial market. In her capacity as CEO of “RNA Capital Ltda.”, she has been directly involved in advising and/or consulting for companies in the utilities sector. She was a member of the Risk and Capital Committee of “Banco do Brasil”, an independent director of “IRB-Brasil Resseguros, S.A.”, coordinating chair of its Risk and Solvency Committee and a member of its Investments, Capital Structure and Dividend Committee, as well as a member of the Advisory Board of “Mercado Eletrônico S.A.”, a B2B e-commerce company. She worked for 20 years at S&P Global Ratings. She was president of operations in Brazil and Argentina, and was Head of the Southern Cone in Latin America, Deputy-Head in Latin America, board member of BRC Ratings (Colombia) and head of Global Development Markets. Before joining S&P, she also worked at other financial institutions such as Chase Manhattan and Citibank in the areas of credit and risk analysis. At the Commercial Bank of New York, she led the Credit and Correspondent Banking and Risk (Trade Finance) Areas focused on Latin America. For three years, she was an independent consultant in Brazil, having worked on privatisation programmes, investments of international funds in the Brazilian market, M&A and financial engineering projects.

MR ÁNGEL JESÚS ACEBES PANIAGUA	Ávila, Spain, 1958 OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Founding partner and member of the board of directors of "MA Abogados Estudio Jurídico, S.L.P.", sole director and professional partner of "Doble A Estudios y Análisis, S.L.P.", managing partner of "Michavila Acebes Abogados, S.L.P.", as well as a trustee of Fundación para el Análisis y Estudios Sociales (FAES) and of Fundación España Constitucional. ACADEMIC TRAINING: Degree in Law from Universidad de Salamanca. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: As a lawyer, he has advised companies in the energy and the industrial and technology sectors, among others. From 2012 to 2019 he was an independent director of Iberdrola (during part of that period, he was also a member of its Executive Committee and of its Appointments Committee). After the IPO flotation of "Bankia, S.A.", he was a director of "Banco Financiero y de Ahorros, S.A.", acting as chairman of its Audit and Compliance Committee. He also has significant knowledge of the regulatory area due to his work as a member of the Council of Ministers of the Government of Spain, a senator and a national deputy. NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: He served on the board of "Caja Madrid Cibeles, S.A.", which manages the investments of Grupo Caja Madrid in other companies with activities in the financial and insurance sectors, as well as the retail banking sector outside of Spain, and as a trustee of Fundación Universitaria Teresa de Ávila. In the institutional arena, he was Minister for Public Administrations, Minister of Justice, and Minister of the Interior of the Spanish Government.

MS MARÍA ÁNGELES ALCALÁ DÍAZ	Albacete, Spain, 1962. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Professor of Commercial Law at the University of Castilla-La Mancha and Of Counsel to the law firm "Ramón y Cajal Abogados, S.L.P.", director of "UCLM-Emprende, S.L." (Sociedad Unipersonal) and a permanent member of the General Legislation Commission of the Ministry of Justice. ACADEMIC TRAINING: Degree in Law. Ph.D. in Commercial Law from the University of Castilla-La Mancha. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: She has been an independent director and a member of the Audit and Compliance Committee of the country subholding company of the Iberdrola Group in Spain, "Iberdrola España, S.A." (Sociedad Unipersonal), as well as an independent director and member of the Finance and Remuneration and Succession Committees of the country subholding company of the Iberdrola Group in Brazil, "Neoenergia S.A.". NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: She has held several positions at the University of Castilla-La Mancha, including vice-chancellor for student affairs and general secretary, and is currently a professor of Commercial Law at that university. She has been a visiting researcher at German universities and has been invited to participate in conferences and to lecture for undergraduate, postgraduate, master's and doctoral degrees at Spanish and foreign universities and research institutes. She served as Director General of Registries and Notaries of the Ministry of Justice from 2009 to 2011, and since 2013 she has advised large companies in her capacity as Of Counsel to the law firm "Ramón y Cajal Abogados, S.L.P." She is the author of a large number of monographs, articles published in specialised publications and collective books on subjects like banking law, registry law, organisation and management of SMEs, contract and commercial distribution law, bankruptcy law, etc., with a high degree of specialisation in company law, the law applicable to listed companies, corporate governance and the stock market.

MS ISABEL GARCÍA TEJERINA	Valladolid, Spain, 1968 OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Senior Advisor at “Ernst & Young España, S.A.” for sustainability issues and the agri-food sector, as well as an independent director of “Avanza Previsión Compañía de Seguros, S.A.” and a member of its Audit Committee. ACADEMIC TRAINING: Degree in Agricultural Engineering from the Polytechnic University of Madrid and degree in Law from the University of Valladolid. Master’s degree in European Communities from the Polytechnic University of Madrid, and in Agricultural Economics from the University of California (Davis). She also participated in the Global Senior Management Programme of Instituto de Empresa and the University of Chicago Graduate School of Business, and has participated in the High-Level Business Energy Course organised by the Club Español de la Energía. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: She has been an independent director of the Group’s country subholding company in Brazil, “Neoenergia, S.A.”, and a member of its Finance, Audit, Remuneration and Succession committees, as well as chair of the Sustainability Committee. She has been the Director of Strategic Planning at the chemical fertiliser company “Fertiberia, S.A.”, a member of the board of the Algerian fertiliser manufacturing company “Fertial SPA” and of “Sociedad Estatal de Infraestructuras Agrarias del Norte, S.A.”, as well as a member of the Governing Board of the Spanish Ports System (*Puertos del Estado*). She has also been an independent director of “Primafrio, S.L.”, the chair of its Innovation and Sustainability Committee, and a member of its Audit Committee. NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: She was Minister of Agriculture, Fisheries, Food and Environment of the Spanish Government between 2014 and 2018 and, prior to that, Secretary General for Agriculture and Food, during which time she participated in and led numerous complex European negotiations. In particular, as Minister of Agriculture, Fisheries, Food and Environment, she was responsible for the national climate change policy and for international negotiations in this field, having participated in several United Nations Climate Summits, including the Paris Summit in December 2015. During that stage as the head of water policy, the hydrological planning culminated with the approval of basin hydrological plans under the jurisdiction of the General State Administration (with the highest consensus ever achieved in the National Water Council), bringing Spain up to date with its European water planning obligations. The first flood risk management plans were approved, the first fluvial nature reserves were created, the CRECE Plan was launched to comply with the European Urban Waste Water Treatment Directive, and important investments in hydraulic infrastructure were resumed. At the institutional level, she was also vice-chair of the High-Level Inter-Ministerial Working Group on the 2030 Agenda. She has been awarded the Grand Cross of Charles III and distinguished with the title of Commander of the Order of Agricultural Merit of France.

Total number of independent directors	10
Percentage of Board	71.43

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	**Description of the relationship**	**Reasoned statement**
No data		

<table>
<tr><td colspan="4">OTHER EXTERNAL DIRECTORS</td></tr>
<tr><td colspan="4">Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:</td></tr>
<tr><th>Name or company name of director</th><th>Reasons</th><th>Company, manager or shareholder to which or to whom the director is related</th><th>Profile</th></tr>
</table>

MR IÑIGO VÍCTOR DE ORIOL IBARRA	More than 12 years have passed since appointment	Iberdrola	Madrid, Spain, 1962. ACADEMIC TRAINING: Bachelor of Arts and International Business from Schiller International University (Madrid), a graduate of the Executive Corporate Management Programme of IESE Business School, and Certified European Financial Analyst (CEFA) from Instituto Español de Analistas Financieros. NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: He has been chair of “Electricidad de La Paz, S.A.” (Bolivia), “Empresa de Luz y Fuerza Eléctrica de Oruro, S.A.” (Bolivia) and “Iberoamericana de Energía Ibener, S.A.” (Chile), as well as a member of the board of “Empresa de Alumbrado Eléctrico de Ceuta, S.A.”, “Neoenergia S.A.” (Brazil) and “Empresa Eléctrica de Guatemala, S.A.” He has also been a member of the Appointments Committee and of the Sustainable Development Committee of the Company, director of Corporate Governance for the Americas of Iberdrola, director of Management Control at “Amara, S.A.”, and a financial analyst in the Financial Division and the International Division of Iberdrola. NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: He has been chair of “Empresa de Servicios Sanitarios de Los Lagos, S.A.” in Chile.

MS MARÍA HELENA ANTOLÍN RAYBAUD	More than 12 years have passed since appointment	Iberdrola	Toulon, France, 1966. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: She is also the vice president of the Excellence in Management Club (*Club de Excelencia en la Gestión*), a member of the Management Board of the Spanish Association of Automotive Equipment and Component Manufacturers (*Asociación Española de Fabricantes de Equipos y Componentes para Automoción*) (Sernauto), a director of “Injat, S.L.”, an independent director of “Derivados Asfálticos Normalizados, S.A.” (DANOSA), a member of the Madrid and Central Spain Territorial Advisory Board of SabadellUrquijo Banca Privada, a member of the Executive Committee of the Spanish Confederation of Business Organisations (*Confederación Española de Organizaciones Empresariales*) (CEOE), a board member of France Foreign Trade (*Comercio Exterior de Francia*), Spain section, and a member of the Plenary Committee of the Spanish Chamber of Commerce. ACADEMIC TRAINING: Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida (United States of America), and a Master of Business Administration from Anglia University, Cambridge (United Kingdom) and from Escuela Politécnica de Valencia (Spain). NOTEWORTHY EXPERIENCE IN THE ENERGY AND INDUSTRIAL ENGINEERING SECTOR: She has been an external independent director of “Iberdrola Renovables, S.A.” and a member of its Related-Party Transactions Committee. She has been in charge of the corporate Industrial and Strategy Divisions of “Grupo Antolín Irausa, S.A.”, where she has also been a director of Human Resources and the head of Total Quality, a member of the Management Committee, and the Vice Chair of the Board of Directors. NOTEWORTHY EXPERIENCE IN OTHER INDUSTRIES: She has been a member of the Advisory Board of SabadellUrquijo Banca Privada.

Total number of other external directors	2
Percentage of Board	14.29

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	Year 2023	Year 2022	Year 2021	Year 2020	Year 2023	Year 2022	Year 2021	Year 2020
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	5	5	6	4	50.00	50.00	54.54	40.00
Other External	1	1		1	50.00	50.00	0.00	50.00
Total	6	6	6	5	42.86	42.86	42.86	35.71

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

[X] Yes [ ] No [ ] Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved

The structure and composition of the Board of Directors is a key element of good corporate governance, as it affects its effectiveness and influences the quality of its decisions and its ability to effectively promote the corporate interest. Accordingly, the Company encourages this body to have an independent, plural, diverse and balanced composition, with regular and staggered renewal of its members, whose diversity reflects the social and cultural reality of Iberdrola and enriches the deliberations of and resolutions adopted by the Board of Directors and its committees through the contribution of plural viewpoints on the matters within their purview.

Iberdrola has had a Board of Directors Diversity and Member Selection Policy since 2015, which specifically applies to the Company as the holding entity of the Iberdrola Group, in order to expressly promote the search for candidates whose appointment favours a diversity of skills, knowledge, experience, origin, nationality, age and gender among the members of the Board of Directors.

For these purposes, said corporate policy provides that there shall be an avoidance of any type of bias that might entail any discrimination, and particularly one that hinders the appointment of female directors, and also the goal of meeting at least the minimum percentages for the gender less represented on the Board of Directors that are established by applicable legal provisions or by generally accepted good governance recommendations.

This policy also provides that in the selection of candidates, it shall endeavour to ensure a diverse and balanced composition of the Board of Directors overall, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its purview, and that the diversity criteria shall be chosen based on the nature and complexity of the businesses, as well as the social and environmental context in which the businesses operate.

In any case, the candidates must be respectable persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties. Furthermore, the selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the companies of the Iberdrola Group do or will do business, and the directors must have a sufficient knowledge of Spanish and English to perform their duties. They must also be irreproachable professionals, whose conduct and professional track record is aligned with the principles set forth in the Code of Ethics and with the corporate values contained in the Purpose and Values of the Iberdrola Group.

This selection shall be based on an analysis of the needs of the Company and of the other companies of the Iberdrola Group, which must be carried out by the Board of Directors with the advice of the Appointments Committee. In this regard, the Regulations of the Appointments Committee assign to this committee the duty to periodically review, evaluate compliance with and propose changes to the Board of Directors Diversity and Member Selection Policy. In addition, the Board of Directors is vested with the power to periodically evaluate the level of compliance with and effectiveness of this policy.

As a result, the Board of Directors has a diverse composition considering multiple factors, including:

- the existence of a large majority of external directors (85.71%, compared to 14.29% of executive directors), and particularly of independent directors (71.43%), whose profiles are included in section C.1.3 of this report, who have been selected based on the varied skills, knowledge and professional backgrounds that make up the skills matrix of the Board of Directors;

- the existence of six nationalities (Spain, France, Italy, Great Britain, the United States of America and Brazil) including the main countries and markets in which the Group's companies operate; and

- a balanced presence of women and men (50/50 distribution of external directors of each gender and no gender with a representation of less than 42.86% of the total number of directors), further details of which are provided in the following section of this report.

C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of measures

Iberdrola recognises the development of professional relations based on equal opportunities to be a strategic objective, and in particular considers diversity to be part of the organisation's core values.

At the Company level, Iberdrola's Board of Directors Diversity and Member Selection Policy and the selection of its members has allowed it to achieve a balanced presence of women and men, which is reflected in the 50/50 distribution of external directors between both genders and in no gender with a representation of less than 42.86% of the total number of directors.

The Company thus antedated compliance with applicable requirements since 2021 by continuously meeting the goal set out in the Good Governance Code of Listed Companies of 40% female board members by the end of 2022, with a minimum 40% presence of each gender among non-executive members and 33.33% presence among all members set for 30 June 2026 in Directive (EU) 2022/2381 of the European Parliament and of the Council of 23 November 2022.

The annex included at the end of this report describes the resolutions adopted in application of this corporate policy, which is subject to regular review and evaluation by the Appointments Committee, allowing the Company to achieve the current balanced presence of women and men on the Board of Directors. In addition, the resolutions adopted in financial year 2023 include the appointment of the current chair of the Audit and Risk Supervision Committee, whereby the chairmanships of the advisory committees of the Board of Directors are also split 50/50 between the two genders.

At the Iberdrola Group level, the Equality, Diversity and Inclusion Policy promotes gender equality at all companies of the group in accordance with international best practices and goal five of the Sustainable Development Goals ("SDGs") approved by the United Nations, particularly as regards access to employment, professional training and promotion, and working conditions.

Iberdrola's Diversity and Inclusion Division advances the implementation, monitoring and verification of compliance with the policy, which provides for the following actions, among others: (i) analysing affirmative measures to correct any inequalities that may arise and to promote access by the underrepresented gender to positions of responsibility in which they have little or no representation; (ii) guaranteeing the principle of equal opportunity in professional development, removing any obstacles that may impede or limit careers due to gender; (iii) promoting mechanisms and procedures for selection and professional development that facilitate the presence of the underrepresented gender with the necessary qualifications in all areas of the organisation in which it is underrepresented, e.g. through the implementation of programmes that encourage the companies of the Iberdrola Group to have a significant number of female senior officers; (iv) ensuring balanced representation in the various decision-making bodies and levels, guaranteeing participation under conditions of equal opportunity in all areas of consultation and decision-making; (v) promoting the organisation of working conditions with a gender perspective; (vi) establishing protective measures for women to prevent certain situations specific to this group from having a negative impact on their professional careers; and (vii) strengthening the Iberdrola Group's commitment to gender equality both within the organisation and in society and raising awareness.

These commitments and activities are strengthened through the ESG goals published by the Company, which included obtaining external certification of equal gender pay by 2025, the presence of women in high-ranking positions (management positions), with a target of 30% by 2025 and 35% by 2030, and the presence of women in positions of responsibility (management positions, middle management and highly qualified technical positions), with a target of 35% by 2025 and 36% by 2030.

These goals are also incentivised through the variable remuneration of the executive directors, management personnel and other professionals who, due to their position or responsibility, are deemed to make a decisive contribution to the creation of sustainable value. Specifically, long-term variable remuneration programmes contemplate goals to continue promoting salary equality and the presence of women in high-ranking positions and positions of responsibility, which are described in the annex included at the end of this report.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons

Not applicable

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

Taking into consideration the information contained in the two preceding sections of this report, the Appointments Committee believes that Iberdrola is applying the Board of Directors Diversity and Member Selection Policy in a fully consistent manner and that the composition of its Board of Directors is balanced and diverse.

C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

[ ] Yes [X] No

C.1.9 Indicate the powers, if any, delegated by the Board of Directors, including those relating to the option of issuing or re-purchasing shares, to directors or board committees:

Name or company name of director or committee	Brief description
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	As executive chairman, he has all the powers that may be delegated under the law and the By-Laws. He assumes all the duties that are not expressly assigned to the chief executive officer.
MR ARMANDO MARTÍNEZ MARTÍNEZ	As chief executive officer, he has all the powers that may be delegated under the law and the By-Laws. He has overall responsibility for coordinating the management of the businesses of the companies of the group, with the highest executive duties in that area.
Executive Committee	All the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Governance and Sustainability System, including the ability to issue or repurchase shares (as approved by the shareholders at the General Shareholders' Meeting), are delegated thereto.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	AVANGRID, INC.	Chair	No
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	NEOENERGIA S.A.	Chair	No
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	SCOTTISH POWER LTD.	Chair	No

C.1.11 List the positions of director, administrator or representative thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
MR JUAN MANUEL GONZÁLEZ SERNA	GSU Found, S.L.	Chair
	Tuero Medioambiente, S.L.	Chair
	HM Hospitales 1989, S.A.	Director
	Hommingcloud, S.L.	Director
	Digital Cinegetics, S.L.	Director
MS MARÍA HELENA ANTOLÍN RAYBAUD	Injat, S.L.	Director
	Derivados Asfálticos Normalizados, S.A.	Director
MR MANUEL MOREU MUNAIZ	Seaplace, S.L.	Chair
	H.I. de Iberia Ingeniería y Proyectos, S.L.	Sole Director
	Howard Ingeniería y Desarrollo, S.L.	Sole Director
	Heath Wind, S.L.	Sole Director
	Tubacex, S.A.	Vice-Chair
MR XABIER SAGREDO ORMAZA	Bilbao Bizkaia Kutxa Fundación Bancaria - Bilbao Bizkaia Kutxa Banku Fundazioa	Chair
	BBK Fundazioa	Chair
	ORKESTRA-Basque Institute of Competitiveness	Director
	Universidad de Deusto	Director
MS NICOLA MARY BREWER	The Weir Group plc.	Director
MS REGINA HELENA JORGE NUNES	Cielo S.A.	Director
	RNA Capital Ltda.	Chief executive officer
MR ÁNGEL JESÚS ACEBES PANIAGUA	MA Abogados Estudio Jurídico, S.L.P.	Director
	Doble A Estudios y Análisis, S.L.P.	Sole Director
MS MARÍA ÁNGELES ALCALÁ DÍAZ	UCLM-Emprende, S.L. (Sociedad Unipersonal)	Director
MS ISABEL GARCÍA TEJERINA	Avanza Previsión Compañía de Seguros, S.A.	Director

The positions described above for which the directors receive remuneration are specified below:

4. Mr Juan Manuel González Serna: chairman of "GSU Found, S.L."; chairman of "Tuero Medioambiente, S.L."; director of "HM Hospitales 1989, S.A.".
5. Ms María Helena Antolín Raybaud: director of "Injat, S.L."; director of "Derivados Asfálticos Normalizados, S.A.".
6. Mr Manuel Moreu Munaiz: president of "Seaplace, S.L."; vice president of "Tubacex, S.A.".
7. Mr Xabier Sagredo Ormaza: chair of Bilbao Bizkaia Kutxa Fundación Bancaria - Bilbao Bizkaia Kutxa Banku Fundazioa.
8. Ms Nicola Mary Brewer: director of "The Weir Group plc."
9. Ms Regina Helena Jorge Nunes: director of "Cielo S.A."; CEO of "RNA Capital Ltda.".
10. Mr Ángel Jesús Acebes Paniagua: sole director of "Doble A Estudios y Análisis, S.L.P.".
11. Ms Isabel García Tejerina: director of "Avanza Previsión Compañía de Seguros, S.A.".

The profiles of the directors available in section C.1.3 of this report show other non-remunerated positions (e.g. memberships on the boards of trustees of foundations) that have not been included in the preceding table because they are not provided for in the drop-down list of the form.

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
MR ANTHONY L. GARDNER	Managing Partner of "Brookfield Private Equity Group"
	Senior Adviser of "Brunswick Group, LLP"
MS MARÍA HELENA ANTOLÍN RAYBAUD	Member of the Territorial Advisory Board of SabadellUrquijo Banca Privada de Madrid y Centro de España.
MR MANUEL MOREU MUNAIZ	Professor of the Master's Programme in Business and Maritime Law of the Spanish Maritime Institute and of Universidad Pontificia de Comillas.
	Professor of the Master's Programme in Oil at Universidad Politécnica de Madrid.
MS SARA DE LA RICA GOIRICELAYA	Director of Fundación ISEAK
MR ÁNGEL JESÚS ACEBES PANIAGUA	Lawyer
MS MARÍA ÁNGELES ALCALÁ DÍAZ	Of Counsel at "Ramón y Cajal Abogados, S.L.P."
	Professor of Commercial Law at Universidad de Castilla-La Mancha
MS ISABEL GARCÍA TEJERINA	Senior Advisor for sustainability issues and the agri-food sector at "Ernst & Young España, S.A."

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

[X] Yes [ ] No

Explanation of the rules and identification of the document where this is regulated

Pursuant to the Regulations of the Board of Directors, those persons serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges, may not be appointed as directors. Positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	23,965
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	1,186
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	0
Funds accumulated by former directors for long-term savings systems (thousands of euros)	0

Remuneration includes the amounts received by the group of directors for their performance as such during financial year 2023 (€7,206 thousand, which includes fixed remuneration, attendance fees and other items such as insurance policies) as well as the remuneration received for the performance of the executive duties of the members of the Board of Directors (including salaries, annual variable remuneration, payment of the first period of the 2020-2022 Strategic Bonus and other items such as insurance policies), all of which is duly described in the Annual Director Remuneration Report.

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
MR JOSÉ SAINZ ARMADA	Chief Finance, Control and Corporate Development Officer (CFO)
MR SANTIAGO MARTÍNEZ GARRIDO	General Secretary and Secretary of the Board of Directors
MS SONSOLES RUBIO REINOSO	Chief Internal Audit and Risk Officer
MS MARÍA DOLORES HERRERA PEREDA	Chief Compliance Officer

Number of women in senior management	2
Percentage of total senior management	50

Total remuneration of senior management (thousands of euros)	23,475

The number of members of senior management has changed during financial year 2023. Pursuant to the instructions for completing this section, total remuneration includes the remuneration of all members of senior management who have performed their duties at any time during the year, even if they do not have such status as of the closing date.

The amount of fixed and variable remuneration of the officers and other professionals with management responsibilities not included in Iberdrola's senior management amounted to €159,689 thousand in 2023 (802 people) and €141,119 thousand in 2022 (740 people), affected by the exchange rate.

C.1.15 Indicate whether the Board regulations were amended during the year:

[X] Yes [ ] No

Description of amendment(s)

Within the process of ongoing review of the Governance and Sustainability System, in addition to certain technical improvements, amendments have been made to the Regulations of the Board of Directors in order to (i) adapt the duties of supervision, organisation and coordination at the various corporate levels of the Iberdrola Group (holding company, country subholding companies and head of business companies) in line with the proposed amendments to the By-Laws submitted for approval at the General Shareholders' Meeting held on 28 April 2023; (ii) within the framework of updating the compliance systems of the Iberdrola Group, review the duties of the Sustainable Development Committee in connection with the Company's Compliance Unit and with the compliance systems of the group's companies; (iii) reaffirm the overall strategy of ongoing engagement of the shareholders in corporate life throughout the year, i.e. not limited to the General Shareholders' Meeting, expressly giving the Board of Directors the powers to promote, determine and oversee such strategy, guaranteeing the application of the principle of equality of treatment of all shareholders who are in the same situation; and (iv) specify that those members of the Company's management (other than support or advisory personnel or staff members) who perform global duties and who report directly to the Board of Directors, to the chairman thereof or to the chief executive officer of the Company, as well as any other person who the Board of Directors acknowledges as such upon a proposal of the chairman thereof, and in any event the Chief Internal Audit Officer, shall form part of senior management.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

– SELECTION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment and re-election of directors is within the purview of the shareholders at the General Shareholders' Meeting.

Vacancies that occur may be filled by the Board of Directors on an interim basis (co-option procedure) until the next General Shareholders' Meeting.

The Appointments Committee advises the Board of Directors regarding the most appropriate configuration of the Board of Directors itself and of the committees thereof as regards size and equilibrium among the various classes of directors by taking into account, in all cases, the requirements that must be met by director candidates pursuant to the Board of Directors Diversity and Member Selection Policy.

The Appointments Committee shall also review the criteria for the selection of candidates for directors and assist the Board of Directors in defining the profiles that these candidates must meet, in view of the needs of the Board of Directors and based on the areas within the Board that should be strengthened, as well as ensure that the selection procedures do not suffer from implicit biases that could entail any discrimination, and particularly that could hinder the selection of female directors.

The Board of Directors and the Appointments Committee, within the scope of their powers, shall endeavour to ensure that the candidates proposed are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability, and commitment to their duties. In the selection of candidates, it shall also endeavour to ensure the achievement of appropriate balance within the Board of Directors as a whole, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its purview.

Specifically, it falls upon the Appointments Committee to propose the independent directors, as well as to report upon the proposals relating to the other classes of directors. For these purposes, during the selection process, the chairman or one of the members of the Appointments Committee shall meet with each of the candidates for director before the issuance of its report or proposal. If the Board of Directors deviates from the proposals and reports of the Appointments Committee, it shall give reasons for so acting and shall record such reasons in the minutes.

The following may not be appointed as directors:

- Legal entities.
- Persons who hold the position of director or who are members of senior management of domestic or foreign companies competing with the Company in the energy industry or other industries, or such persons, if any, as are proposed by them in their capacity as shareholders.
- Persons serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges. Positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.
- Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets or other industries in which the Group's companies operate.
- Persons that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Iberdrola Group.

In the case of re-election of directors, the Appointments Committee shall evaluate the quality of the work and dedication to the position of the directors proposed during the previous term of office, and expressly their respectability, suitability, expertise, competence, availability and commitment to their duties. Prior to the expiry of the term for which a director has been appointed, the Appointments Committee shall also examine the advisability of the re-election thereof.

2. REMOVAL OF DIRECTORS

Directors serve in their position for a term of four years, so long as the shareholders acting at the General Shareholders' Meeting do not resolve to remove them and they do not resign from their position.

The Appointments Committee must inform the Board of Directors regarding proposed removals due to breach of the duties inherent to the position of director or due to a director becoming affected by supervening circumstances of mandatory resignation or withdrawal. It may also propose the removal of directors in the event of disqualification, structural conflict of interest or any other reason for resignation or cessation of office, pursuant to law or the Governance and Sustainability System.

The Board of Directors may propose the removal of an independent director before the passage of the period provided for in the By-Laws only upon sufficient grounds, evaluated by the Board of Directors after a report from the Appointments Committee, or as a consequence of takeover bids, mergers or other similar corporate transactions resulting in a significant change in the shareholding structure of the Company, as recommended by the Good Governance Code of Listed Companies.

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of change(s)

The Board of Directors of Iberdrola evaluates the performance of its governing bodies and directors on an annual basis, thereby reaffirming its strong commitment to ongoing improvement of its corporate governance and monitoring of best practices in this area.

The evaluation for the 2023 financial year ended with a positive assessment of the quality and efficiency of the operation of the Board of Directors and its committees, as well as the performance of the chairman, the chief executive officer and the other directors, with no deficiencies having been identified that require the implementation of an action plan for their correction. Notwithstanding the foregoing, and within the framework of the aforementioned commitment, the Continuous Improvement Plan for financial year 2024, a document that pursues excellence in both internal organisation and in the procedures applicable to the activities of the governing bodies, has been approved.

In particular, the results of the evaluation corresponding to the 2023 financial year shows 100% compliance with the 29 work areas defined in the Continuous Improvement Plan approved for purposes of the 2022 evaluation, some of which have led to improvements in the internal organisation of the governing bodies, such as the half-yearly review of the meetings held by the different bodies to, among other issues, assess the balance of their respective workloads and the achievement of the corresponding tasks in accordance with the annual calendar.

Likewise, as a result of the development of the aforementioned Continuous Improvement Plan during the 2023 financial year, the consultative committees carried out a review of the Orientation Programme for directors, as a result of which numerous improvements were also incorporated into this programme.

The following milestones were also achieved during financial year 2023:

<u>Composition</u>:

- Re-election of Mr José Ignacio Sánchez Galán, Mr Armando Martínez Martínez, Ms María Helena Antolín Raybaud, Mr Manuel Moreu Munaiz, Mr Xabier Sagredo Ormaza and Ms Sara de la Rica Goiricelaya as members of the Board of Directors.
- Re-election of Mr José Ignacio Sánchez Galán as executive chairman of the Board of Directors and Mr Armando Martínez Martínez as chief executive officer.
- Appointment of Ms María Ángeles Alcalá Díaz as chair of the Audit and Risk Supervision Committee.
- Monitoring of skills matrix.

<u>Development of competencies</u>:

- Monitoring of the Outlook 2020-2025 and the Strategic Plan 2023-2025.
- Comprehensive monitoring of risks, particularly macroeconomic risks and those deriving from international conflicts, as well as their impact on the energy markets.
- Monitoring of strategic operations and co-investment projects with strategic partners.
- Monitoring of the results of the General Shareholders' Meeting, both by the Board of Directors and by its consultative committees, in accordance with their respective purviews.

- Approval of a new organisational chart and update of the composition of senior management.

Operation:

- Development of training in areas of interest to the Board of Directors and its committees (e.g. cybersecurity, talent management and retention, ESG reporting, corporate purpose and values, etc.), aligned with the suggestions made by the directors.
- Half-yearly review of the agendas of the governance bodies.

Environmental and social issues:

- Monitoring of the main activities of the companies of the Iberdrola Group in connection with the Climate Action Plan.
- Review of the level of implementation of the Sustainable Development Plan 2023-2025.
- Review of environmental and social policies.

Corporate governance and compliance:

- Updating of the Company's Compliance System in order to, among other aspects: (i) influence the decentralisation of the functions and responsibilities of the compliance bodies of the Group's companies; (ii) comply with the requirements of Law 2/2023 of 20 February regulating the protection of persons who report regulatory violations and the fight against corruption; and (iii) apply the best international practices in this area and incorporate the experience accumulated in the application of the compliance culture.
- Approval of the Compliance and Internal Reporting and Whistleblower Protection System Policy and of the Competition Law Compliance Policy, as well as amendment of the Regulations of the Compliance Unit.
- Approval of new criteria for the composition of the Company's Compliance Unit, particularly including the appointment of a chair and a secretary external to the Iberdrola Group, as well as a review of the powers of such unit.

Description of the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated

The Appointments Committee coordinates the evaluation of the operation of the Board of Directors and of the committees thereof on an annual basis, and submits to the full Board of Directors the results of said evaluation together with a proposed action plan with recommendations to correct any deficiencies that have been detected or a continuous improvement plan to continue working on excellence in the Company's corporate governance if no deficiency has been recorded.

The evaluation process for financial year 2023 used PricewaterhouseCoopers Asesores de Negocios, S.L. (PwC) as an external adviser.

The scope of the process included the evaluation of the Board of Directors, its committees, the chairman, the chief executive officer and each of the other directors of the Company from the perspective of the following dimensions: (i) compliance with internal rules and with the CNMV Good Governance Code of Listed Companies, (ii) monitoring of corporate governance trends, and (iii) analysis of compliance with the Continuous Improvement Plan defined based on the evaluation from the prior year.

The evaluation of the chairman of the Board of Directors was led by the first vice-chair and lead independent director.

This process included a comparative analysis of 24 companies, which were selected at both the domestic and international level and which met two criteria: (i) companies considered to have best practices, and (ii) comparable companies.

This evaluation used 392 best practices indicators, which practices were assessed using objective and verifiable evidence. This was all supplemented by interviews conducted with the directors by the first vice-chair and lead independent director, in which he collected feedback on the performance of the Board of Directors and its committees, in line with the recommendations of the Good Governance Code of Listed Companies and the Technical Guide 1/2019 on Nomination and Remuneration Committees published by the CNMV.

The process concluded on 20 February 2024 with the approval by the Board of Directors of the results of the evaluation of financial year 2023 and the Continuous Improvement Plan for financial year 2024. This document includes 31 areas for progress, including the following:

- Ensure that time continues to be devoted in the agenda to monitoring risks that have an impact on the business and the achievement of the objectives of the Strategic Plan 2023-2025.
- Maintain excellence in the operation of the Board of Directors and its committees (preparation and conduct of meetings), as well as the training programme for directors.
- Supervise the process of implementing the management chart approved in December 2023, particularly with regard to risk management and supervision, as well as the changes to the Compliance System that were also approved during that year.

Continue to review the Governance and Sustainability System in the quest for continuous improvement and alignment with best practices.

C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

The Company has been advised by an outside consultant for the last fourteen years.

The PwC Group's business relations with the companies within the Iberdrola Group worldwide were approximately €56,191 thousand in 2023. Specifically, the total amount of billing by the PwC Group for consulting services provided to the Company's Board of Directors and the Office of the Secretary thereof was €901 thousand during that financial year.

C.1.19 Indicate the cases in which directors are obliged to resign.

Directors must submit their resignation from the position and formally resign from their position upon the occurrence of any of the instances of disqualification, lack of competence, structural and permanent conflict of interest or prohibition against performing the duties of director provided by law or the Governance and Sustainability System.

In this connection, the Regulations of the Board of Directors provide that the directors must submit their resignation to the Board of Directors in the following cases:

- When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Governance and Sustainability System.
- When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk of criminal liability for the Company or any of the companies of the Iberdrola Group.
- When there are situations that affect them, whether or not related to their conduct within the Company itself, that might harm the good standing or reputation thereof.
- When they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a director of the Company.

  In particular, when the activities performed by the director, or the companies that the director directly or indirectly controls, or the individual or corporate shareholders or those related to any of them, might compromise the suitability thereof.
- When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors.
- When their continuance in office on the Board of Directors may for any reason, either directly, indirectly, or through persons related thereto, jeopardise the faithful and diligent performance of their duties in furtherance of the corporate interest.
- When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested, or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.
- When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.

The resignation provisions set forth under points 6 and 7 above shall not apply when, after a report from the Appointments Committee, the Board of Directors believes that there are reasons that justify the director's continuance in office, without prejudice to the effect that the new supervening circumstances may have on the classification of the director.

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?:

[X] Yes [ ] No

If so, describe the differences.

Description of differences
The Regulations of the Board of Directors require a majority of at least two-thirds of the directors present at the meeting in person or by proxy to approve the amendment thereof. The Regulations of the Board of Directors also state that directors must tender their resignation to the Board of Directors if they are seriously reprimanded thereby because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors:

[ ] Yes [X] No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

[ ] Yes [X] No

The Regulations of the Board of Directors provide that the standards to take into account for selecting candidates for the position of director shall include, by way of guidance only, the appropriateness of the directors generally not exceeding the age of seventy years.

Each of the non-executive directors has undertaken to tender their resignation to the Board of Directors at the first meeting it holds after they reach seventy years of age.

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

[ ] Yes [X] No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

The Regulations of the Board of Directors provide that the directors must attend its meetings, and since 2023 the Corporate Governance Policy has expressly provided that in preparing the proposals and reports relating to the re-election of directors, the Appointments Committee must take into consideration, among other matters, the number of meetings attended by the candidate for re-election during their previous term of office, in order to assess their dedication to the position. This shall take into account the minimum level of attendance at the meetings of these bodies that the main international institutional investors and proxy advisors provide for in their voting policies, which is generally 75% of the meetings held during the year.

If a director cannot attend personally, the Regulations of the Board of Directors provide that they must grant their proxy to another director, to whom they must give the appropriate instructions. The proxy granted shall be a special proxy for the Board meeting in question and may be communicated by any means allowing for the receipt thereof.

Non-executive directors may only grant a proxy in favour of another non-executive director, and no director may cast their vote or grant a proxy in connection with matters in respect of which they have any conflict of interest.

There is no maximum number of proxies provided per director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	9
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	1

Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Executive Committee	15
Number of meetings held by the Audit and Risk Supervision Committee	15
Number of meetings held by the Appointments Committee	8
Number of meetings held by the Remuneration Committee	10
Number of meetings held by the Sustainable Development Committee	7

The meetings of the Remuneration Committee listed in the table above include the application on one occasion of the procedure for adopting resolutions in writing without a meeting.

Pursuant to the provisions of Article 45 of the By-Laws, the lead independent director coordinates, meets with and reflects the concerns of the non-executive directors, and also directs the periodic evaluation of the chairman of the Board of Directors and leads any process for the succession thereof.

In the exercise of these powers, the lead independent director has held meetings with all of the non-executive directors, which meetings dealt with the evaluation of the chairman as well as with initiatives to improve the performance of each of the directors.

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in which at least 80% of directors were present in person	9
Attendance in person as a % of total votes during the year	98.48
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	9
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100.00

The attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2023 is described in the annex included at the end of this report.

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

[X] Yes [ ] No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Executive chairman
MR JOSÉ SAINZ ARMADA	Chief Finance, Control and Corporate Development Officer (CFO)

Iberdrola has established a certification process by which those responsible for financial information in the different areas of the Iberdrola Group (i.e. those responsible for the country subholding companies and global corporate areas) certify that: (i) the financial information they deliver to the Company for purposes of consolidation does not contain any material errors or omissions and provides a fair view of the results and the financial condition within their area of responsibility, and (ii) they are responsible for establishing the Internal Control over Financial Reporting System (ICFRS) within their area of responsibility and have found that the system is effective. The text of these certifications is inspired by the form of certification established in Section 302 of the U.S. Sarbanes-Oxley Act.

The culmination of the process is a joint certification that the executive chairman and the CFO submit to the Board of Directors.

The process is carried out by means of electronic signature in a software application which manages the areas of responsibility and time periods and which serves as a repository of all the documentation generated, allowing for periodic review by the supervision and control bodies of the Iberdrola Group's companies.

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

Pursuant to its regulations, the Audit and Risk Supervision Committee (the "Committee") performs the following duties, among others:

- Supervise (on an ongoing basis and specifically at the request of the Board of Directors) the process of preparing and presenting regulated financial information relating to the Company, both individual and consolidated with its subsidiaries, reviewing compliance with legal requirements, the proper delimitation of the scope of consolidation and the correct application of accounting standards, and submit recommendations or proposals to the Board of Directors to safeguard the integrity thereof.

- Supervise the clarity and integrity of the financial information regarding the Company and its group based on available sources of internal information (including reports regarding internal audit, risk management and internal assurance by the corresponding divisions, reports from other areas or departments, or the analysis and opinion of the Company's management team itself) and external information (including reports from experts or information received from the statutory auditor), and reach its own conclusion as to whether the Company has properly applied the accounting policies. It shall also ensure that the interim financial statements are prepared using the same accounting principles as the annual financial statements.

- Establish appropriate relationships with the statutory auditor to receive information regarding matters that might entail a threat to the independence thereof, for examination by the Committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on statutory audit and in other legal provisions on auditing.

- The Committee must receive written confirmation from the statutory auditor on an annual basis of its independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on any type of additional (non-auditing) services of any kind provided to and the corresponding fees received from such entities by such statutory auditors or by persons or entities related thereto, pursuant to the legal provisions governing the audit of accounts.

- On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the statutory auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders' Meeting. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding point, considered individually and as a whole, and in relation to the rules on independence or the legal provisions governing the audit of accounts.

- Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company; the Committee shall ensure that the interim statements are prepared in accordance with the same accounting standards as the annual financial statements and, for such purpose, it shall consider the appropriateness of a limited review by the statutory auditor.

- Review the contents of the audit reports on the accounts and of the reports on the limited review of interim accounts, if any, as well as other mandatory reports to be prepared by the statutory auditor, prior to the issuance thereof, in order to avoid qualified reports.

- Assess the results of each audit of accounts and supervise the response of the members of senior management to the recommendations made therein.

- Act as a channel of communication between the Board of Directors and the statutory auditors, causing them to hold an annual meeting with the Board of Directors to report thereto on the work performed and the accounting status and risks of the Company.

- Evaluate any proposal made by the members of senior management regarding changes in accounting practices.

- Analyse the reasons why the Company may itemise certain alternative information on returns in its public information instead of the measures directly defined by accounting rules, the extent to which useful information is provided to investors, and the level of compliance thereof with best practices and international recommendations in this area.

- Obtain information on significant adjustments identified by the statutory auditor or that result from revisions made by the Internal Audit and Risk Division and the position of the management team regarding said adjustments.

- Timely and properly attend to, answer and take into account any requests sent thereto by the National Securities Market Commission during the current financial year or in prior years, ensuring that the same types of incidents previously identified in said requests are not repeated in the financial statements.

- Check that the financial information published on the corporate website of the Company is continuously updated and that it coincides with the information that has been approved by the Board of Directors and published on the website of the National Securities Market Commission.

In turn, the Regulations of the Board of Directors provide that:

- The Board of Directors shall meet with the statutory auditor at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.

- The Board of Directors shall use its best efforts to prepare the annual financial statements such that there is no room for qualifications by the statutory auditor. However, when the Board of Directors believes that its opinion must prevail, it shall provide a public explanation of the content and scope of the discrepancy.

Pursuant to the above-cited rules, the Committee has reported throughout financial year 2023 on the process of preparing and presenting, and the clarity and integrity of, the financial information (separate and consolidated) relating to the Company prior to the approval thereof by the Board of Directors and its submission to the National Securities Market Commission. The reports of the Committee, which the chair thereof has presented to the full Board of Directors, are mainly intended to disclose such aspects, if any, as may give rise to qualifications in the audit report of Iberdrola and its consolidated group.

Accordingly, the Committee submitted to the Board of Directors the following reports regarding the annual, quarterly and half-yearly financial information of the Company for financial year 2023:

- Report dated 24 April 2023 on the results for the first quarter of 2023.
- Report dated 24 July 2023 on the financial information for the first half of 2023.
- Report dated 23 October 2023 on the results for the third quarter of 2023.
- Report dated 19 February 2024 regarding the annual financial statements of Iberdrola and its consolidated group for financial year 2023.

As disclosed in the information about Iberdrola posted on the website of the National Securities Market Commission (www.cnmv.es), the audit reports on the separate and consolidated annual financial statements prepared by the Board of Directors have historically been issued without qualifications.

C.1.29 Is the secretary of the Board also a director?

[ ] Yes [X] No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
MR SANTIAGO MARTÍNEZ GARRIDO	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

MECHANISMS TO PRESERVE THE INDEPENDENCE OF THE AUDITOR

The Regulations of the Audit and Risk Supervision Committee (the "Committee") and the Statutory Auditor Contracting and Relations Policy provide that:

- The relations of the Committee with the Company's statutory auditor (the "Auditor") shall respect the independence thereof.
- The Committee shall discuss with the Auditor any circumstance that might compromise the independence thereof and shall evaluate the effectiveness of the protective measures and the relationships between the Iberdrola Group and the Auditor and its network, including those that entail the provision of non-audit services. It shall request from the Auditor a

certification of independence of the firm as a whole and of the members of the team participating in the process of auditing the annual financial statements of the Iberdrola Group, with a detailed breakdown of information regarding non-auditing services of any kind provided by the Auditor or by persons connected thereto under applicable law. The Auditor shall include in such certification a statement regarding compliance with its internal quality assurance and independence protection procedures and shall submit to the Committee on an annual basis the profiles and professional background of the members of the Iberdrola Group audit teams, indicating any changes with respect to the previous financial year.

- Before issuing the annual audit report, the Committee shall issue a report expressing an opinion on the independence of the Auditor and the potential impact of each and every one of the non-audit services provided by the Auditor or by persons connected thereto, considered individually and as a whole. It shall also supervise the auditor's internal quality assurance and independence protection procedures and shall receive information on the hiring of professionals from the auditor by any of the companies of the Iberdrola Group.

- The Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders' Meeting, for appointment as Auditor of firms for which it has evidence that they are affected by a lack of independence, prohibition or disqualification pursuant to applicable legal provisions, and if the total fees received for the provision of audit and non-audit services provided to the Company and to any other entity of the group by the Auditor or audit firm or by a member of its network during each of the last three consecutive financial years represent more than 15% of the total annual income of the Auditor or audit firm and of said network.

The Committee has established a restrictive policy on the non-audit services that the Auditor can be authorised to provide to the Company and its group:

- Prior to formalisation thereof, the Committee must receive information regarding any contract it intends to sign with the Auditor or a member of its network for the provision of non-audit services to the Company or any of the companies of its group, in order to be able to analyse the threats to independence that might arise from said contracts. The Auditor must therefore forward to the Committee any request to approve the provision of non-audit services, sufficiently describing the services requested, so that the Committee can analyse the impact of the contracting thereof on independence, both individually and collectively.

- The provision by the Auditor or by any member of its network of non-audit services must be authorised in advance by the Committee in all cases, whether the services are provided to the Company or to any other company of the group. In addition, if the subsidiary to which the services are provided has its own audit and compliance committee, the latter must also authorise the provision of the services in advance. By contrast, authorisation must be granted in advance by the audit and compliance committee of the country subholding company of the group when the services are provided thereto or to one of its subsidiaries without an audit and compliance committee of its own.

– In order to authorise the provision of said services, the Committee must assess whether the audit firm is the most appropriate firm to provide them based on its experience and expertise, analysing the nature thereof and the circumstances and context in which it occurs; the status, position or influence of the provider of the service and other relations thereof with the Company; the effects of the provision thereof; and whether said services could threaten the independence of the auditor; and, if applicable, the establishment of measures eliminating or reducing the threats to a level that does not compromise the independence thereof.

In compliance with recommendation 65.c) of Technical Guide 3/2017 on Audit Committees of Public Interest Entities, the Committee has established the indicative limit of the fees that may be received by the Auditor or an entity within its network at five million euros per year for non-audit services provided to the Company and to any other entity of its group during any financial year of the Company.

As regards financial year 2023:

– Iberdrola's Auditor, "KPMG Auditores, S.L." ("KPMG"), appeared on sixteen occasions before the Committee and on one occasion before the Board of Directors to report on issues relating to the audit of accounts. During these appearances, KPMG did not report issues that might put its independence at risk.

– On 20 February 2023 KPMG sent to the Committee written confirmation of its independence (and, if applicable, of the independence of other persons belonging to the audit firm) with regard to the audit of the financial information for financial year 2022.

- On 24 July 2023 KPMG sent to the Committee written confirmation of its independence with regard to the limited review of the financial information as at 30 June 2023.
- On 19 February 2024 KPMG sent to the Committee written confirmation of its independence with regard to the audit of the financial information for financial year 2023.
- In these letters the Auditor stated that it has implemented internal policies and procedures designed to provide Iberdrola with reasonable assurance that KPMG and its personnel maintain their independence when so required by applicable legal provisions.
- Pursuant to the foregoing, the hiring of the Auditor for non-audit services was approved in advance by the Committee. Prior to approval thereof, the Chief Internal Audit and Risk Officer, and if necessary the audit committee and the internal audit division of the group company receiving the services (or of any country subholding company to which it belongs) stated that the provision thereof did not threaten the independence of the auditor. In requests for services made by the Committee, the Auditor confirmed that, among other things, there were no restrictions on independence for the performance of the work described therein.
- In its statement of independence dated 19 February 2024, KPMG reported that three of its professionals were hired by the Iberdrola Group during financial year 2023. It also confirmed in this statement that such hirings do not fall within any of the prohibitions set out in the applicable legal provisions and have not created a threat compromising their independence as auditors.
- On 19 February 2024 the Committee submitted its report to the Board of Directors regarding the independence of the Iberdrola's Auditor, in which it concluded that the Auditor performed its work independently.

MECHANISMS TO PRESERVE THE INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

See annex included at the end of this report.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

[ ] Yes [X] No

If there were any disagreements with the outgoing auditor, explain their content:

[ ] Yes [X] No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

[X] Yes [ ] No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	1,865	2,864	4,729
Amount invoiced for non-audit work/Amount for audit work (in %)	54.12%	12.14%	17.49%

See annex included at the end of this report.

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

[ ] Yes [X] No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	7	7

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	22.58	22.58

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

[X] Yes [ ] No

Details of the procedure

The Regulations of the Board of Directors provide that the required support shall be provided for new directors to become rapidly and adequately acquainted with the Company and the Iberdrola Group, such that they can actively perform their duties as such and, if so appointed, as members of any of the committees of the Board of Directors as from their appointment as such. To this end, an orientation programme is made available to them through the directors' website referred to below. During the 2023 financial year, the contents of this programme were updated in accordance with the suggestions made by the consultative committees.

All directors are provided with the information needed to perform their duties, and access to training materials and sessions that allow them to continuously update their knowledge is encouraged.

Moreover, as regards the members of the consultative committees, the corresponding regulations provide that said committees must have a periodic training plan that ensures the refreshment of knowledge relating to the purview of each of them.

In order to improve their knowledge of the Iberdrola Group, presentations are made to the directors regarding the various businesses. In addition, a portion of each meeting of the Board of Directors tends to be dedicated to a presentation on economic, legal or political/social issues of importance to the Iberdrola Group.

The directors have access to a specific application, the directors' website, that facilitates performance of their duties and the exercise of their right to receive information. This website includes information deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof in accordance with the agenda, the training materials intended for the directors, and presentations made to the Board of Directors.

In addition, the directors are given access through the directors' website to the minutes of the meetings of the Board of Directors and the committees thereof, as well as such other information as the Board of Directors approves.

Finally, the *Regulations of the Board of Directors* provide that the directors are required to properly prepare for the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the consultative committees of which they are members, for which purposes the directors must diligently become apprised of the running of the Company and the matters to be discussed at such meetings.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

[X] Yes [ ] No

Explain the rules

The Regulations of the Board of Directors set out the obligations and duties of the directors, including, as an expression of the duty of loyalty, the obligation to submit their resignation to the Board of Directors in the event that supervening circumstances mean they are involved in an instance of disqualification or prohibition or loss of suitability, respectability, capability, competence, availability or commitment to their duties required to be a director and the other instances provided for in the Governance and Sustainability System.

A director must inform the Company of any judicial, administrative or other proceedings instituted against the director which, because of the significance or nature thereof, may seriously affect the reputation of the Company. In particular, every director must inform the Company, through the secretary of the Board of Directors, in the event that the director is subject to an investigation, arrested, or an order for the commencement of an oral criminal trial is issued against the director for the commission for any crime, and of the occurrence of any significant procedural steps in such proceedings. In such instance, the Board of Directors shall review this circumstance as soon as practicable and, following a report of the Appointments Committee, shall adopt the decisions it deems fit taking into account the interests of the Company.

In addition, the director must inform the Company of any fact or event that may be relevant to the holding of office as a director.

Directors must also submit their resignation to the Board of Directors and formally resign from their position in the events described in section C.1.19 of this report.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

[ ] Yes [X] No

Director's name	Nature of the situation	Observations

Indicate whether the Board of Directors has examined the case. If so, explain with reasons whether, given the specific circumstances, it has adopted any measure, such as opening an internal enquiry, requesting the director's resignation or proposing his or her dismissal.

Indicate also whether the Board decision was backed up by a report from the nomination committee.

[ ] Yes [ ] No

Decision / action taken	Reasoned explanation

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

At 31 December 2023 there are bonds issued by companies of the Iberdrola Group, as well as loans and other agreements with financial institutions, the maturity of which could be affected or which would require additional security in the event of a change of control of the Company in accordance with the terms of each contract, the most significant of which are listed below:

– Bond issues in the amount of €11,661 million in the European market and US$350 million (equivalent to €316 million) in the U.S. market.

– Loans arranged with the European Investment Bank and with the Official Credit Institute, totalling €4,623 million.

– Bank and export credit agency loans in the amount of €3,280 million and US$900 million (equivalent to €813 million).

– Bond issues amounting to R$16,281 million (equivalent to €3,046 million) and loans amounting to R$27,812 million (equivalent to €5,203 million) corresponding to the country subholding company "Neoenergia S.A." and its subsidiaries.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	23
Type of beneficiary	**Description of the agreement**
Executive directors and officers	1. EXECUTIVE DIRECTORS When the current executive chairman joined the Company in 2001, the Company 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. Although the treatment in effect for such officers was applied to him at that time, he would currently be entitled to two (2) times his annual remuneration as severance pay (it was three times the prior year) for instances in which a severance payment was required for termination of contract. The chief executive officer is entitled to receive severance pay equivalent to two (2) times his annual remuneration in the event of termination of his relationship with the Company, provided that said termination is not due to a breach attributable to the beneficiary or solely due to a voluntary decision thereof. This severance payment for termination of contract includes compensation for the commitment not to compete. The contractual relationship with the executive chairman in any event establishes 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 his relationship with the Company, with a post-contractual non-compete provision that is expanded from two years (from the prior financial year) to three years, maintaining the compensation of two (2) times annual remuneration. In the case of the chief executive officer, the obligation not to compete covers the term of the contract and for one year after the termination thereof. In compensation for this post-contractual commitment not to compete, he is entitled to compensation equal to one times annual his annual fixed remuneration, which is in any case included in the severance payment for termination of contract, if one exists. 2. OFFICERS The employment contracts of officers of Iberdrola who, given their responsibilities, decisively contribute to the creation of value, contain specific clauses on severance payments. The purpose of such clauses is to obtain an effective and sufficient level of loyalty for the management of the Company and thus avoid a loss of experience and knowledge that might jeopardise the achievement of strategic objectives. The amount of the severance pay depends on length of service and the reasons for the officer's cessation of office, up to a maximum of five (5) times annual salary. Notwithstanding the foregoing, the Senior Management Remuneration Policy provides since 2011 that the limit on the amount of the severance pay under new contracts with the members of senior management shall be two (2) times their annual salary. As at 31 December 2023 there are a total of 23 beneficiaries of severance clauses, representing 2.87% of the Iberdrola Group's officers and other professionals with management responsibilities. Of these, only 12 (1.5% of the group) have a severance pay limit of more than two times annual remuneration, which represents a reduction of 86.5% in the number of beneficiaries since 2003.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of directors	**General shareholders' meeting**
Body authorising the clauses	X	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	X	

C.2. Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them

EXECUTIVE COMMITTEE		
Name	**Position**	**Category**
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Chair	Executive
MR ARMANDO MARTÍNEZ MARTÍNEZ	Member	Executive
MR JUAN MANUEL GONZÁLEZ SERNA	Member	Independent
MR ANTHONY L. GARDNER	Member	Independent
MR MANUEL MOREU MUNAIZ	Member	Independent
MR ÁNGEL JESÚS ACEBES PANIAGUA	Member	Independent

% of executive directors	33.33
% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	00.00

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Executive Committee is assigned all the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions.

It must be composed of a minimum of four and a maximum of eight members, of which at least two must be non-executive, at least one of which must be an independent director. In all events, the chairman of the Board of Directors and the chief executive officer are members of this committee, and the secretary of the Board of Directors acts as secretary thereof. The appointment of its members and the permanent delegation of powers thereto is carried out by the Board of Directors with the favourable vote of at least two-thirds of the members thereof.

A director who is appointed as a member of the Executive Committee shall serve for the unexpired portion of such director's term of office, without prejudice to the Board of Directors' power of revocation. In the event that a member of the Executive Committee is re-elected as director, such member shall only continue to serve as a member of the Executive Committee if expressly re-elected as such by resolution of the Board of Directors.

It shall meet as many times as deemed necessary by the chair thereof. It must also meet when so requested by a minimum of two of its members. A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of at least a majority of its members, and resolutions shall be adopted by an absolute majority of the members present at the meeting in person or by proxy.

During financial year 2023, it held a total of 15 meetings and all of them were attended by 100% of its members, except for a single meeting at which one of the members was unable to attend and granted a proxy with specific voting instructions. These meetings were also attended, where appropriate, by senior management of the Company and/or external advisors.

Its duties consist of making proposals to the Board of Directors regarding strategic decisions, investments and divestitures that are significant for the Company or the Iberdrola Group, assessing their conformity to the current budget and strategic plans and analysing and monitoring business risks. It also provides assistance to the Board of Directors in the ongoing supervision of compliance with the principles governing the organisation and coordination of the Iberdrola Group's companies and the strategic goals thereof.

The following are some of the more significant activities that the Executive Committee carried out in financial year 2023. More detail can be viewed in the Activities Report of the Board of Directors and of the Committees thereof, which is published annually on occasion of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents):

- Monitoring the implementation of the Strategic Plan 2023-2025.
- Analysis of current events in the energy sector, including the reform of the European Union's electricity market and the European Wind Energy Action Plan.
- Monitoring of the Iberdrola Group's financial structure and liquidity and approval of significant financing transactions.
- Monitoring of the main investments and divestments by the companies of the Iberdrola Group.
- Monitoring of results: monthly, operating indicators and investment projects by business and by geographic area, and results of the Group's companies.
- Monitoring of the Company's performance in the main environmental, social and governance parameters, as well as of the presence of companies of the Iberdrola Group on sustainability indices.
- Monitoring of changes in the energy regulatory environment with an impact on the Group, including, inter alia, the various industry regulations adopted or in process in the European Union, Spain and Portugal, and the reform of the Electricity Industry Law in Mexico, as well as the ruling of the Mexican Supreme Court on the action challenging the constitutionality of this reform.
- Monitoring of the implementation of the 2023 budget and monitoring of the preliminary bases for the budget for financial year 2024.
- Monitoring of the process of adapting the Iberdrola Group's payroll structure to the strategy defined in Outlook 2020-2025 and outlook for the 2023-2025 period.
- Monitoring of the participation in the Davis World Economic Forum, the European Round Table for Industry and the UN Climate Change Conference (COP28).

AUDIT AND RISK SUPERVISION COMMITTEE		
Name	**Position**	**Current**
MS MARÍA ÁNGELES ALCALÁ DÍAZ	Chair	Independent
MR XABIER SAGREDO ORMAZA	Member	Independent
MS REGINA HELENA JORGE NUNES	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Audit and Risk Supervision Committee is an internal informational and consultative body.

It must be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors who are not members of the Executive Committee. A majority of its members must be independent, and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit and risk management.

Without prejudice to the foregoing, the Board of Directors and the Appointments Committee shall endeavour to ensure that the members of the Audit and Risk Supervision Committee as a whole, and especially the chair thereof, have the expertise, qualifications and experience appropriate for the duties they are called upon to perform in the area of accounting, auditing and management of risks, both financial and non-financial, that at least one of them has experience in information technology, and that as a whole the members of the Audit and Risk Supervision Committee have relevant technical knowledge in the finance and internal control area, as well as in relation to the energy sector.

The Board of Directors shall appoint a chair of the Audit and Risk Supervision Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the committee than the rest of the members thereof. It shall also appoint its secretary, who need not be a director. As with the other consultative committees, the secretary is a prestigious outside lawyer, which ensures the secretary's independence of judgement and enriches the debate and exchange of views at the meetings.

Its members are appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length. The position of chair is held for a maximum period of four years, after which period the chair may not be re-elected until the passage of at least one year from ceasing to act as such, without prejudice to the continuance or re-election thereof as a member of the Committee.

A valid quorum is established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions are adopted by an absolute majority of votes of the members present at the meeting in person or by proxy. During financial year 2023, it held a total of 15 meetings and all of them were attended by 100% of its members and, where appropriate, by senior management of the Company and/or external advisors.

Its duties are governed by and further developed in the *Regulations of the Board of Directors*, as well as in the *Regulations of the Audit and Risk Supervision Committee,* and entail the issuance of reports and proposals mainly concerning financial information, non-financial information, internal control systems, control and risk management systems, the Internal Audit and Risk Division and the statutory auditor.

The following are some of the more significant activities that the Audit and Risk Supervision Committee carried out in financial year 2023. More detail can be viewed in the Activities Report of the Board of Directors and of the Committees thereof, which is published annually on occasion of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents):

- Memoranda of internal control recommendations resulting from the audit of financial information and external assurance of non-financial information for financial year 2022 and implementation of said recommendations.

- Evaluation of the Internal Control over Financial Reporting System and Internal Control over Non-Financial Reporting System.

- Specific meeting on risk management: review of the adequacy of the current internal control and risk management system with respect to the current reality of the group.

- Acknowledgement of the update of risk management and internal assurance activities regarding the holistic treatment of risks.

- Analysis of the alternative performance measures included in the annual financial statements and in the directors' reports for financial year 2022.

- Monitoring of the Strategic Cybersecurity Plan and of the cyber-resilience of the group.

- Annual cybersecurity and data protection risk plan for financial year 2023.

- Monitoring of internal control recommendations from assurance provider for the Statement of Non-Financial Information. Sustainability Report 2022.

- Proposal regarding the expiry of the appointment of the statutory auditor.

- Report to the Board of Directors on information regarding related-party transactions with directors and significant shareholders and their respective related persons.

- Transparency report on the payment of taxes prepared by the Global Tax Division.

- Annual report on risk policies and, if applicable, proposed amendment thereof to the Board of Directors, and acknowledgement of proposed risk limits and indicators for 2023.

- Report to the Board of Directors on a corporate transaction, its financial terms, and its accounting impact: divestment consisting of the sale of generation assets with an installed capacity of 8,539 MW in Mexico.

Furthermore, section C.1.30 and the annex included at the end of this report describe the duties performed by the Audit and Risk Supervision Committee during financial year 2023 in relation to the provision of non-audit services by the auditor.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Names of directors with experience	MS MARÍA ÁNGELES ALCALÁ DÍAZ MR XABIER SAGREDO ORMAZA MS REGINA HELENA JORGE NUNES
Date of appointment of the chairperson	21/02/2023.

NOMINATION COMMITTEE		
Name	**Position**	**Current**
MR ÁNGEL JESÚS ACEBES PANIAGUA	Chair	Independent
MS MARÍA HELENA ANTOLÍN RAYBAUD	Member	Other external
MR ANTHONY L. GARDNER	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Appointments Committee is an internal informational and consultative body.

It must be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors. A majority of its members must be classified as independent.

The Board of Directors must endeavour to ensure that the members of the Appointments Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, particularly in the following areas: corporate governance, strategic human resources analysis and evaluation, selection of directors and management personnel, and performance of senior management duties.

Its members are appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

The Board of Directors shall appoint a chair of the Appointments Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the committee than the rest of the members thereof. It shall also appoint its secretary, who need not be a director. As with the other consultative committees, the secretary is a prestigious outside lawyer, which ensures the secretary's independence of judgement and enriches the debate and exchange of views at the meetings.

A valid quorum is established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions are adopted by an absolute majority of votes of the members present at the meeting in person or by proxy. During financial year 2023, it held a total of 8 meetings and all of them were attended by 100% of its members, except for a single meeting at which one of the members was unable to attend and granted a proxy with specific voting instructions. These meetings were also attended, where appropriate, by senior management of the Company and/or external advisors.

Its duties are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Appointments Committee, and entail the issuance of reports and proposals concerning, among other things, the appointments of members of the Board of Directors, of its committees and of the Company's Senior Management.

The following are some of the more significant activities that the Appointments Committee carried out in financial year 2023. More detail can be viewed in the Activities Report of the Board of Directors and of the Committees thereof, which is published annually on occasion of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents):

- Proposals for the re-election of Mr Manuel Moreu Munaiz, Mr Xabier Sagredo Ormaza and Ms Sara de la Rica Goiricelaya as independent directors, and reports on the proposals for the re-election of Mr José Ignacio Sánchez Galán and Mr Armando Martínez Martínez as executive directors, and of Ms María Helena Antolín Raybaud as an external director.

- Proposals for the re-election of Ms María Helena Antolín Raybaud and Mr Anthony L. Gardner as members of the Appointments Committee and of Ms Sara de la Rica Goiricelaya as a member of the Sustainable Development Committee; reports on the proposed re-election of Mr José Ignacio Sánchez Galán, Mr Armando Martínez Martínez and Mr Manuel Moreu Munaiz as members of the Executive Committee; and report on the proposed appointment of Ms María Ángeles Alcalá Díaz as chair of the Audit and Risk Supervision Committee.

- Report on the classification of the members of the Board of Directors.

- Report to the Board of Directors on the proposal for the appointment of Mr Rafael Sebastián Quetglas as counsel to the Board of Directors.

- Annual review of the Board of Directors Diversity and Member Selection Policy and verification of compliance therewith.

- Annual review of the skills matrix of the Board of Directors and of the composition of the boards of the country subholding companies to monitor their skills.

- Annual review of the structure and composition of the Board of Directors and forecast of terms ending through 2024.

- Report to the Board of Directors on the sections of the annual financial information for financial year 2022 falling within the purview of the Appointments Committee.

- Report to the Sustainable Development Committee regarding the sections of the Annual Corporate Governance Report 2022 falling within the purview of the Appointments Committee.

- Proposed reports evaluating the operation of the Board of Directors and the other committees, the performance of the chairman and of the chief executive officer, the suitability of the Board of Directors and each of the directors for financial year 2022, as well as the respective continuous improvement plans, and proposed guidelines for the evaluation for financial year 2023.

- Report to the Board of Directors regarding the composition of Senior Management.

- Verification of the sufficiency and adequacy of the information regarding the members of the Board of Directors and of senior management published on the corporate website.

REMUNERATION COMMITTEE		
Name	**Position**	**Current**
MR JUAN MANUEL GONZÁLEZ SERNA	Chair	Independent
MR MANUEL MOREU MUNAIZ	Member	Independent
MR IÑIGO VÍCTOR DE ORIOL IBARRA	Member	Other external

% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Remuneration Committee is an internal informational and consultative body.

It must be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors. A majority of its members must be classified as independent.

The Board of Directors must endeavour to ensure that the members of the Remuneration Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, and particularly regarding corporate governance, policy design and remuneration plans for directors and senior management.

Its members are appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

The Board of Directors shall appoint a chair of the Remuneration Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the committee than the rest of the members thereof. It shall also appoint its secretary, who need not be a director. As with the other consultative committees, the secretary is a prestigious outside lawyer, which ensures the secretary's independence of judgement and enriches the debate and exchange of views at the meetings.

A valid quorum is established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions are adopted by an absolute majority of votes of the members present at the meeting in person or by proxy. During financial year 2023, it held a total of 10 meetings (including the application on one occasion of the procedure for adopting resolutions in writing without a meeting) and all of them were attended by 100% of its members and, where appropriate, by senior management of the Company and/or external advisors.

Its duties are further developed in the *Regulations of the Board of Directors*, as well as in the *Regulations of the Remuneration Committee*, and entail the issuance of reports and proposals mainly concerning the remuneration of members of the Board of Directors and of the Company's Senior Management.

The following are some of the more significant activities that the Remuneration Committee carried out in financial year 2023. More detail can be viewed in the Activities Report of the Board of Directors and of the Committees thereof, which is published annually on occasion of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents):

- Determination of short-term variable remuneration targets (annual bonus).

- Determination of the percentage of compliance with the targets to which the 2020-2022 Strategic Bonus is linked and payment of the first tranche.

- Definition of the Strategic Bonus for the 2023-2025 period and acknowledgement of designation of new beneficiaries.

- Review of best practices on the remuneration of executive directors taking into account the main recommendations of institutional investors as well as best practices identified at comparable companies. - Specifically, in the area of remuneration reporting and information in the annual director remuneration reports.

- Continuous improvement of the Annual Director Remuneration Report.

- Analysis of the opinion of retail and institutional shareholders and proxy advisors during the year with a view to developing and presenting a new policy at the General Shareholders' Meeting in 2024.

- Review of trends in remuneration parameters used at comparable companies and global companies, such as the inclusion of indicators aligned with the objectives of the ESG strategy and review of their alignment with Iberdrola's strategic objectives.

- Review of directors' fixed remuneration to determine its competitiveness vis-à-vis comparable companies.

- Review of the general remuneration programmes for the workforce, assessing the suitability and results thereof.

- Review of the results of the external competitive analyses presented by independent external advisors on remuneration in order to determine Iberdrola's remuneration practices.

SUSTAINABLE DEVELOPMENT COMMITTEE		
Name	**Position**	**Current**
MS SARA DE LA RICA GOIRICELAYA	Chair	Independent
MS NICOLA MARY BREWER	Member	Independent
MS ISABEL GARCÍA TEJERINA	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Sustainable Development Committee is an internal informational and consultative body.

It must be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors. A majority of its members must be classified as independent.

Its members are appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

The Board of Directors shall appoint a chair of the Sustainable Development Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the committee than the rest of the members thereof. It shall also appoint its secretary, who need not be a director. As with the other consultative committees, the secretary is a prestigious outside lawyer, which ensures the secretary's independence of judgement and enriches the debate and exchange of views at the meetings.

A valid quorum is established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions are adopted by an absolute majority of votes of the members present at the meeting in person or by proxy. During financial year 2023, it held a total of 7 meetings and all of them were attended by 100% of its members and, where appropriate, by senior management of the Company and/or external advisors.

Its duties are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Sustainable Development Committee, and entail the issuance of reports and proposals mainly concerning Iberdrola's Governance and Sustainability System, the Company's environmental, social and governance ("ESG") performance, the Compliance Unit and the compliance systems of the group's companies, the non-financial information published by the Company, the Purpose and Values of the Iberdrola Group, and corporate reputation.

The following are some of the more significant activities that the Sustainable Development Committee carried out in financial year 2023. More detail can be viewed in the Activities Report of the Board of Directors and of the Committees thereof, which is published annually on occasion of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents):

- Monitoring of the implementation of the Purpose and Values of the Iberdrola Group.
- Review of the General Sustainable Development Policy and monitoring of the level of compliance with the Sustainable Development Plan, the ESG 2023-2025 objectives and actions that are significant to institutional investors, including relations with public Stakeholders.
- Monitoring of the implementation of the Stakeholder Engagement Policy and the Policy on Respect for Human Rights.
- Monitoring and review of the level of achievement of the Climate Action Plan.
- Monitoring of the Company's activities and objectives in the area of employment, satisfaction, diversity, integrity, non-discrimination, equality, reconciliation, accessibility and mobility, to the extent that they fall within the purview of the committee.
- Monitoring of the corporate governance strategy and compliance with legal requirements and the rules of the Governance and Sustainability System, as well as activities in the area of corporate reputation, brand and other intangible assets.
- Annual evaluation of the group's crime prevention programmes and opinions regarding the annual report on the effectiveness of the compliance systems during financial year 2022 and the performance of the Compliance Unit during financial year 2023.
- Review and validation, for submission to the Board of Directors, of the annual activity plan and budget of the Compliance Unit for financial year 2024.
- Reports and proposals to the Board of Directors relating to the amendment of the Company's Compliance System and the composition of the Compliance Unit.
- Report to the Board of Directors on the monitoring of the performance by the Iberdrola Group's foundations of the general interest, corporate social responsibility and corporate reputation activities entrusted thereto, and on the promotion of the strategy for social sponsorship and patronage for 2024.
- Analysis of environmental, social and governance elements in the non-financial information.
- Reports to the Board of Directors regarding the statement of non-financial information (sustainability report), the annual corporate governance report, the tax transparency report and the diversity and inclusion report for financial year 2022, as well as the integrated report for 2023.
- Verification of the sufficiency and adequacy of information regarding sustainable development, corporate governance and other aspects relating to the duties of the committee published on the corporate website.
- Analysis and evaluation of the way in which Iberdrola handles its relations with suppliers in terms of sustainability.

- Monitoring of the Company's activities relating to elements of systematic measurement and measurement tools with respect to ESG and corporate social responsibility, climate governance instruments, trends in responsible communications and marketing, the circular economy, and climate governance.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2023		Year 2022		Year 2021		Year 2020	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00	0	0.00	0	0.00	1	20.00
Audit and Risk Supervision Committee	2	66.67	2	66.67	2	66.67	1	33.33
Appointments Committee	1	33.33	1	33.33	1	33.33	1	33.33
Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00
Sustainable Development Committee	3	100.00	3	100.00	3	100.00	3	100.00

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

The committees of the Board of Directors are governed by the *Regulations of the Board of Directors*. Each of the consultative committees also has its own regulations. These regulations are available on the Company's corporate website at the following link: https://www.iberdrola.com/corporate-governance/governance-sustainability-system/corporate-governance-policies.

The Activities Report of the Board of Directors and of the Committees thereof (https://www.iberdrola.com/shareholders-investors/annual-reports), which reports the composition thereof, the number of meetings held during the year, the attendance of its members and appearances at these meetings, as well as the key issues dealt with and the priorities for the following year, is also published on this website.

As part of the process of ongoing review of the Governance and Sustainability System, the following amendments, among others, have been made to the regulations of the consultative committees: (i) in the *Regulations of the Audit and Risk Supervision Committee*, there have been changes to its duties relating to complaints or reports made through the internal reporting channels provided by the Company that could have a material impact on the financial statements or internal control; (ii) in the *Regulations of the Appointments Committee*, there have been updates to its powers relating to the management and promotion of talent to refer to the recruitment, development, selection and loyalty of talent, in line with the *People Management Policy* and the *Selection and Hiring Policy* approved by the Board of Directors; and (iii) in the *Regulations of the Sustainable Development Committee*, there have been updates to its duties in connection with the Company's Compliance Unit and with the compliance systems of the group's companies.

D RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. Explain, where appropriate, the procedure and competent bodies relating to the approval of transactions with related and intragroup parties, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected directors or shareholders. Detail the internal information and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the board of directors.

Pursuant to the Regulations of the Board of Directors, Related-Party Transactions means those transactions carried out by the Company or its subsidiaries with directors, with shareholders holding 10% or more of the voting rights or who have proposed or caused the appointment of any of the directors, or with any other parties who should be considered parties related to the Company in accordance with International Accounting Standards.

As an exception to the preceding paragraph, transactions that are not classified as such in accordance with the law, and particularly those identified in section 2 of Article 48 of the Regulations of the Board of Directors, shall not be deemed Related-Party Transactions.

The approval of Related-Party Transactions must be decided by the shareholders at a General Shareholders' Meeting in the instances provided by law, and particularly if it relates to a transaction having a value of more than 10% of the total items of the assets of the Iberdrola Group according to the last consolidated annual balance sheet approved by the shareholders at the General Shareholders' Meeting of the Company.

Other Related-Party Transactions are subject to the approval of the Board of Directors. However, Related-Party Transactions may be approved by the Executive Committee due to the urgency of the matter, giving notice thereof at the next meeting of the Board of Directors in order for them to be ratified.

The Board of Directors, through the Audit and Risk Supervision Committee (the "Committee"), shall endeavour to ensure that Related-Party Transactions are fair and reasonable from the viewpoint of the Company and, if applicable, of shareholders other than the related party. As provided by law, the approval of Related-Party Transactions must be the subject of a prior report of the Committee, which shall verify compliance with said requirements.

The Board of Directors may delegate the approval of Related-Party Transactions when so allowed by law, and particularly those transactions that simultaneously satisfy the following three conditions: (i) that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; and (iii) that the amount thereof does not exceed 0.5% of the consolidated net turnover of the Iberdrola Group according to the last consolidated annual financial statements approved by the shareholders at the Company's General Shareholders' Meeting.

The approval of the aforementioned Related-Party Transactions, particularly those relating to electricity and gas services, shall not require a prior report of the Committee. The Board of Directors has established a regular internal reporting and control procedure in relation to those transactions exceeding €20,000 on an annual basis (calculated based on standard market rates) or that have not been executed exclusively through the ordinary commercial channels of the Iberdrola Group, in which procedure the Committee must participate, which shall verify the fairness and transparency of such transactions and compliance with any legal criteria applicable to the corresponding exceptions. The execution of these types of transactions is the responsibility of the representatives of the group company in question. The Committee, with the assistance of the Internal Audit and Risk Division and with the information provided for this purpose by the Office of the General Secretary and Secretary of the Board of Directors and the Compliance Unit, shall examine these types of Related-Party Transactions each year and shall submit the corresponding report to the Board of Directors.

In the case of customary or recurring Related-Party Transactions in the ordinary course of business, it shall be sufficient to give a generic prior approval of the kind of transaction and of the conditions for performance thereof, provided that they are transactions with the same counterparty and their object is homogeneous. The Board of Directors is responsible for approving the various lines of transactions. In relation to the lines of transactions, the Committee, with the assistance of the Internal Audit and Risk Division, must issue an annual report to be submitted to the Board of Directors verifying compliance with the conditions established by the Board of Directors when approving the lines of transactions in question.

If a Related-Party Transaction entails the successive performance of different transactions, of which the second and subsequent transactions are mere acts of execution of the first transaction, the provisions of this section shall only apply to the first transaction carried out.

The execution of a Related-Party Transaction puts the director who engages in said transaction or is related to the person engaging in the transaction in a conflict of interest, for which reason the duty to abstain in the deliberation and voting on the approval resolution shall apply.

The Company shall publicly announce Related-Party Transactions no later than the time of execution thereof in the cases, to the extent and in the manner prescribed by law.

The Company shall also report Related-Party Transactions in the half-yearly financial report, in the annual corporate governance report, and in the notes to the annual financial statements.

In addition, directors must give written notice to the general secretary and secretary of the Board of Directors, on a half-yearly basis, regarding the Related-Party Transactions in which they or persons connected to the Company and related to such directors have engaged.

D.2. Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Name or company name of the shareholder or any of its subsidiaries	% Shareholding	Name or company name of the company or entity within its group	Amount (thousands of euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by a majority of independents
No data						

Name or company name of the shareholder or any of its subsidiaries	Nature of the relationship	Type of operation and other information required for its evaluation
No data		

D.3. Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Name or company name of the administrators or managers or their controlled or jointly controlled entities	Name or company name of the company or entity within its group	Relationship	Amount (thousands of euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against by a majority of independents
No data						

Name or company name of the administrators or managers or their controlled or jointly controlled entities	Nature of the operation and other information necessary for its evaluation
No data	

D.4. Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	**Brief description of the operation and other information necessary for its evaluation**	**Amount (thousands of euros)**
No data		

Transactions by Iberdrola with subsidiaries and companies in which the Company has an interest that have not been eliminated in the process of consolidation were made in the ordinary course of business of the Company, were carried out under arm's-length conditions, and are of little significance to accurately reflect the assets, financial condition and results of operations of the Company.

D.5. Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the International Accounting Standards adopted by the EU, which have not been reported in previous sections.

Company name of the related party	Brief description of the operation and other information necessary for its evaluation	Amount (thousands of euros)
No data		

D.6. Give details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management, significant shareholders or other associated parties.

Pursuant to the Regulations of the Board of Directors, a conflict of interest shall be deemed to exist in those situations provided by law, and particularly when the interests of the director, either for their own or another's account, directly or indirectly conflict with the interest of the Company or of companies within the Iberdrola Group and with their duties to the Company.

An interest of the director shall exist when the matter affects the director or a person related thereto.

The Regulations of the Board of Directors deem the following to be persons related to a Director:

a) The director's spouse or person related to the director by a like relationship of affection.

b) The ascendants, descendants and siblings of the director or of the director's spouse (or of a person with a like relationship of affection).

c) The spouses of the director's ascendants, descendants and siblings.

d) Companies or entities in which the director directly or indirectly holds, including through an intermediary, an interest that gives the director significant influence or in which the director holds a position on the management body or within the senior management thereof or of its controlling company. For these purposes, it is assumed that any interest equal to or greater than ten per cent of the share capital or voting rights or based on which representation on the company's management body could be obtained, in fact or by law, provides a significant influence.

e) Shareholders that the director represents on the Board of Directors.

Conflicts of interest shall be governed by the following rules:

- Communication: once a director becomes aware of being in a situation of conflict of interest, the director must give written notice of the conflict to the Board of Directors, in the person of the secretary thereof, as soon as possible. The secretary shall periodically submit a copy of the notices received to the Appointments Committee, in the person of the secretary thereof.

  The notice shall contain a description of the situation giving rise to the conflict of interest, with a statement as to whether it is a direct conflict or an indirect conflict through a related person, in which case the latter person must be identified.

The description of the situation must describe, as applicable, the subject matter and the principal terms of the transaction or the planned decision, including the amount thereof or an approximate financial assessment thereof.

Any question as to whether a director might be involved in a conflict of interest must be forwarded to the general secretary and secretary of the Board of Directors, and the director must refrain from taking any action until it is resolved.

2. Abstention: a director must refrain from taking any action until the Board of Directors reviews the case, approves the appropriate decision and informs the director thereof, without prejudice to the exceptions provided by law.

   To this end, the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members in attendance for purposes of the calculation of a quorum and the majorities required for approving resolutions.

   At each meeting of the Board of Directors and of the committees thereof, the secretary shall remind the directors, before dealing with the agenda, of the abstention rule.

3. Transparency: whenever required by law, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.

   The general secretary and secretary of the Board of Directors shall prepare a register of the conflicts of interest reported by the directors, which shall be continuously updated.

   In those instances in which the conflict of interest is, or may reasonably be expected to be, of such a nature that constitutes a structural and permanent conflict of interest between the director (or a person related thereto) and the Company or the companies forming part of the Iberdrola Group, it shall be deemed that the director lacks, or has lost, the competence required to hold office.

   Conflicts of interest of the members of the management team are subject to the same rules of communication, abstention and transparency.

   Transactions with significant shareholders or other related parties are governed by the rules described in Section D.1 of this report.

D.7. Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

[ ] Yes [X] No

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's financial and non-financial risk management and control system, including tax risk.

Pursuant to the three lines model, Iberdrola's General Risk Control and Management Policy and the risk policies (corporate and those specific to the businesses) in development thereof are implemented within a comprehensive risk control and management system, supported by the Company's Risk Committee and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon ensuring the development of supporting procedures, methodologies and tools, suitable for the various stages and activities within the system, including:

- The establishment of a structure of risk policies, guidelines, limits and indicators, as well as of the corresponding mechanisms for the approval and implementation thereof.
- The ongoing identification of significant risks and threats, taking into account their possible impact on key management objectives and the financial statements (including contingent liabilities and other off-balance sheet risks).
- The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the companies of the Iberdrola Group as a whole.
- The measurement and control of risks following homogeneous procedures and standards common to all the companies of the Iberdrola Group.
- The analysis of risks associated with new investments, as an essential element in risk/return-based decision-making, including physical and transition risks related to climate change.
- The maintenance of a system for monitoring and control of compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.
- The ongoing evaluation of the suitability and efficiency of applying the system and the best practices and recommendations in the area of risks for eventual inclusion thereof in the model.
- The audit of the comprehensive risk control and management system by the Internal Audit Division.

The foregoing is undertaken in accordance with the following main principles of conduct:

- Integrate the risk/opportunity vision into the Company's management, through a definition of the strategy and the risk appetite and the incorporation of this variable into strategic and operating decisions.
- Segregate functions, at the operating level, between areas that assume risks and areas responsible for the analysis, control and monitoring of such risks, ensuring an appropriate level of independence between them.
- Guarantee the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.
- Inform regulatory agencies and the principal external players, in a transparent fashion, regarding the risks facing the companies of the Iberdrola Group and the operation of the systems developed to monitor such risks, maintaining suitable channels of communication.
- Ensure appropriate compliance with the corporate governance rules established by the Company through its Governance and Sustainability System and the update and continuous improvement thereof within the framework of the best international practices as to transparency and good governance, and implement the monitoring and measurement thereof.
- Act at all times in compliance with the values and standards of conduct reflected in the Code of Ethics, under the principle of "zero tolerance" for the commission of unlawful acts and situations of fraud set forth in the Crime Prevention Policy and in the Anti-Corruption and Anti-Fraud Policy and the principles and good practices reflected in the Corporate Tax Policy.

The General Risk Control and Management Policy and the risk policies in further development thereof apply to all companies that make up the Iberdrola Group, over which the Company has effective control, within the limits established by the laws applicable to the regulated activities carried out by the Iberdrola Group's companies in the various countries in which they operate.

Excluded from the scope of this policy are listed country subholding companies and the subsidiaries thereof which, pursuant to their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies. In any event, said risk policies must be in accord with the principles set forth in the risk policies of the Iberdrola Group.

At those companies over which the Company does not have effective control, the Company shall promote principles, guidelines, and risk limits consistent with those established in the General Risk Control and Management Policy and in its supplemental risk policies and shall maintain appropriate channels of information to ensure a proper understanding of risks.

Iberdrola believes that its comprehensive risk control and management system operates on a comprehensive and continuous basis, strengthening such management by business unit or activity, subsidiaries, geographic areas and corporate-level support areas.

E.2. Identify the bodies within the company responsible for preparing and executing the financial and non-financial risk management and control system, including tax risk.

1. BOARD OF DIRECTORS

In the area within its purview, and with the support of the Audit and Risk Supervision Committee, it must use all of its capabilities in order for the significant risks of the Iberdrola Group to be adequately identified, measured, managed and controlled, and to establish through the General Risk Control and Management Policy the mechanisms and basic principles for appropriate management of the risk/opportunity ratio. By virtue thereof, it defines the risk strategy and profile of the group and approves the risk policies.

2. EXECUTIVE COMMITTEE

In order to conform the impact of the risks to the established appetite, upon the proposal of affected business or corporate divisions and after a report from the Group's Risk Committee, it annually reviews and approves the specific guidelines regarding the risk limits of the corporate risk policies.

3. AUDIT AND RISK SUPERVISION COMMITTEE

As a consultative body of the Board of Directors, it is vested with various powers relating to the Comprehensive Risk Control and Management System, as set forth in Articles 3, 5, and 9 of the Regulations thereof.

This includes the following (by way of example and based on the importance thereof):

- Conduct a periodic review of the risk policies on at least an annual basis.
- Continuously review and supervise the effectiveness of the internal control and risk management systems, such that the principal risks are properly identified, managed and reported.
- Obtain and analyse with the external auditor information regarding any significant deficiency in internal control that the statutory auditor detects in carrying out its audit work.
- Ensure that the internal control policies and systems are effectively applied.
- As regards the activities of the Internal Audit and Risk Division, which is functionally controlled by the Committee: i) supervise the activities and ensure the effectiveness thereof, and ii) approve the direction and the annual plan of said Division and its budget.
- Evaluate the various risk tolerance levels established in the risk policies in order to, if appropriate, propose the adjustment thereof.
- Promote a culture of risk avoidance.

- Endeavour to ensure that the internal control and risk management system established at the level of the group identifies at least: i) the different types of financial and non-financial risks, ii) the establishment and review of the risk map and levels that the Company deems acceptable, iii) the measures planned in order to mitigate the impact of identified risks in the event they materialise, and iv) the reporting and internal control systems that will be used to monitor and manage the risks.

- At least annually, call a meeting with each of the heads of the businesses of the group's companies and of the relevant corporate areas to exercise the powers of the Committee to be informed of the trends of their respective businesses or corporate areas and the risks associated therewith, all without prejudice to the corporate and governance structure of the group, pursuant to which each of the country subholding companies directly and effectively manages the risks of their businesses.

- Maintain appropriate relationships with the audit and compliance committees of the other companies of the group.

- Identify and evaluate emerging risks.

- Obtain creditable information as to whether the most significant risks are managed and maintained within the tolerance figures that have been established.

- Receive information from the Company's tax director regarding the tax guidelines applied during the financial year, and particularly regarding the level of compliance with the Corporate Tax Policy, as well as regarding the tax consequences of transactions or matters that must be submitted to the Board of Directors for approval when such consequences represent a significant issue.

4. BOARDS OF DIRECTORS OF COUNTRY SUBHOLDING AND HEAD OF BUSINESS COMPANIES

The country subholding companies adopt the Company's risk policies and specify the application thereof, approving the guidelines on specific risk limits. The audit and compliance committees of such companies shall report to the board of directors thereof on the internal control and risk management systems.

The management decision-making bodies of the head of business companies approve the specific risk limits applicable to each of them and implement the necessary control systems.

Pursuant to their special framework of strengthened autonomy, the listed companies of the group have their own risk policies, which are aligned with those established by the Company.

5. GROUP RISK COMMITTEE

This is a technical body that is chaired by the director of Internal Audit and Risks and which performs executive duties in the customary management of risks and provides advice to the governance bodies of the Iberdrola Group's companies.

It meets at least once a month, with the participation of the Risk director, the risk directors of the country subholding companies and corporate areas that have such a position, the Internal Audit Division and the Administration and Control Division.

It reviews new reported risks and the reports monitoring the main existing risks, and issues the Quarterly Risk Report of the group, which includes the main risk positions, the report on compliance with policies and risk limits and indicators, and the update of the key risks map.

It is supplemented by the credit risk and market risk committees, which report to the former, and which meet on a monthly basis.

E.3. Indicate the main financial and non-financial risks, including tax risks, as well as those deriving from corruption (with the scope of these risks as set out in Royal Decree Law

18/2017), to the extent that these are significant and may affect the achievement of business objectives.

The companies of the Iberdrola Group are subject to various risks inherent in the different countries, territories, industries and markets in which they do business and in the activities they carry out, which may prevent them from achieving their objectives and successfully implementing their strategies.

Pursuant to the definitions established by the General Risk Control and Management Policy, risks at the Iberdrola Group level are classified as follows:

- Corporate governance risks.
- Market risks.
- Credit risks.
- Business risks.
- Regulatory and political risks.
- Operational, technological, environmental, social and legal risks.
- Reputational risks.

Given the multidimensional nature of the risks, the taxonomy includes additional classification variables for improved monitoring, control and reporting of these risks. These additional categories include:

- Classification of risks into structural, “hot topics” and emerging, the latter of which are understood as possible new threats with an uncertain impact and undefined probability, and growing threats, which could eventually become material for the companies of the Iberdrola Group.
- The inclusion of secondary risk factors, including financial, environmental, social and governance (environmental, social and governance, or “ESG”), fraud or corruption, tax, health, cybersecurity or third party risk factors.

Furthermore, the Iberdrola Group’s companies have compliance systems made up of a set of substantive rules, formal procedures and specific actions intended to ensure that their conduct is in accordance with applicable ethical principles and law, preventing, avoiding and mitigating the risk of conduct that is improper or contrary to ethics or the law.

The following are elements of such compliance systems, which have been developed in accordance with national and international best practices in the areas of compliance, fraud prevention, and anti-corruption: (i) the Code of Ethics (which applies all professionals of the companies of the Iberdrola Group, directors, and suppliers); (ii) the Company's Compliance Unit, a collective, internal and permanent body linked to the Sustainable Development Committee, which, among other things, disseminates a preventive culture based on the principle of "zero tolerance" towards the commission of unlawful acts or improper conduct; (iii) the compliance units of the country subholding companies and head of business companies that proactively and autonomously ensure the application and effectiveness of their respective compliance systems, without prejudice to the appropriate coordination of the Group at all levels; and (iv) the set of compliance policies, protocols, procedures, and controls intended to prevent improper conduct or possible breaches of regulations or ethical principles.

Finally, in relation to possible risks with a reputational impact, the following is reported:

- The decision rendered on 4 January 2024 by the Central Criminal Court of the National High Court declaring the acquittal of “Iberdrola Generación España, S.A.” (Sociedad Unipersonal), its three employees and its former employee who, according to the Annual Corporate Governance Report 2022, had been prosecuted in relation to the price of the bids for the Duero, Sil and Tajo hydroelectric management units, between 30 November 2013 and 23 December 2013. This court decision is final and binding, and therefore the reputational risks arising from this litigation for the companies of the Iberdrola Group are considered to have been overcome.
- The criminal proceeding that continues before the Preliminary Examining Court No. 4 of Valladolid for the alleged Wind Farm Payoff Scheme (*Trama Eólica*) in Castile-León, in which “Iberdrola Renovables de Castilla y León, S.A.” appears as a party with potential subsidiary civil liability in the amount of €11,257,500, jointly and severally with the Regional Government of Castile and León.

For more details regarding the risks to which the Iberdrola Group's companies are subject, see:

- The "Principal risks and uncertainties" section of the consolidated directors' report for financial year 2023.
- The "Climate action and TCFD" section of the "Statement of Non-Financial Information. Sustainability Report 2023", in relation to the risks of climate change.
- Section "Risks" of the "Integrated Report February 2024".

The annex included at the end of this report describes the risk factors that it has been deemed might affect the activities of the Iberdrola Group's companies during financial year 2024 and subsequent years.

E.4. Indicate whether the entity has risk tolerance levels, including for tax risk.

The Company's Board of Directors reviews and approves the risk tolerance levels that are acceptable at the Iberdrola Group level on an annual basis. The General Risk Control and Management Policy, together with the policies that further develop and supplement it, qualitatively and quantitatively establish the annually accepted risk appetite, in a sufficiently detailed manner, both at the group level and at the level of each of the principal businesses and corporate functions, in accordance with the objectives established in the multi-year plan and the corresponding annual budgets.

By way of complement, the Administration and Control Division, after considering such limits and guidelines, in order to verify the risk globally assumed in the annual profit and loss account, engages in a comprehensive probability analysis of the global risk remaining for the financial year at the time of approving the annual budget.

In addition, all new multi-year plans are accompanied by their corresponding analysis of associated risk.

The General Risk Control and Management Policy is further developed and supplemented through the following policies, which are also subject to approval and update by the Company's Board of Directors, and which include maximum or benchmark risk limits and indicators to keep risks within certain tolerance levels:

Corporate Risk Policies:

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

Risk policies for the various businesses of the Iberdrola Group's companies:

- Risk Policy for the Networks Businesses of the Iberdrola Group
- Risk Policy for the Electricity Production and Retail Businesses of the Iberdrola Group
- Risk Policy for the Real Estate Business

The General Risk Control and Management Policy, as well a summary of the risk policies in further implementation thereof, are available on Iberdrola's corporate website (www.iberdrola.com).

The limits and indicators of the risk policies should be consistent with the annual budget and the objectives set forth in the multi-year investment plans. The numeric values of the limits and indicators set forth in the various policies are probabilistic in nature (like VaR and EBITDA at risk) or deterministic in nature, and are expressed in monetary units, indices or benchmarks, including:

- limits on the maximum overall credit risk exposure by type of counterparty;
- limitations on market risk proportional to the volume of activity of each business;
- strict overall limit on the discretional trading of energy;
- limitations on operational risk through preventative maintenance programmes and insurance programmes; or
- strict limitations on activities not associated with the main energy business.

The Corporate Tax Policy establishes the limits on tax risk by setting the tax strategy, the principles of conduct and the good tax practices assumed by the Company.

As described above, the Iberdrola Group's companies have a risk tolerance level (acceptable risk level) established at the corporate level, which is annually approved by the Company's Board of Directors and by its Executive Committee. The Group's Risk Committee, the Operating Committee, the Audit and Risk Supervision Committee, the businesses, the corporate functions and the Audit and Risk Division also participate in the process.

E.5. Indicate which risks, including tax risks, have materialised during the year.

The activities of the Iberdrola Group's companies during 2023 were affected by various risks that materialised in the countries and markets in which they operate. Thanks to a diversification of activities, markets and geographical regions (which allowed the negative impacts on some businesses to be offset by favourable performance in others) and the measures adopted, the overall impact on the consolidated financial statements of the Iberdrola group and its subsidiaries has been limited.

Main risks that have materialised:

- The cancellation of the PPA contracts for the sale of electricity associated with the Park City Wind and Commonwealth Wind offshore wind projects in the United States due to higher financing and construction costs (€37 million).
- Cost deviations associated with transmission line construction projects in Brazil, won at auctions.
- Impairment recorded by the real estate division, in the amount of €106 million.
- The Spanish government's decision to extend the sales tax (1.2%) for certain energy companies in 2024.
- The publication of the draft Royal Decree updating the ENRESA tax, which contemplates an increase of almost 40% from 30/6/2024, with an annual impact from that date of €80 million (€40 million in 2024).
- Lower than forecast onshore wind production, especially in Spain, the United Kingdom, Australia and Brazil.
- Increase in late payments in the United Kingdom due to regulatory limitations on the installation of prepaid devices.

Positive events that have occurred include the following:

- The decision rendered on 4 January 2024 by the Central Criminal Court of the National High Court declaring the acquittal of "Iberdrola Generación España, S.A." (Sociedad Unipersonal), its three employees and its former employee who had been prosecuted in relation to the price of the bids for the Duero, Sil and Tajo hydroelectric management units.
- The favourable decision of the Federal Energy Regulatory Commission (FERC) in the 2000-2001 California energy crisis litigation over potential electricity market manipulation.
- The Supreme Court's ruling of 26 September 2023 on adverse effects, which nullifies the values assigned to i-DE by Order TED/490/2022, requiring the government to approve the substitute regulation and therefore recognising the validity of the reformulation of accounts and validating all the expert reports presented by i-DE.

- The European Parliament's agreement on the reform of the European electricity market, which eliminates the more interventionist measures initially proposed and recognises the need to preserve the marginal pricing market and avoid distortions.
- Lower costs of certain raw materials and equipment.

E.6. Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.

The comprehensive risk control and management system, together with the control and management policies and systems that implement them, including the Group's Risk Committee and the Company's Operating Committee, have allowed for the identification of risks and new threats sufficiently in advance, as well as for establishing appropriate mitigation plans.

The Company's Operating Committee meets on an approximately weekly basis.

The Group's Risk Committee, which reviews the evolution of the various risks, meets on a monthly basis, and on a quarterly basis issues the Quarterly Risk report of the Iberdrola Group, which includes the main risk positions, the report on compliance with policies and limits approved, and the update of the key risks maps.

On at least a quarterly basis, the Audit and Risk Supervision Committee of the Board of Directors supervises the evolution of the Company's risks:

- It reviews the Iberdrola Group's quarterly risk reports submitted by the director of Internal Audit and Risk.
- It coordinates and reviews the risk reports submitted on a regular basis (at least half-yearly) by the audit and compliance committees of the country subholding and head of business companies of the Iberdrola Group.
- On at least a half-yearly basis, it prepares a risk report for the Board of Directors.

In addition, the Audit and Risk Supervision Committee of the Board of Directors regularly calls each one of the heads of businesses and of the relevant corporate areas to a meeting so that they can report on the trends in their respective businesses or corporate areas and the risks associated therewith.

The Iberdrola Group's risk management model is based on the internationally recognised three lines model and ensures the existence of mechanisms so that all significant group risks are controlled at all times and subject to regular reporting to the various committees and commissions and externally.

F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFRS)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1. The entity's control environment.

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFRS; (ii) its implementation; and (iii) its supervision.

Iberdrola's Board of Directors is ultimately responsible for implementing and maintaining a proper and effective Internal Control over Financial Reporting System (hereinafter, "ICFRS"). The boards of directors of each of the country subholding and head of business companies also have this responsibility within their respective purview.

The heads of the country subholding companies and of the head of business companies, together with their respective heads of control, as well as the directors of the corporate areas, are in turn responsible for the design and implementation of the ICFRS. This responsibility is explicitly set forth in the certifications that said persons sign on a half-yearly basis in relation to the financial information for their respective areas of responsibility.

Pursuant to Article 31.6.d of the Regulations of the Board of Directors, the Audit and Risk Supervision Committee (hereinafter, the "Committee") is responsible for supervising the effectiveness of the internal control of Iberdrola and of all of the companies within its group, as well as the risk management systems thereof. Article 31.6.f of this Regulation also provides that the duties of the Committee include that of supervising the process of preparing and presenting mandatory financial information and submitting recommendations or proposals to the Board of Directors to protect the integrity of this information.

In the performance of its powers with respect to the internal control and risk management systems, the Committee is supported by the Internal Audit and Risk Division, in coordination with those other functions that have powers regarding the management, supervision and assurance of risks. Any audit and compliance committees at the country subholding and head of business companies have these powers within their respective purview.

F.1.2 Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity:

The Board of Directors of Iberdrola defines the organisational structure at the first level. The heads of these top-level organisations, together with the Personnel and Organisation Division, implement the deployment within their respective purview.

Each top-level division prepares a proposed organisational structure, including a description of the mission, duties and responsibilities of the various organisations deployed, which must subsequently be validated by the Personnel and Organisation Division, as well as by the Finance, Control and Corporate Development Division.

The main responsibility for preparing financial information lies with the Control Division. This division proposes the structure of heads of Control of the country subholding and head of business companies and deals with coordinating and supervising the conduct thereof.

– Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions:

The Iberdrola Group has a Code of Ethics that was first approved by Iberdrola's Board of Directors in financial year 2002, and which is regularly reviewed and updated.

The Code of Ethics is communicated and disseminated among the professionals of the Iberdrola Group's companies in accordance with the plan approved annually for this purpose by the Iberdrola's Compliance Unit (the "Unit"), which provides for various initiatives in the area of training (both on-line and in-person) and communication, addressed to the various groups of professionals based on their exposure to compliance risks.

The Code of Ethics, which includes informational transparency among its general ethical principles and principles on relations with Iberdrola's Stakeholders, expressly states the following in Article B.6.:

"1. The companies of the Iberdrola Group shall provide true, proper, useful and reliable information regarding their performance and relevant conduct. The transparency of the information required to be disclosed is a basic principle that must govern the conduct of all directors, professionals and suppliers of the Group's companies.

2. The financial information of the companies integrated within Iberdrola, and particularly the annual financial statements, shall reflect in all material respects a true and fair view of their assets, financial position and results as provided by law. For such purposes, no director, professional or supplier shall conceal or distort the information set forth in the accounting records and reports of the group's companies, which shall be complete, accurate and truthful.

3. A lack of honesty in the communication of information from Iberdrola's boundary, whether within the Group (to professionals, subsidiaries, departments, internal bodies, and management decision-making bodies, among others) or externally (to auditors, shareholders and investors, regulatory bodies, and the media) is a breach of this Code of Ethics. This includes delivering incorrect information, organising it in an incorrect manner or seeking to confuse those who receive it."

The Unit, which is a collective permanent and internal body linked to the Sustainable Development Committee of Iberdrola, controls the effective operation of Iberdrola's Compliance System, with powers in the area of compliance. The duties of the Unit include ensuring and coordinating the application of the Code of Ethics and of the other rules in the compliance area, and the spread of a preventive culture based on the principle of "zero tolerance" towards the commission of unlawful acts. The Unit also evaluates and prepares an annual report on the effectiveness of the compliance systems of Iberdrola and of the companies of the Iberdrola Group. The report is submitted to the Sustainable Development Committee, which issues its opinion and forwards it to the Board of Directors of Iberdrola.

The Unit is also in charge of investigating grievances and potential improper activities in order to determine whether a professional of Iberdrola has acted contrary to the provisions of applicable law or the Code of Ethics, and if applicable, to submit its conclusions to the Personnel and Organisation Division for it to decide on the application of disciplinary measures in accordance with the offences and penalties system set forth in the collective bargaining agreement to which the professional belongs or in applicable labour law. The compliance units of the other companies of the Iberdrola Group perform this same function at each of them.

Pursuant to Article G.3.1 of the Code of Ethics, directors, professionals and suppliers of the Iberdrola Group's companies expressly accept the rules of conduct established therein that are applicable thereto.

Pursuant to Article G.3.2 of the Code of Ethics, professionals who hereafter join or become part of the Iberdrola Group's boundary and suppliers contracting with companies of the Iberdrola Group shall also expressly accept the rules of conduct to which they are subject as set forth in sections D (for professionals) and E (for suppliers), respectively, of the Code of Ethics.

Likewise, directors shall receive a complete copy of the Code of Ethics, for which they shall deliver a signed receipt.

– Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported.

Iberdrola has established for the members of the management bodies of the group's companies, their professionals, their suppliers, as well as for other third parties provided for in applicable legal provisions, the duty to report through the Internal Reporting System any improper conduct or acts that are potentially illegal or contrary to law or to the Governance and Sustainability System. To this end, internal reporting channels (the "**Internal Reporting Channels**") have been set up and are accessible through the Employee Portal and the corporate website www.iberdrola.com.

The Unit and the compliance units of the country subholding and head of business companies handle the grievances or reports submitted through the Internal Reporting Channels.

Communications through the Internal Reporting Channels may be made anonymously, and if the reporting party identifies themselves, Iberdrola guarantees absolute confidentiality with respect to both the information provided and the personal data of the reporting party. In addition, the companies of the Iberdrola Group state their commitment not to engage in (and to ensure that their professionals do not engage in) any form of direct or indirect retaliation, including threats or attempted retaliation, against any person who makes a report through the Internal Reporting Channels, except in cases involving bad faith on the part of the complaining party.

– Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFRS, covering at least accounting standards, auditing, internal control and risk management:

Training is key in the Company's People Management Policy and is an essential element for new professionals to adapt themselves to the Iberdrola Group and for the proper performance of their jobs, as well as to keep the group's professionals updated regarding any changes that occur within the group itself as well as the environment within which they do business.

As an example of the commitment to training, Iberdrola has a corporate campus with multiple training centres in various countries, including the International Corporate Campus in San Agustín del Guadalix (Madrid). Training in all areas is provided at these facilities by internal professionals, outside entities, universities, outside experts, etc.

Specifically, the personnel directly or indirectly involved in the preparation and review of financial information and in the evaluation of the ICFRS, based on their different responsibilities, receive regular training on accounting standards, auditing, internal control and risk management, which is intended to give them the knowledge needed for the optimal performance of their duties as well as to anticipate, to the extent possible, the proper alignment of the Iberdrola Group's companies with future rules and best practices. Most of these courses are provided by outside entities: business schools, universities and consultants specialising in economic/financial matters.

These professionals also attend various conferences, symposia and seminars in the areas of accounting, tax and internal audit, at both the domestic and the international level.

Furthermore, in order to pool best practices and analyse the challenges facing the Iberdrola Group's companies in these areas, various international meetings among the professionals of these areas from the different countries and country subholding companies are organised on an annual basis. Specifically, in 2023 there were, among other events, the "V International Internal Audit Planning Symposia" and the "XVI Global Control Committee", held on an annual basis to analyse the most significant issues affecting the function of preparing and reviewing financial information, like new accounting rules. Similarly, there were symposia with the participation of representatives of all the country subholding companies in order to share best practices in the identification and assessment of risks and their transfer to various areas of responsibility.

In addition, although not considered specific training activities, the Accounting Practice Division, which reports directly to the Control Division, is responsible for defining and updating the accounting policies, publishes a quarterly bulletin that is broadly distributed within the Iberdrola Group regarding new accounting developments with respect to International Financial Reporting Standards ("IFRS"), which includes updates on standards (standards that have entered into effect, published draft or proposed standards, standards issued, standards approved by the European Union, new standards and expected drafts or proposals, as well as existing standards) and accounting questions asked internally, together with the conclusions with respect thereto.

F.2. Assessment of risks in financial reporting.

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error and fraud, as regards:

(b) Whether the process exists and is documented.

The process of identifying risks of error in financial information is one of the most important steps within the methodology used for implementing Iberdrola's ICFR system (ICFRS), documenting both the objectives and performance thereof as well as its results.

The methodology, developed by Iberdrola, starts with an analysis of the consolidated financial information of the group and of the various country subholding companies, in order to select the most significant accounting headings and notes, pursuant to quantitative (materiality) and qualitative (business risk and third-party visibility) standards. The headings and notes selected are grouped into management cycles or large processes in which the selected information is generated. The cycles are analysed and a high-level description of each of them is prepared as a means for identifying the potential risks of error in the financial information in relation to attributes like integrity, presentation, valuation, cut-off, recording and validity. The risks identified are subject to a process of assessment, selecting the most significant ones, applying professional judgement regarding a number of indicators (existence of documented processes and controls, intervention of systems that automate the process, occurrence of incidents in the past, familiarity with and maturity of the process, and need for the use of judgement to make estimates). The risks of fraud are not subject to explicit identification, although they are taken into account to the extent that they can generate material errors in the financial information.

Once the most significant risks have been selected and the main aspects to be controlled are identified, the controls required for the mitigation or management thereof are selected and/or designed, with these controls being subject to monitoring and documentation within the scope of the ICFRS.

The Internal Control over Financial Information department, which is under the Control Division, provides specialised knowledge regarding internal control and carries out duties of support and coordination throughout the process described above, endeavouring to ensure the consistency and homogeneity of the model at the level of the Iberdrola Group, as well as the efficiency and effectiveness thereof.

The selected risks are reviewed at least annually within the framework of the assessment of the effectiveness of the internal control system performed by those responsible for it with the support and coordination of the Internal Control over Financial Information department. This review is intended to update the risks to the changing circumstances in which the Company operates, especially in the event of changes in the organisation, computer systems, regulation, products or market conditions.

The above risks, together with the controls that mitigate or manage them, are systematically reviewed by the Internal Audit and Risk Division.

(c) Whether the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often:

As mentioned above, the cycles or large processes in which financial information is generated are reviewed at least on an annual basis to identify potential risks of error in relation to attributes like validity (existence and approval), integrity, valuation, presentation, cut-off and recording.

– The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles:

The scope of consolidation is identified on a monthly basis, and is used to produce an updated map of companies, expressly identifying the changes that have occurred in each period.

The scope of this review is the totality of companies in which Iberdrola or any of its subsidiaries has an interest, regardless of the significance thereof.

Furthermore, following the provisions of Section 529 of the Companies Act, the Regulations of the Board of Directors provide that the purview of the Board of Directors includes, among other things, approving the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the Iberdrola Group. In any event, said decisions must be preceded by a report of the Audit and Risk Supervision Committee, as provided by its Regulations, unless these transactions are carried out by listed country subholding companies of the Iberdrola Group or subsidiaries thereof, in which case the audit and compliance committee or equivalent body of such listed country subholding company issues the report.

Pursuant to specific internal procedures in effect (conforming to the Iberdrola Group's corporate governance model), the initiative relating to the creation or acquisition of an interest in a special purpose entity or an entity domiciled in a tax haven is within the purview of the management of Iberdrola or of the country subholding or head of business company or subsidiary thereof that intends to create or acquire a company of this nature.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements:

The process of identifying risks of error in financial information takes into account the effects of other types of risk (operational, technological, legal, tax, reputational, environmental, etc.) to the extent that they significantly affect the financial statements. However, there is no express categorisation of such other types for the identification of financial information risks.

- The governing body within the company that supervises the process:

The governing body that supervises the process is the Audit and Risk Supervision Committee, which is supported by the Internal Audit and Risk Division in coordination with those other functions having powers regarding the management, supervision and assurance of risks, in the performance of this duty.

F.3. **Control activities.**

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information and a description of the ICFRS, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

Iberdrola's Board of Directors defines the process for preparing the consolidated financial information of the Iberdrola group and clearly determines the powers vested in the Audit and Risk Supervision Committee (hereinafter, the "Committee") and in the audit and compliance committees of the other companies of the group through the Iberdrola Group Financial Information Preparation Policy that applies to all companies of the Iberdrola Group.

"Consolidated financial information" means the information appearing in the consolidated annual financial statements, in the interim management statements corresponding to the results of Iberdrola and its consolidated group for the first and third quarter, and in the half-yearly financial report.

This policy provides that the financial information required for the preparation of the "consolidated financial information" must be prepared in accordance with the accounting standards established in the Accounting Policies Handbook and the models approved by Iberdrola's Control Division.

Said policy provides that the management decision-making body of each company shall be responsible for preparing the financial information relating to its respective company that may be required to prepare the "consolidated financial information". By analogy, the management decision-making bodies of the country subholding companies shall be responsible for approving the “financial information for consolidation” within which the information regarding the company itself and that of the subsidiaries forming part of its subgroup is included.

Thus, the management decision-making bodies of the country subholding companies, following a report from their respective audit and compliance committees, and based on the information received from their subsidiaries, shall prepare and approve the financial information for consolidation corresponding to their subgroup, and once such information has been verified by their external auditor within the context of its review of the consolidated financial information, they shall send it to Iberdrola’s Control Division prior to the date indicated thereby, in order to prepare the consolidated financial information and submit it for formulation or approval by the Company’s Board of Directors, as appropriate, after a report from the Committee.

Furthermore, the process or structure of certification of the financial information, which is managed and coordinated by the Internal Control over Financial Information department, is formally carried out on a half-yearly basis, coinciding with the interim and annual close, reflects the form in which the financial information is generated within the companies of the Iberdrola Group.

In this structure, the heads of the country subholding companies and the heads of the head of business companies, together with their respective heads of control, as well as the heads of the global corporate areas, certify both the reliability of the financial information regarding their areas of responsibility (which is the information they provide to the Company for consolidation at the group level) and the effectiveness of the internal control system established to reasonably guarantee such reliability within their area of responsibility. Finally, the executive chairman and the CFO, who is responsible for the preparation of the financial information, certify to the Board of Directors the reliability of the annual financial statements and the half-yearly financial report.

The Committee supervises the entire process of certification, submitting to the Board of Directors the conclusions obtained from this analysis at the meetings during which the financial statements are formally prepared.

As regards the description of the ICFRS to be published in the securities markets, the procedure for the review and approval thereof is the same as the one used for all disclosures of an economic and financial nature in the Annual Corporate Governance Report.

The documentation of the ICFRS includes high-level descriptions of the cycles for generating the selected relevant financial information, as well as detailed descriptions of the prioritised risks of error and of the controls designed for the mitigation or management thereof. The description of the controls includes the evidence to be obtained during the implementation thereof, which is necessary for their review.

Each of the accounting close processes at the businesses is considered a cycle, and the same occurs with the group of accounting close activities at the corporate level, with the global consolidation process and with the process of preparing the notes to the financial statements. This means that all of these activities are subject to the methodological process described in the section relating to risks.

Furthermore, the specific review of critical accounting judgements, estimates, valuations and relevant projections is subject to specific controls within the model, as these types of issues involve risks of error in the various cycles in which they are made. The evidence of the specific controls is the support for such reviews in many cases.

Independently of the process of certification followed in the countries, businesses and corporate areas, the Committee, with the support of the Internal Audit and Risk Division, performs a quarterly global review of the financial information, ensuring that the half-yearly financial reports and quarterly management statements are prepared using the same accounting standards as the annual financial reports, and verifies the proper definition of the scope of consolidation and the correct application of generally accepted accounting principles and of the IFRS.

F.3.2 Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among

others) which support significant processes within the company relating to the preparation and publication of financial information.

The controls considered to mitigate or manage the risks of error in financial reporting include some relating to the most significant software applications, like the controls relating to user access permissions or those relating to the integrity of the transfer of information between applications, control of operations and change management.

In addition, the companies of the Iberdrola Group have internal control guidelines and procedures regarding IT systems in relation to the acquisition and development of software, the acquisition of systems infrastructure, the installation and testing of software, change management, service levels, third-party services, security of the systems and access thereto, incident management, and continuity of operations and segregation of functions.

These guidelines and procedures (which in some cases are different based on geographic area or type of solution, and are in a process of progressive homogenisation) are applied to all IT systems that support the relevant processes of generation of financial information, and to the infrastructure required for the operation thereof.

The Iberdrola Group also has internal policies and rules to manage the risks associated with the use, ownership, operation, participation, influence and adoption of specific information technology or the processes for the management and control thereof. These include policies on information technology, cybersecurity risks and the responsible use of artificial intelligence algorithms, as well as rules on access management and data protection.

Thus, there is a model of general controls integrated within the risk management model that allows for a global evaluation of the risks related to information technology (“IT”).

Both the risk model and the IT controls are based on market best practices and international market standards, like COBIT5, NIST, ISO and COSO. The evolution thereof over the long term is maintained by including the new needs arising from the changing regulatory compliance framework that applies to the IT systems and services, as well as the recommendations and guidelines of auditors and relevant third parties.

As part of the general IT controls model, there is a regular evaluation of the effectiveness of the information technology controls in the area of financial systems, adopting the appropriate measures if any incident is detected.

On an annual basis, the heads of the IT systems of the Iberdrola Group certify the effectiveness of the internal controls established regarding the financial reporting systems. This certification covers the relevant financial systems based on the scope of the external financial audit and the considerations of the Digital Transformation Division, the Internal Audit and Risk Division and the relevant business organisations within the boundary of the Iberdrola Group.

For financial year 2023, the total number of systems covered by the IT controls system was 49, on which a model of 20 controls was applied, most of which are evaluated and applied by the Digital Transformation Division, and in some cases by other business organisations.

The frequency of the evaluation is annual or biannual, depending on the nature of the control, and it is performed using a principle of sampling of all of the relevant evidence in each case. The entire process of evaluating the IT controls is supported by a “GRC” (Governance, Risks and Compliance) system and is supervised annually by the Internal Audit and Risk Division.

F.3.3 Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of

assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

In general terms, the companies of the Iberdrola Group do not have significant functions subcontracted to third parties with a direct impact on financial information. The evaluations, calculations or assessments entrusted to third parties that could materially affect the financial statements are considered to be activities relevant to the generation of financial information leading to the identification of any priority risks of error, which involves the design of associated internal controls. These controls cover the internal analysis and approval of fundamental assumptions to be used, as well as the review of the evaluations, calculations or assessments made by outside parties, by comparing them to the calculations made internally.

F.4. Information and communication.

Report on whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Accounting Practice Division, which reports to the Control Division, is responsible for defining and updating the accounting policies, as well as for resolving questions or conflicts arising from the interpretation thereof. It maintains fluid communication with the heads of operation of the organisation, and particularly with the heads of the accounting functions.

As indicated in section F.1. above, it publishes a bulletin on a quarterly basis that is broadly distributed within the Iberdrola Group regarding new accounting developments deriving from the IFRS, which includes updates on standards (standards that have entered into effect, published draft or proposed rules, standards issued, standards approved by the European Union, new standards and expected drafts or proposals, as well as existing standards) and accounting questions asked internally, together with the conclusions with respect thereto.

The Accounting Practice Division is also responsible for keeping the Accounting Policies Handbook continuously updated and ensuring the appropriate dissemination thereof.

The Accounting Policies Handbook is continuously updated. For this purpose, the Accounting Practice Division analyses whether the new developments or changes in the accounting area have an effect on the accounting policies of the Iberdrola Group's companies, as well as the date of entry into force of each of the standards. When a new provision, or new interpretations thereof, are identified as having an effect on the accounting policies of the Iberdrola Group's companies, they are included in the handbook, and also communicated to the parties responsible for preparing the financial information of said companies through the quarterly bulletins mentioned above, and the application supporting the handbook is also updated.

The updated version of said handbook is available in an application on the internal network of the Iberdrola Group's companies. This application is also accessible by users via remote access and can be connected to e-mail. Any change or upload of a document of the handbook generates an e-mail notice to all users.

F.4.2 Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFRS.

The mechanism for capturing and preparing the information supporting the main financial statements within the boundary of the Iberdrola Group is primarily based on the use of a unified management consolidation tool (called BPC), which is accessible from all geographic areas and is currently deployed at all of the Iberdrola Group's companies.

A large part of the information supporting the breakdowns and notes is included in the consolidation tool, with the rest being captured by homogeneously formatted spreadsheets, called reporting packets, that are prepared for the half-yearly and yearly close.

F.5. Supervision of the functioning of the system.

Report on at least the following, describing their principal features:

F.5.1 The activities of the audit committee in overseeing the ICFRS as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including the ICFRS. Additionally, describe the scope of the ICFRS assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

The Audit and Risk Supervision Committee (hereinafter, the "Committee) is supported by the Internal Audit and Risk Division, in coordination with those other functions that have powers regarding the management, supervision and assurance of risks, in the performance of its powers regarding the internal control and risk management systems.
The Committee's supervision of the ICFRS mainly includes:

- monitoring compliance with the certification process by the various persons responsible for financial information;
- reviewing the design and operation of the internal control system to evaluate the effectiveness thereof; and
- regular meetings with the external auditor, the Control Division, the Internal Audit and Risk Division and senior management to review, analyse and comment on the financial information, the boundary of companies that it covers and the accounting criteria applied, as well as any significant weaknesses in internal control that have been identified.

The parties responsible for preparing the financial information of each country subholding company, head of business company and corporate area must engage in an annual process, coordinated by the Internal Control over Financial Information department, of reviewing the design and operation of the internal control system within their area of responsibility in order to evaluate the effectiveness thereof.

There is thus an analysis of whether, based on the changing circumstances in which the companies of the Iberdrola Group act (changes in organisation, systems, processes, products, regulation, etc.), changes in the risks identified and prioritised should be included and/or new risks should be identified. There is also an analysis of whether the design of the existing controls to mitigate or manage the risks that may have changed is appropriate, as well as whether they have operated satisfactorily in accordance with their design.

The conclusions from this annual review process, with respect to both the deficiencies identified (which are classified as high, medium or low, based precisely on their potential impact on the financial information) and the action plans to fix them, are presented at an annual meeting of the Control Committee attended by the heads of Control of Iberdrola and of the various country subholding companies, the heads of the main corporate areas and of the Internal Audit and Risk Division. Conclusions are made at this meeting regarding the effectiveness of the Internal Control over Financial Reporting System (ICFRS) within each of the different areas of responsibility, and globally for the entire Iberdrola Group. Thereafter, the most significant conclusions regarding the review are submitted to the Committee.

Apart from what is described in the preceding paragraphs, the Internal Audit and Risk Division, in support of the Committee, undertakes an independent review of the design and operation of the internal control system, identifying deficiencies and preparing recommendations for improvement. The Internal Audit and Risk Division is functionally subordinate to the Committee, and pursuant to the Basic Internal Audit Regulations has the main duties of assisting this committee in the exercise of its powers and objectively and independently supervising the effectiveness of the internal control system established at the Iberdrola Group level, which is made up of a set of risk management and control mechanisms and systems.

Based thereon, the Internal Audit and Risk Division engages in ongoing monitoring of the action plans agreed to with the various organisations to correct the deficiencies detected and to implement the suggestions for improvement agreed to with the organisations.

The period that the Internal Audit and Risk Division for in-depth review of the entire internal control system is five years.

Specifically, 18 cycles were reviewed during financial year 2023. These are cycles corresponding to the companies “Iberdrola México, S.A. de C.V.”, “Scottish Power Ltd.”, “Iberdrola España, S.A.” (Sociedad Unipersonal), “Neoenergia S.A.”, “Iberdrola Energía Internacional, S.A.” (Sociedad Unipersonal) and “Iberdrola Inmobiliaria, S.A.”, as well as corporate cycles.

In addition, on a half-yearly basis, coinciding with the half-yearly and yearly close, the Internal Audit and Risk Division performs a review of the operation of the internal controls that are considered to be most critical, to which there should be added the annual review of all the SOX Key Controls of “Avangrid, Inc.”.

The combination of regular reviews, together with the half-yearly reviews of the most critical controls, allows the Internal Audit and Risk Division to perform an evaluation of the internal control system (both design and operation) and issue an opinion regarding the effectiveness of the internal controls established to ensure the reliability of the financial information, which it submits to the Committee within the framework of their regular meetings.

F.5.2 Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

In general terms, the procedure for discussion regarding significant internal control weaknesses that have been identified is based on regular meetings with the various players.

Thus, the Audit and Risk Supervision Committee (hereinafter, the "Committee") holds meetings, both at the half-yearly and yearly close, with the external auditor, the Internal Audit and Risk Division and the Control Division responsible for preparing the financial information, in order to discuss any relevant aspect of the preparation process and of the resulting financial information.

Specifically, as established in its Regulations (scope of powers), the Committee has, among other powers, that of obtaining information regarding any significant deficiency in internal control that the statutory auditor detects while carrying out its audit work. For these purposes, the statutory auditor appears before such Committee on an annual basis to present recommendations in connection with the internal control weaknesses identified during the review of the annual financial statements. Any weaknesses noted by the statutory auditor are continuously monitored by the Committee with the support of the Internal Audit and Risk Division. Management responsible for preparing the consolidated financial statements also holds meetings with the external auditors and with the internal auditors, at both the half-yearly and yearly close, in order to discuss any significant issues relating to the financial information.

F.6. Other relevant information.

Iberdrola has an Internal Control over Financial Reporting System (ICFRS) or model that is intended to reasonably guarantee the reliability of the financial information. The development of the model, which began in 2006, was not the result of a legal requirement but rather the conviction, by both the Board of Directors and the senior management of Iberdrola, that within a context of growth and internationalisation as was already forecast for the companies of the Iberdrola Group, an explicit and auditable internal control system would contribute to maintaining and improving its control environment and the quality of the financial information, while at the same time increasing the confidence of investors due to its effects on the transparency, reputation and good governance of the Company and of the other companies making up the Iberdrola Group.

The ICFRS has two main sides: certification, and internal control itself.

Certification is a half-yearly process managed and coordinated by the Internal Control over Financial Information department during which those responsible for financial information in the different areas of the Iberdrola Group certify that: (i) the financial information they deliver to Iberdrola for purposes of consolidation does not contain any material errors or omissions and provides a fair view of the results and the financial condition of the company within their area of responsibility, and (ii) they are responsible for establishing the ICFRS within their area of responsibility and have found, upon assessment, that the system is effective. The text of these certifications is inspired by the form of certification established in Section 302 of the U.S. Sarbanes-Oxley Act.

The culmination of the half-yearly process is a joint certification that the executive chairman and the CFO submit to the Board of Directors for purposes of approval of the half-yearly financial report or the formulation of the annual financial statements.

The process is carried out by means of electronic signature in a software application which manages the areas of responsibility and time periods and which serves as a repository of all the documentation generated, allowing for periodic review by the supervision and control bodies of the Iberdrola Group's companies.

The other side of the model, that of internal control itself, is inspired by the leading framework described in the "Internal Control Integrated Framework" report of the "Committee of Sponsoring Organizations of the Treadway Commission (COSO)", and is mainly focused on providing a reasonable level of security in achieving the goal of reliability of financial information.

The methodology used by Iberdrola for the development and continuous update of internal control, the development, maintenance and update of which is the responsibility of the Internal Control over Financial Information department, has the following stages or steps: (i) analysis and selection of significant financial information; (ii) the grouping thereof within cycles or large processes in which it is generated; (iii) the identification, evaluation and prioritisation of the risks of error in financial information within the selected cycles; (iv) the design and operation of controls to mitigate or manage the selected risks; and (v) the monitoring and update of the foregoing steps to continuously adapt the model to the circumstances of the business activity.

One of the main characteristics of the design of the model is that it attempts to ensure the quality of the financial information during each month of the year, and is not only limited to the periods corresponding to the annual or half-yearly close. This characteristic is strengthened with the use of a specific software application internally developed by the Iberdrola Group, which allows for the monitoring of the status of the controls at all times.

Another important characteristic of the model is that it extends the culture of internal control to all the organisations, both corporate and business, that significantly contribute to the generation of financial information, by personally assigning responsibility in the implementation and documentation of controls.

All significant documentation regarding Iberdrola's ICFRS, for both the certification process and the internal control itself (including the description of the risks identifies, the design of controls, and evidence of implementation thereof), is stored in this software application.

The people responsible for implementing the controls input into the software application evidence showing the performance thereof, and evaluate the results obtained, classifying them as satisfactory or unsatisfactory. This allows for monitoring of the internal control situation in real time, permitting quick action regarding any deficiencies detected.

Additionally, on an annual basis, the various heads of control at the country subholding and head of business companies, as well as the heads of the corporate areas, review the design and operation of the ICFRS, as a systematic process for the update thereof to the changing circumstances of the business activity.

The annual review is coordinated by the Control Division, which is also tasked with administering the software application and with coordinating the development of the ICFRS within the various businesses and corporate areas of the Iberdrola Group's companies, as well as maintaining the homogeneity of the ICFRS throughout the boundary of the group. Based on this review, the Control Division annually issues its opinion on the effectiveness of the ICFRS, which is communicated to the Audit and Risk Supervision Committee (hereinafter, the "Committee").

Furthermore, the Internal Audit and Risk Division, which is responsible for the independent supervision of internal control in support of the Committee, undertakes an independent review of the design and operation of the ICFRS, identifying deficiencies and preparing recommendations for improvement. This review is performed by applying a mixed model of selecting cycles based on risk and a minimum rotation of five years.

In addition, on a half-yearly basis, the Internal Audit and Risk Division undertakes an independent review of the effectiveness of the internal controls established to ensure the reliability of the financial information. It also reviews the process of certification of the financial information on a half-yearly basis. The conclusions from these reviews are submitted to the Committee, which, if applicable, makes them its own and forwards them to the Board of Directors.

Based on materiality standards, the current scope of the ICFRS covers the entire boundary of the Iberdrola Group. More than 1,700 people from the group's companies use the software application, both to document the evidence showing the implementation of more than 3,200 controls —which mitigate or manage more than 1,250 risks of error in the financial information deemed priority— and to monitor, analyse, adjust and evaluate the ICFRS.

In addition, the 120 department heads who participate in the process of certifying the correctness of the information for which they are responsible do so using an electronic signature directly within the software application.

All of the above allows for the final result of the certification process, which is supported by the situation of internal control itself, to be reviewed by Iberdrola's Board of Directors as one of the major guarantees of reliability in connection with the formulation of the annual and interim financial information.

F.7. **External auditor's report.**

Report:

F.7.1 Whether the ICFRS information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The information on the ICFRS sent to the markets has not been subject to review by the external auditor consistent with the fact that the other information contained in the annual corporate governance report is only subject to review by the external auditor in relation to the accounting information contained in said report. Furthermore, it is believed that externally reviewing the information on the ICFRS sent to the markets would in a certain way be redundant, taking into account the review of internal control that the external auditor must perform in accordance with technical auditing standards within the context of the statutory audit of accounts.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [ ] Explain [X]

Article 29.2 of the By-Laws provides that "No shareholder may cast a number of votes greater than those corresponding to shares representing ten (10%) per cent of share capital, even if the number of shares held exceeds such percentage of the share capital. This limitation does not affect votes corresponding to shares with respect to which a shareholder is holding a proxy as a result of the provisions of Article 23 above, provided, however, that with respect to the number of votes corresponding to the shares of each shareholder represented by proxy, the limitation set forth above shall apply".

Section 3 of such article adds: "The limitation set forth in the preceding section shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholders that are entities or companies belonging to the same group. Such limitation shall also apply to the number of votes that may be cast collectively or individually by an individual and the shareholder entity, entities, or companies controlled by such individual. A group shall be deemed to exist under the circumstances provided by law, and also when a person controls one or more entities or companies".

Iberdrola believes that the limitation on the maximum number of votes that may be cast by a single shareholder, or by several shareholders belonging to the same group or, if applicable, acting in concert, is a measure to protect shareholders at companies with dispersed share ownership, whose investment is thus guarded from any transaction that is contrary to the corporate interest. In this regard, most shareholders, especially including but not limited to small retail investors, who represent approximately one-fourth of Iberdrola's share capital, have little room to manoeuvre and respond to a potential shareholder owning a non-controlling interest and not reaching the threshold requiring a takeover bid but seeking influence over the Company and whose own interest is not totally in line with the corporate interest.

It should also be noted that such voting limitation has been in effect since 16 June 1990, the date on which the General Shareholders' Meeting was held at which it was resolved, by unanimous vote of the attendees, to bring the By-Laws of the Company (then doing business as "Iberduero, S.A.") into line with the consolidated text of the Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December. This shows the level of corporate consensus that has existed on such voting limitation from the very beginning, which has been confirmed by the fact that such limitation has remained unchanged through various by-law amendments passed by the shareholders at General Shareholders' Meetings. In turn, it reflects the will of the shareholders to increase their bargaining power in the event of hostile offers or transactions.

In any event, Article 50 of the current By-Laws establishes the instances of removal of such voting limitation in the event that the Company is the target of a takeover bid that receives the required shareholder approval, in which case the provisions of Section 527 of the Companies Act prevail. Pursuant to the foregoing, it cannot be deemed that the limitation on the maximum number of votes that may be cast by a shareholder constitutes an obstacle to a takeover bid.

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [X] Complies partially [ ] Explain [ ]

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [X] Complies partially [ ] Explain [ ]

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [X] Complies partially [ ] Explain [ ]

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

a) Report on the auditor's independence.

b) Reports on the workings of the audit and nomination and remuneration committees.

c) Report by the audit committee on related party transactions.

Complies [X] Complies partially [ ] Explain [ ]

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies [X] Complies partially [ ] Explain [ ]

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies [X] Complies partially [ ] Explain [ ]

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Complies partially [ ] Explain [ ]

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

a) Should immediately distribute such complementary points and new proposals for resolutions.

b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.

c) Should submits all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [X] Complies partially [ ] Explain [ ]

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [X] Explain [ ]

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

a) Is concrete and verifiable;

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and

c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies [X] Complies partially [ ] Explain [ ]

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies [X] Complies partially [ ] Explain [ ]

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

a) In large-cap companies where very few shareholdings are legally considered significant.

b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies [X] Explain [ ]

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies [X] Explain [ ]

18. That companies should publish the following information on its directors on their website, and keep it up to date:

a) Professional profile and biography.

b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.

e) Company shares and share options that they own.

Complies [X] Complies partially [ ] Explain [ ]

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies [X] Explain [ ]

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies [X] Complies partially [ ] Explain [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies [X] Complies partially [ ] Explain [ ]

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies [X] Complies partially [ ] Explain [ ]

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies [X] Complies partially [ ] Explain [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies [ ] Complies partially [ ] Explain [ ] Not applicable [X]

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [ ] Explain [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [X] Explain [ ] Not applicable [ ]

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies [X] Complies partially [ ] Explain [ ]

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [ ] Explain [ ]

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [X] Complies partially [ ] Explain [ ]

34. That when there is a coordinating director, the articles of association or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies [X] Explain [ ]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity in the composition and skills of the Board of Directors.

d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies [X] Complies partially [ ] Explain [ ]

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [X] Complies partially [ ] Explain [ ]

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X] Complies partially [ ] Explain [ ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

   a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.

e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [X] Complies partially [ ] Explain [ ]

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies [X] Complies partially [ ] Explain [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

45. That the risk management and control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.

c) The level of risk that the company considers to be acceptable.

d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.

e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies [X] Complies partially [ ] Explain [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.

b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies [X] Complies partially [ ] Explain [ ]

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies [X] Complies partially [ ] Explain [ ]

48. That large-cap companies have separate nomination and remuneration committees.

Complies [X] Explain [ ] Not applicable [ ]

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies [X] Complies partially [ ] Explain [ ]

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Proposing the basic conditions of employment for senior management to the Board of Directors.

b) Verifying compliance with the company's remuneration policy.

c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.

d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.

e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [X] Complies partially [ ] Explain [ ]

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [X] Complies partially [ ] Explain [ ]

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

a) That they be composed exclusively of non-executive directors, with a majority of independent directors.

b) That their chairpersons be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and their minutes be made available to all directors.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies [X] Complies partially [ ] Explain [ ]

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X] Complies partially [ ] Explain [ ]

55. That environmental and social sustainability policies identify and include at least the following:

a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct.

b) Means or systems for monitoring compliance with these policies, their associated risks, and management.

c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.

d) Channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X] Complies partially [ ] Explain [ ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [X] Explain [ ]

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [X] Complies partially [ ] Explain [ ]

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.

b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.

c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor’s report and that would diminish said results.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies [X] Complies partially [ ] Explain [ ] Not applicable [ ]

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies [ ] Complies partially [X] Explain [ ] Not applicable [ ]

When the current executive chairman joined the Company in 2001, the Company 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. Although the treatment in effect for such officers was applied to him at that time, he would currently be entitled to two (2) times his annual remuneration as severance pay (it was three times the prior year) for instances in which a severance payment was required for termination of contract.

The chief executive officer is entitled to receive severance pay equivalent to two (2) times his annual remuneration in the event of termination of his relationship with the Company, provided that said termination is not due to a breach attributable to the beneficiary or solely due to a voluntary decision thereof. This severance payment for termination of contract includes compensation for the commitment not to compete.

The contractual relationship with the executive chairman in any event establishes 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 his relationship with the Company, with a post-contractual non-compete provision that is expanded from two years (from the prior financial year) to three years, maintaining the compensation of two (2) times annual remuneration.

In the case of the chief executive officer, the obligation not to compete covers the term of the contract and for one year after the termination thereof. In compensation for this post-contractual commitment not to compete, he is entitled to compensation equal to one times annual his annual fixed remuneration, which is in any case included in the severance payment for termination of contract, if one exists.

H FURTHER INFORMATION OF INTEREST

(c) If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

(a) This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010.

At a meeting held on 20 July 2010, the Board of Directors of Iberdrola approved the adherence of the Company to the Code of Good Tax Practices approved by the full Forum of Large Businesses (*Foro de Grandes Empresas*) established on 10 June 2009 at the behest of the National Tax Administration Agency (*Agencia Estatal de Administración Tributaria*).

Pursuant to the provisions of Sections 1 and 2 of the Code of Good Tax Practices and Sections 3 and 4 of Iberdrola's Corporate Tax Policy, the Company reports that it has complied with the text of said code as from the time of approval thereof.

In particular, it is reported that during financial year 2023, the Company's tax director appeared before Iberdrola's Audit and Risk Supervision Committee on 20 February and 24 July to report on, among other issues, the level of compliance with the Corporate Tax Policy, which includes the good tax practices contained in said code, all of which has been reported to the Board of Directors.

For its part, on 28 October 2016, the Forum of Large Businesses of the National Tax Administration Agency approved a proposal for the strengthening of good transparency practices consisting of the voluntary presentation of an Annual Tax Transparency Report for companies adhering to the Code of Good Tax Practices. In this regard, Iberdrola has been voluntarily submitting the aforementioned report since the launch of this initiative in 2016, having submitted the report for financial year 2022 on 25 October 2023. The information on the presentation of this Transparency Report has been made public through the website of the National Tax Administration Agency.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on: 20/02/2024.

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

Yes [ ] No [X]

Annex to the *Annual Corporate Governance Report 2023* for Iberdrola, S.A.

The following information supplements the content of various sections of the report in which it could not be included owing to character limits in the form:

SECTION A.5

On 17 January 2024, the Company published a communication of other relevant information announcing that various Iberdrola Group companies had entered into a new framework co-investment agreement with "NBIM Iberian Reinfra AS" (Norges Bank Group), within the context of the collaboration between the parties for the joint development of renewable assets on the Iberian Peninsula that began in 2023.

SECTION C.1.6

Reference is made below to the incentives set out in the variable remuneration of the executive directors, management personnel and professionals who, due to their position or responsibility, are deemed to make a decisive contribution to the creation of sustainable value, in order to promote gender equality at the level of the Iberdrola Group.

Specifically, long-term variable remuneration programmes contemplate goals to continue promoting salary equality and the presence of women in high-ranking positions (management positions) and positions of responsibility (management positions, middle management and highly qualified technical positions):

- The absence of a pay gap between women and men is one of the SDG parameters used to determine the calculation of the remuneration from the 2020-2022 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020. The pay gap is defined as the difference between the average remuneration of women and men working at the companies of the group. And remuneration is considered to be the full-time equivalent annualised salary at 31 December 2020, 2021 and 2022, plus supplements and annual variable remuneration received during the corresponding year. The assessment of the performance of this parameter of the 2020-2022 Strategic Bonus determined a 100% compliance level, after finding a 5.5% positive gap in favour of women (Annual Director Remuneration Report 2022, p. 19).
- The 2023-2025 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 28 April 2023 establishes the target for at least 30% of the Iberdrola Group's senior positions to be held by women by 2025, which represents an increase of 15.38% over year-end 2022. As indicated in section A.3 of this report, the Board of Directors, upon a proposal of the Remuneration Committee, must evaluate the Company's performance against the objectives of the 2023-2025 Strategic Bonus.

Finally, set out below is a description of the resolutions on appointment, ratification and re-election of directors, adopted in accordance with the Board of Directors Diversity and Member Selection Policy and pursuant to which the Company has reached the current balanced presence of women and men on the Board of Directors:

- Appointment and re-elections of Ms María Helena Antolín Raybaud, with the classification of independent director, approved by the shareholders at the General Shareholders' Meetings held on 26 March 2010, 27 March 2015, 29 March 2019 and 28 April 2023. She is currently classified as other external director because more than twelve years have passed since she was first appointed, and she is a member of the Appointments Committee.
- Appointment and re-election of Ms Sara de la Rica Goiricelaya, with the classification of independent director, approved by the shareholders at the General Shareholders' Meeting held on 29 March 2019 and 28 April 2023. She has been the chair of the Sustainable Development Committee since 21 July 2020.
- Appointment of Ms Nicola Mary Brewer, with the classification of independent director, approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020. Member of the Sustainable Development Committee.
- Appointment of Ms Regina Helena Jorge Nunes, with the classification of independent director, approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020. Member of the Audit and Risk Supervision Committee.
- Appointment of Ms María Ángeles Alcalá Díaz, with the classification of independent director, approved by the Board of Directors on an interim basis (co-option procedure) on 26 October 2021. Her appointment was ratified and she was re-elected as a director by the shareholders acting at the General Shareholders' Meeting held on 17 June 2022, and she is the chair of the Audit and Risk Supervision Committee since 21 February 2023.
- Appointment of Ms Isabel García Tejerina, with the classification of independent director, approved by the Board of Directors on an interim basis (co-option procedure) on 16 December 2021. Ratified and re-elected as a director by the shareholders acting at the General Shareholders' Meeting held on 17 June 2022. She is currently a member of the Sustainable Development Committee.

SECTION C.1.9

The delegations of powers of the Board of Directors described in this section are limited to Iberdrola and are therefore constrained in accordance with the role corresponding to this Company and its management bodies within the corporate and governance structure of the group.

Iberdrola is the holding company of an international group present in Spain, Portugal, other Member States of the European Union, the United Kingdom, the United States of America, Australia, Mexico and Brazil, among other countries.

Through the country subholding companies and the head of business companies, the Iberdrola Group combines a decentralised structure and management model with coordination mechanisms that ensure the global integration of all businesses and an effective system of separation of functions, checks and balances, and controls.

The governance structure based on this corporate configuration duly distinguishes between the functions of strategic definition and supervision, on the one hand, and day-to-day and effective management, on the other:

(ii) The Board of Directors of Iberdrola (holding company) is vested with powers relating to strategic definition and the governance model, as well as strategic supervision, organisation and coordination.

(iii) The chairman of the Board of Directors and Iberdrola's chief executive officer, with the technical support of the Operating Committee and the rest of the management team, assume strategic supervision, organisation and coordination at the group level.

– The country subholding companies strengthen strategic supervision, organisation and coordination in relation to their respective territories, countries or businesses through the dissemination, implementation and supervision of the overall strategy and basic management guidelines, for which purpose they have their own chief executive officers, external directors and audit and compliance committees, in addition to their own compliance units or internal audit divisions. These entities group together equity stakes in the head of business companies, and one of their main functions is to centralise the provision of common services to these companies, as well as to represent them before domestic institutions.

– The listed country subholding companies ("Avangrid, Inc." in the United States of America and "Neoenergia S.A." in Brazil) have a special framework of enhanced autonomy in the regulatory, related-party transaction, and management areas.

- The head of business companies carry out the day-to-day administration and effective management of the businesses, and they are responsible for the day-to-day control thereof. They are organised through their respective boards of directors and specific management bodies, and they may also have their own audit and compliance committees, internal audit areas, and compliance units or divisions. If these companies have subsidiaries domiciled in countries or territories other than that of the head of business company, such subsidiaries may be vested with the effective management of their business activities within their country or territory, respecting their corporate autonomy.

SECTION C.1.26

The attendance of the directors at the meetings held by the Board of Directors and its committees during financial year 2023 is set out below, in which a total of 64 meetings were held with the attendance of all their respective members with only four exceptions, including two meetings held on two consecutive days. In each of the absences, the directors excused their attendance for well-founded reasons and granted their proxy with specific voting instructions:

Directors	Board	Committees				
		EC	ARSC	AC	RC	SDC
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	9/9	15/15				
MR ARMANDO MARTÍNEZ MARTÍNEZ	9/9	15/15				
MR JUAN MANUEL GONZÁLEZ SERNA	9/9	15/15			10/10	
MR ANTHONY L. GARDNER	9/9	14/15		7/8		
MR IÑIGO VÍCTOR DE ORIOL IBARRA	9/9				10/10	
MS MARÍA HELENA ANTOLÍN RAYBAUD	9/9			8/8		
MR MANUEL MOREU MUNAIZ	9/9	15/15			10/10	
MR XABIER SAGREDO ORMAZA	9/9		15/15			
MS SARA DE LA RICA GOIRICELAYA	9/9					7/7
MS NICOLA MARY BREWER	9/9					7/7
MS REGINA HELENA JORGE NUNES	9/9		15/15			
MR ÁNGEL JESÚS ACEBES PANIAGUA	9/9	15/15		8/8		
MS MARÍA ÁNGELES ALCALÁ DÍAZ	7/9		15/15			
MS ISABEL GARCÍA TEJERINA	9/9					7/7

Notes:

The denominator indicates the number of meetings held during the period of the year in which the director served as such or as a member of the respective committee.

EC: Executive Committee.

ARSC: Audit and Risk Supervision Committee.

AC: Appointments Committee.

RC: Remuneration Committee.

SDC: Sustainable Development Committee.

SECTION C.1.30

MECHANISMS TO PRESERVE THE INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

The principles underlying the Company's relationship with financial analysts, investment banks and rating agencies are set out in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors, and include, among other things: provide for transparency, truthfulness, promptness, clarity, reliability, symmetry and respect for the principle of equality in the dissemination of information; implement a general communication strategy for financial, non-financial and corporate information, which contributes to maximising the dissemination and the quality of the information available to the market, to investors and to other Stakeholders; promote proper communication practices that avoid manipulation of information and protect the integrity and authenticity thereof; develop information-technology tools that allow the Company to capitalise on new technologies and digitalisation; and comply with the provisions of law and the Governance and Sustainability System, as well as with the principles of cooperation and transparency with all competent authorities, regulators and government agencies.

The Finance, Control and Corporate Development Division manages requests for information from financial analysts, investment banks and rating agencies, as well as institutional and individual investors, through the Investor Relations Division, and gives mandates to investment banks.

The independence of financial analysts is protected by the Investor Relations Division, which ensures the objective, fair and non-discriminatory treatment thereof.

In addition, Iberdrola is covered by analysts from leading investment banks and rating agencies, which have strict codes of conduct designed to preserve their independence and objectivity.

In addition to the publications on the corporate website and in the official registers of the CNMV as general information channels required of all listed companies, the Company also has various specific communication channels, including the following:

- Investor Relations Office: this regularly deals on an individualised basis with enquiries from analysts and qualified institutional equity, fixed-income and socially responsible investment investors, as well as from credit rating agencies.
- Presentations of results and other briefings: during 2023, presentations of results for financial year 2022, as well as for the first quarter, first half and first nine months of 2023 were held on 22 February, 26 April, 27 July and 26 October 2023, respectively. In addition, on 5 April 2023, a specific presentation was held on the heads of agreement for the sale of generation assets in Mexico, the signing of which had been announced the day before by means of a communication of inside information. All these events were held exclusively online and could be viewed live and recorded by any interested parties through the corporate website. The meetings are announced and the documentation presented at the meetings is disseminated in advance by means of communications of relevant information.

- "Investor Relations App": a multi-device communication channel, in Spanish and English, which is constantly updated for access to all relevant information about the Company, favouring immediate publication thereof and the ability to access it afterwards. Among other functionalities, this app allows for viewing results presentations in real time, as well as for viewing the share price and share performance graphs, financial documentation, press releases and communications of inside information or other relevant information.

SECTION C.1.32

Non-audit services provided by the KPMG Group to the companies of the Iberdrola Group during financial year 2023 mainly had the following scope:

- To "Iberdrola, S.A.": the limited review of the half-yearly financial statements, in the amount of €1,273,000; two reports on the Company's solvency, in the amount of €8,000 each; three comfort letters in November 2022, March 2023 and July 2023, respectively, within the framework of debt issues under the EMTN programme, in the amount of €86,000, €91,000 and €91,000, respectively; one comfort letter for the update of the EMTN programme, in the amount of €89,000; one agreed-upon procedures report on the Compliance System Transparency Report, in the amount of €14,000; one assurance report on the Statement of Non-Financial Information for financial year 2022, in the amount of €176,000; and one assurance report on the information included in the Green Bond Report 2022, in the amount of €29,000.
- To "Iberdrola España, S.A." (Sociedad Unipersonal) and its subsidiaries: several agreed-upon procedures reports on the description of invoices pending payment to suppliers, in order to comply with the provisions of Section 13.3.*bis* of General Law 38/2003 of 17 November on Subsidies (the "General Subsidies Act"), in the amount of €36,000; and various special reports in order to comply with the provisions of Section 13.3.*bis* of the General Subsidies Act, in the amount of €16,000.
- To "Iberdrola Finanzas, S.A." (Sociedad Unipersonal): three comfort letters in November 2022, March 2023 and July 2023, respectively, within the framework of issues of debt under the EMTN programme, in the amount of €5,000 each; and one comfort letter for the update of the EMTN programme, in the amount of €6,000.
- To "i-DE Redes Eléctricas Inteligentes, S.A." (Sociedad Unipersonal) and its subsidiaries: several agreed-upon procedures reports on the description of invoices pending payment to suppliers, in order to comply with the provisions of Section 13.3.*bis* of the General Subsidies Act, in the amount of €40,000; and agreed-upon procedures report regarding its declaration of investments to comply with Royal Decree 1125/2021, in the amount of €180,000.
- To "i-DE Redes Eléctricas Inteligentes, S.A." (Sociedad Unipersonal) ("i-DE"), "Conquense Distribución Eléctrica, S.A." (Sociedad Unipersonal) and "Anselmo León Distribución, S.A." (Sociedad Unipersonal): performance of regulatory audits on regulatory information for financial year 2022 that must be delivered to the CNMC in accordance with Circular 8/2021, in the total amount of €769,000.

- To "Iberdrola Renovables Internacional, S.A." (Sociedad Unipersonal): agreed-upon procedures report regarding corporate charges invoiced to its subsidiaries, in the amount of €13,000.
- To "Iberdrola Renovables Energía, S.A." (Sociedad Unipersonal): agreed-upon procedures report regarding corporate charges invoiced to subsidiaries, in the amount of €9,000.
- To "Iberdrola Re, S.A.": special report in compliance with the instructions of the *Commissariat aux Assurances* in *Amended Circular 9/02*, in the amount of €3,000.
- To "Avangrid, Inc." and its subsidiaries: audit reports on special-purpose regulatory financial statements to be prepared in accordance with the accounting principles established by the Federal Energy Regulatory Commission, in the amount of €287,000; comfort letter and consent letter in connection with a debt issue by "New York State Electric & Gas Corporation" in March 2023, including a review of the financial statements, in the amount of €222,000; comfort letter and consent letter in connection with a debt issue by "The United Illuminating Company" in October 2023 in the amount of €162,000; comfort letter and consent letter in connection with a debt issue by "New York State Electric & Gas Corporation" in August 2023 in the amount of €143,000; agreed-upon procedures report to comply with legal requirements set by the United States Environmental Protection Agency, in the amount of €37,000; and consent letter in relation to completing the company's declaration of self-registration, in the amount of €46,000.
- To "Iberdrola México, S.A. de C.V." and its subsidiaries: tax opinions on the audit of the specific-purpose financial statements, in the amount of €293,000; and support services related to the Information on the Tax Situation in the Fiscal Year Statement (*Información sobre la Situación Fiscal en la Declaración del Ejercicio*) (ISSIF) for financial year 2022, in the amount of €158,000.
- To "Iberdrola Renewables Norway, AS": certification of the filing of corporate income tax, in the amount of €1,000.
- To various companies in the group headed by "Scottish Power Energy Retail Limited": audit of the consolidated segmented statements for financial year 2022, in the amount of €31,000; report on the procedures for which the British regulator Office of Gas and Electricity Markets (Ofgem) has requested information from "SP Distribution Plc", "SP Manweb Plc" and "SP Transmission Plc", in the amount of €21,000; and regulatory work regarding the Client Assets Sourcebook Audit, in the amount of €15,000.
- To "C.Rokas Industrial Commercial Company S.A." and a number of its subsidiaries: tax compliance reports requested by the Greek tax authorities, in the amount of €96,000.
- To "Iberdrola Clienti Italia, S.R.L.": audit report on the balance sheet at 31 December 2022 for participation in the mechanism for the recognition of general system charges not collected from end customers and already paid to distribution companies, in the amount of €66,000; audit report on the financial statements for financial year 2022 and report for participation in the mechanism for recognition of the general system

charges not collected from end customers and already paid to distribution companies, amounting to €56,000; and review of certification forms required by the Italian authorities, in the amount of €12,000.

- To "Iberdrola Energie France, S.A.S." and its subsidiaries: agreed-upon procedures report to allow for the recovery of tolls corresponding to customer debts deemed non-collectable in 2022, in the amount of €20,000; certification report required by the French Energy Regulation Commission (*Commission de Régulation de l'Energie*) ("CRE") to consider the company's claims for financial compensation to be obtained from the CRE on electricity sales as successful, in the amount of €8,000; four capital reduction reports and one capital increase report, in the total amount of €13,000; limited reviews of the financial statements of six subsidiaries of "Aalto Power, S.A.S." for financial year 2022, in the amount of €46,000, certification report required by the CRE to certify expected losses on sales due to the reduction in the price of electricity for residential and small business customers, in the amount of €24,000; and various capital reduction and capital increase reports required by French law, in the total amount of €15,000.
- To "Iberdrola Australia Re": reasonable assurance reports on financial statements and internal control required by the Australian Financial Services Licence for companies dealing in financial instruments, for the financial year ended 31 December 2023, in the amount of €5,000.

As regards the performance of the duties of the Audit and Risk Supervision Committee (the "Committee") relating to the provision of non-audit services by the KPMG Group, it should be noted, as indicated in section C.1.30 of this report, that in order to approve the aforementioned provision of services, an evaluation was made as to whether the audit firm was the most suitable to provide them. Prior to each of the meetings of the Committee discussing the engagement of KPMG for the provision of non-audit services, the following was made available to the committee: (i) a letter from KPMG addressed to the chair of the Committee in order to request approval for the provision of the service in question, in which the statutory auditor confirmed that the provision of this service would not disqualify it or threaten its independence; and (ii) a presentation by the Chief Internal Audit and Risk Officer describing the main characteristics and terms and conditions of the service, stating that the provision thereof did not threaten the independence of the auditor and confirming that it had been pre-approved by the audit and compliance committee of the company receiving the service or, if applicable, of the parent country subholding company.

Additionally, at its meeting of 19 December 2016, the Committee agreed to pre-authorise the statutory auditor to carry out the following activities, as it considered them to be unquestionably related to the audit of accounts: (i) the preparation of comfort letters and, where appropriate, consent letters for securities issues; (ii) the issue of reports on compliance with ratios linked to financing agreements; and (iii) the performance of limited reviews of interim financial statements. Therefore, the engagement of the KPMG Group for the provision of such services was deemed to have been approved by the Committee, so that the Committee henceforth only needs to be informed of the commencement of the provision of such services at its next meeting (to take note of this and to verify that the limits on the fees that the statutory auditor may charge for the provision of additional services are not exceeded).

Finally, in accordance with the new practices set out in the code of ethics drawn up by the *International Ethics Standards Board for Accountants*, the provision of services other than the auditing of accounts (*Non-audit Services* or "NAS") to Iberdrola had to be approved by the governing bodies of Iberdrola and, in addition, by those of the public interest entities that are owned by it, but not wholly owned, and which are audited by KPMG Auditores; i.e. "Avangrid, Inc".

Along these lines, the Audit and Compliance Committee of "Avangrid, Inc." pre-approved and submitted to its Board of Directors on 24 April 2023, and the Committee ratified on 10 May 2023, the following NAS: (i) the annual subscription to KPMG Accounting Research Online and automated access to the accounting information checklist formalised by KPMG Auditors; (ii) the issuance of consent letters or inclusion letters in connection with registration statements or debt issuances; (iii) the issuance of comfort letters in connection with debt issuances; (iv) the review of interim financial information, including limited reviews of financial statements; (v) the financial audit of a spun-off company; (vi) the preparation of agreed-upon procedures reports, including those performed in accordance with International Standard on Related Services (ISRS) 4410; (vii) the preparation of review services reports under International Standard on Review Engagements (ISRE) 2410 relating to ESG reporting; and (viii) the preparation of assurance reports under the International Standard on Assurance Engagements (ISAE) on ESG reporting.

SECTION E.3

The activities of the Iberdrola Group's companies during financial year 2024 and subsequent years will be affected by the following main risk factors:

- ESG risks.
- The impact on the global economy of geopolitical uncertainties, which in turn exacerbates the risks listed below.
    - Changes in the interest rate and exchange rate of the principal countries in which the Iberdrola Group's companies do business, as well as inflation.
    - Changes in international gas prices and emission allowances (or equivalent mechanisms) and their impact on electricity prices.
    - Prices of raw materials and tensions in supply chains (including the concentration of suppliers in certain segments and protectionist policies).
    - Energy market and tax intervention measures adopted by different governments.
- Competition in the liberalised market.
- The annual change in hydraulic, solar and wind resources, as well as the availability of generation facilities.
- The ability to implement the major investment plan, in terms of cost and timing, including entry into new countries.
- Regular regulatory reviews of the Iberdrola Group's companies that carry out electricity and gas distribution and transmission activities.
- Financial, operational and reputational risk arising from a potential increase in cybersecurity attacks or incidents. There are regular appearances before the Audit and Risk Supervision Committee of executive officers competent to report on this issue.
- The availability of generation and distribution facilities.
- The final outcome of litigation, arbitration and tax disputes.

Credit risk, at both the retail and wholesale counterparty level.

ANNUAL REPORT ON REMUNERATION 2023

The disclosures contained in this section of the Management Report are the same as the disclosures in the Annual Report on Remuneration sent separately to the Spanish National Securities Market Commission for publication at www.cnmv.es.

Issuer identification details

Year end-date: 31/12/2023

TAX IDENTIFICATION CODE (C.I.F.): A-48010615

Company name: IBERDROLA, S.A.

Registered office: Plaza Euskadi número 5, 48009 Bilbao (Biscay), Spain

This Annual Report on Remuneration of Directors and Officers has been prepared by the Remuneration Committee of Iberdrola, S.A. pursuant to the provisions of Section 541 of the Spanish Companies Act (Ley de Sociedades de Capital), Circular 3/2021 of 28 September of the National Securities Market Commission, which amends Circular 4/2013 of 12 June establishing the templates for the annual remuneration report for directors of listed companies and for members of the board of directors and of the control committees of savings banks that issue securities admitted to trading on official securities markets, and Articles 13 of the Regulations of the Board of Directors and 3 of the Regulations of the Remuneration Committee of Iberdrola, S.A.

This report has been prepared in free-format design, in accordance with the regulatory approval set out Circular 3/2021 of 28 September of the National Securities Market Commission, although its content respects the minimum content established in the aforementioned regulations and is accompanied by the standard statistical appendix established therein, providing (in accordance with the principle of transparency established in the Remuneration Policy) clear and adequate information as much in advance as required and in line with the good governance recommendations generally recognised in international markets in the area of director remuneration.

At its meeting held on 20 February 2024, the Board of Directors of Iberdrola, S.A. approved this Report upon a proposal of the Remuneration Committee, which Report will be submitted to the consultative vote of the shareholders at the next General Shareholders' Meeting as a separate item on the agenda in compliance with the provisions of Section 541.4 of the Companies Act (Ley de Sociedades de Capital).

Index

The references included in this Annual Director Remuneration Report 2023 are available at the following links:

Contribution of value: social dividend	https://www.iberdrola.com/about-us/stakeholders/value-creation-social-dividend
Capital Markets & ESG Day – November 2022 (London)	https://www.iberdrola.com/shareholders-investors/investors/capital-markets-day
Code of Ethics	https://www.iberdrola.com/documents/20125/41995/code_of_ethics.pdf
By-Laws	https://www.iberdrola.com/documents/20125/42013/by_laws.pdf
Activities Report of the Board of Directors and of the Committees thereof	https://www.iberdrola.com/documents/20125/42388/ActivitiesReportBoardDirectors.pdf
Strategic Plan 2023-2025: Strategic objectives	https://www.iberdrola.com/about-us/iberdrola-strategic-plan
Stakeholder Engagement Policy	https://www.iberdrola.com/documents/20125/41860/stakeholder_relations_policy.pdf
Senior Management Remuneration Policy	https://www.iberdrola.com/documents/20125/41824/senior_officer_remuneration_policy.pdf
Director Remuneration Policy	https://www.iberdrola.com/documents/20125/41941/director_remuneration_policy.pdf
Purpose and Values of the Iberdrola Group	https://www.iberdrola.com/documents/20125/41995/purpose_and_values.pdf
Regulations of the Board of Directors	https://www.iberdrola.com/documents/20125/41980/regulations_board_directors.pdf
Regulations of the Remuneration Committee	https://www.iberdrola.com/documents/20125/41980/regulations_remuneration_committee.pdf
Governance and Sustainability System	https://www.iberdrola.com/documents/20125/41908/governance_sustainability_system.pdf

Introduction

Introduction

The Remuneration Committee of Iberdrola, S.A. (hereinafter, "**Iberdrola**" or the "**Company**") has prepared this Annual Report on Remuneration of Directors and Officers (hereinafter, the "**Report**"), which includes a summary of the current Director Remuneration Policy (hereinafter, the "**Policy**" or the "**Remuneration Policy**") which was **approved at the 2021 General Shareholders' Meeting by 92%**, as well as a description of how it has been applied during financial year 2023.

Along these lines, the application of the Director Remuneration Policy promotes the following measures:

- Ensure alignment with best practices to guarantee global competitiveness.
- Link remuneration with the business strategy.
- Align variable remuneration with the creation of long-term sustainable value.
- Motivate loyalty and commitment through long-term incentives.
- Protect the interests of stakeholders with appropriate mechanisms.

Commitment to sustainable development and value creation

The commitment of the Remuneration Committee has always been to align the management carried out by officers (whether or not they are directors) with sustainable development and the creation of value for all stakeholders. The Remuneration Committee plays an active role in ensuring that remuneration is linked to shareholder performance ("Pay for Performance"), while integrating the "social dividend" in recognition of the broader interests of the stakeholders.

In its decision-making process, the Remuneration Committee receives input from **independent external advisors**, leverages the **experience and expertise present in other committees of the Board of Directors**, as well as receives **technical support of the officers**, to ensure the effectiveness of the Remuneration Policy through a multi-pronged approach.

An example of Iberdrola's commitment to the group's professionals and its investment on the development of internal talent is the **internal promotions that have taken place over the last decade**, including for the most important positions within the Company, with officers from the businesses becoming board members. This approach drives Iberdrola's commitment to attracting, retaining, motivating and developing the best talent, while ensuring that remuneration is closely aligned with the business strategy and long-term sustainability goals.

In fulfilling this commitment, the Remuneration Committee has taken into account the results of the **Work Climate Survey**, which assesses the perception of the group's professionals regarding their alignment with the strategy. Of the more than 80% of professionals who responded, **over 85% are committed to the business plan** – and strategic priorities of the Company – established for the coming years.

This high level of commitment is the result of the **focus and continuity** with which Iberdrola's strategy has been defined and of the **full commitment** of the Group's officers and professionals, led by **the executive chairman, who has not sold a single Iberdrola share deriving from his remuneration plans since he joined the Company in 2001**.

The Remuneration Committee rewards this success and commitment, which has consistently contributed to building the trust that will continue to motivate the progress of both people and the Company.

Active listening to stakeholders to ensure alignment and responsiveness

Year on year, there **has been an increase in the support of shareholders who have placed their trust in the approach** to director remuneration, which is a result of the Remuneration Committee dedication in the ongoing process of interacting with and listening to stakeholders, including institutional investors and proxy advisors, and considering their feedback.

During the financial year under review, **Iberdrola continued its two-way dialogue with its main institutional shareholders and proxy advisors to address various issues**, including director and officers (whether or not they are directors) remuneration. Iberdrola held meetings with all shareholders who accepted its offer to meet, as well as with all shareholders who asked to meet with the Company, maintaining contact with at least 40 institutional shareholders, representing approximately 40% of the Iberdrola's capital, and the two main global proxy advisors: Institutional Shareholder Services (ISS) and Glass Lewis.

The heads of Investor Relations, ESG and the Office of the General Secretary and Secretary of the Board participated in these two-way dialogues on behalf of the Company, and in some cases with the participation of the director authorised for such purpose, **showing the broad support for the remuneration practices** of Iberdrola, considering its successful long-term track record and its link to the *Pay for Performance* principle.

The topics discussed varied among shareholders and proxy advisors, but mainly related to the overall clarity of the Director Remuneration Report, providing greater disclosure of the performance measures in place, and how Iberdrola compares remuneration with other companies.

Based on the internal review and the feedback received, **improvements have been** made to the Annual Remuneration Report for financial year 2023, as this is the first year in which the Report is presented in free form, which allows the following aspects, among others, to be developed with greater scope and transparency in the Report:

- Development of the link between the remuneration earned in 2023 by officers (whether or not they are directors) and Iberdrola's results ("Pay for Performance").
- More detailed explanation of the remuneration mix, including a greater breakdown of variable remuneration linked to long-term results.
- More detail on the functioning of "malus" and "clawback" clauses in both short- and long-term variable remuneration.
- Greater explanation of measures regarding excessive risk exposure in terms of establishing metrics and assessing metrics.

"Pay for Performance" in volatile environments

The market environment in 2023 has been challenging. Volatility caused by macroeconomic and geopolitical tensions (such as rising interest rates and the evolution of geopolitical conflicts) has had an impact on the business. This has clearly affected decision-making by the various economic players.

In this context, **Iberdrola achieved outstanding performance during financial year 2023**, thus continuing with a solid execution of meeting the ambitious targets communicated at the Capital Markets & ESG Day in London in November 2022. This includes (i) increasing **EBITDA** to more than €16,500 million, (ii) having a **network asset base** of approximately €56,000 million by 2025 (and approximately 70,000 MW of installed capacity, of which 80% has zero emissions, while maintaining financial solvency), and (iii) **dividend growth** in line with the growth in net profit, reaching a dividend per share of between €0.55 and €0.58.

Iberdrola has also continued to make progress on communicated non-financial objectives, such as a strategy of **decarbonisation aligned with the objectives of the Paris Agreement** (based on emissions that are currently already 70% lower than those of European competitors). The Company is also committed to **promoting diversity and the inclusion of women** in senior positions, a **sustainable and responsible supply chain**, and **Capex aligned with European taxonomy** and financed mainly with **green/sustainable instruments**.

The above mentioned objectives are integrated into the Remuneration Policy and seek to ensure a positive contribution from the officers (whether or not they are directors) in meeting Iberdrola's publicly communicated long-term objectives.

Key remuneration results in 2023

During financial year 2023, Iberdrola continued its leadership in the promotion of renewable energies, exceeding 42,000 MW of renewable energy in operation by the end of 2023 and with approximately 8,000 MW under construction, and it is leading the energy transition towards a low-emission economy. Reflecting this continuity and under the principle of prudence, the Remuneration Committee concluded that the **maximum total remuneration opportunity for officers (whether or not they are directors) as well as the remuneration mix remained appropriate**.

As in previous years, the Remuneration Committee believes that any increase in remuneration of the officers (whether or not they are directors) should be the result of achieving clear, pre-established strategic objectives, as well as share price appreciation with respect to long-term variable remuneration.

Specifically, for the Executive Chairman and the Chief Executive Officer, the Remuneration Committee has established the following:

- Fixed remuneration: there has been no increase in fixed remuneration during 2023 and no increase is expected for 2024.
- In addition, it should be noted that there is no pension commitment for the Executive Chairman.
- Short-term variable remuneration (annual bonus): the maximum opportunity for short-term variable remuneration has been maintained for 2023 and no increase is expected for 2024. Short-term variable remuneration will continue to be subject to the achievement of clear objectives to be disclosed *ex post* due to the strategic and commercial sensitivity of the targets set. For the Executive Chairman, the **portion of short-term variable remuneration linked to financial objectives will increase from 50%**

to 70% for 2024 and the ceiling for annual variable remuneration will remain at 144% of annual fixed remuneration.

- Long-term variable remuneration in shares (strategic bonus): the latest award was approved at last year's General Shareholders' Meeting with 92% shareholder support. These share plans are **awarded every three years**, rather than annually, and require the achievement of pre-disclosed (*ex ante*) objectives that are fully aligned with the strategic plan.

Conclusion

The Remuneration Committee will remain firmly committed to aligning the remuneration of directors and officers (whether or not they are directors) with the performance of the various businesses in which Iberdrola operates and with the expectations of its shareholders and other stakeholders to ensure that the **Remuneration Policy links the contribution of Iberdrola's professionals to the long-term strategic and sustainability goals of the Company**.

A. Remuneration policy of the company for the current financial year

A. Remuneration policy of the company for the current financial year

As of 31 December 2023, and as of the date of preparation of this Report, Iberdrola's Board of Directors is composed of 14 members with significant experience in the energy industry.

The Board of Directors has a diverse composition, considering multiple factors, including:

- The varied skills, knowledge and professional backgrounds provided by the existence of a **large majority of external directors** (85.71%), and **particularly of independent directors** (71.43%).
- The presence of **directors from six countries** (Brazil, Spain, United States of America, France, Great Britain and Italy) **in line with the international coverage** of the group.
- **A balanced presence of women and men** (50/50 distribution of external directors of each gender and **no gender with a representation of less** than 42.86% of the total number of directors).

Without prejudice to the non-delegable powers provided for by law and the Governance and Sustainability System, **the Board of Directors will generally entrust the duties of strategic supervision, organisation and coordination at the group level to the Chairman of the Board of Directors and to the Chief Executive Officer with the technical support of the officers, who shall disseminate, implement and monitor the overall strategy and the basic guidelines for the management thereof established by the Board of Directors.**

In addition, the continuous improvement plan for financial year 2023, derived from the process of evaluating the operation and composition of the Board of Directors, includes, among other things, the combination of the participation on the Board of Directors and its committees of senior executives with knowledge of the talent of the officers.

A.1.1. Explain the current director remuneration policy applicable to the year in progress

As of the date of preparation of this Report, the Remuneration Policy in effect at Iberdrola is the one approved by 92% of the shareholders at the General Shareholders' Meeting held on 18 June 2021 and which has been in force since the financial year of its approval and will be in force during financial years 2022, 2023 and 2024.

Board of Directors

The Remuneration Policy as it relates to directors in their capacity as such reflects the following practices:

Directors in their capacity as such

- They are remunerated on the basis of the positions held and attendance at meetings of the corporate bodies.
- They do not participate in variable remuneration schemes.
- They do not receive remuneration through the delivery of shares, share options or remuneration rights linked to the value of the shares.
- They do not participate in the long-term savings schemes such as pension plans, retirement systems or other social welfare systems.
- The maximum amount of annual remuneration to be paid to the directors in their capacity as such is €9,000 thousand.

The remuneration amount that the Company allocates annually to the directors, including the executive directors, is limited to a maximum amount equal to 2% of the consolidated group profits obtained during the financial year, after covering legal and other mandatory reserves and the issuance to the shareholders of a dividend of at least 4% of the share capital.

Officers (whether or not directors)

The main focus of the Remuneration Policy is to link remuneration to the Company's performance, and to align the interests of the officers (whether or not they are directors) and stakeholders, including shareholders, and it follows the same standards as the Senior Management Remuneration Policy, based on the following five principles:

1. Attraction and retention: market remuneration that attracts and retains talent, adequately rewards the dedication and responsibility assumed by the directors, and is commensurate with the remuneration paid at comparable companies, for which regular benchmark analyses will be performed.

2. Remuneration linked to value creation taking into account all stakeholders: focused on maximising value creation and committed to the Purpose and Values of the Iberdrola Group, which allows for maximising the social dividend and shareholder return as well as the achievement of the Company's long-term sustainability. All of the foregoing is within the framework of the Iberdrola Group's commitment to all of its stakeholders.

3. Remuneration linked to the Company's performance with establishment of challenging and clear objectives: ensuring that remuneration contributes to the achievement of Iberdrola's strategic objectives, which are regularly published and updated by the Board of Directors.

4. Long-term commitment aligned with the interests of the shareholders and with the long-term strategy and sustainability: the Policy is aligned with the long-term strategy and sustainability, through the attraction, retention, motivation and development of the best talent, on fair and competitive terms, which is the best way to contribute to the business strategy and to the long-term interests and sustainability of the Company and of the Iberdrola Group.

5. Risk measures: set appropriate maximum limits to any variable remuneration as well as suitable mechanisms in order for the Company to be able to cancel ("malus" clause) or

obtain reimbursement ("clawback" clause) of the variable components of both short- and long-term remuneration if the payment has not conformed to the terms of performance or if such variable components have been paid based on information later shown to be inaccurate.

These five principles are applied through an appropriate remuneration mix for the officers (whether or not they are directors) that includes fixed remuneration, short-term variable remuneration (annual bonus) and long-term variable remuneration (strategic bonus), which is linked to the Company's performance, with a duration of six years (three for performance evaluation and three for settlement) and which are awarded every three years rather than annually, thus ensuring that there is no overlap between them.

	Elements of the Remuneration Policy		
Principles applicable to the officers (whether or not they are directors)	Fixed remuneration	Short-term variable remuneration (annual bonus)	Long-term variable remuneration (strategic bonus)
Attraction and retention	●	●	●
Remuneration linked to the creation of value considering all stakeholders		●	●
Remuneration linked to the Company's performance with establishment of challenging and clear objectives		●	●
Long-term commitment aligned with shareholder interests and the long-term strategy and sustainability			●
Risk measures: "malus" and "clawback" clauses		●	●

The Remuneration Policy as it relates to the officers (whether or not they are directors) reflects the following practices:

Officers (whether or not directors)

- No guaranteed remuneration: no contracts with guaranteed salary increases and no guaranteed variable remuneration not subject to challenging and clear objectives.
- Pay for Performance: remuneration linked to the Company's performance through the setting of challenging and clear strategic objectives, with a significant weight in total remuneration.

- Neutrality in variable remuneration: the Board of Directors, under the principle of neutrality, endeavours to ensure that the accrual of variable remuneration of any kind is not based merely on the general performance of the markets, of the industry in which the Company operates, or other similar circumstances.
- Multiple metrics to measure performance: consideration of shareholder and stakeholder interests in variable remuneration, with a portion of variable remuneration linked to sustainability goals.
- Long-term non-overlapping incentives: long-term variable remuneration, with awards every three years ensuring there is no overlap.
- Transparency of objectives: long-term variable remuneration linked to the Company's strategic objectives, including sustainability objectives reported in advance (*ex ante*) and approved by its shareholders. These objectives are aligned with Iberdrola's strategy as communicated to the markets.
- Deferral: 3-year deferral period for long-term variable remuneration.
- Dilution: share delivery plans are not implemented by means of capital increases or similar instruments.
- Risk measures: "malus" and "clawback" clauses are established applicable to the variable remuneration (short- and long-term) of the directors.
- No hedging: there is no hedging of the Company's shares.
- Independent external advice: independent advice from specialised firms reporting directly to the chair of the Remuneration Committee.
- Continuous two-way dialogue with shareholders: ensuring proper understanding of the Remuneration Policy and its application, as well as analysis of key concerns.
- Long-term savings schemes (pensions): long-term savings schemes exist for officers but no long-term savings scheme has been established for directors.
- Shareholding Policy: the Executive Chairman and the Chief Executive Officer may not transfer ownership of the shares received for a period of three years unless they maintain a net financial exposure to changes in the share price having a market value equivalent to at least twice the fixed remuneration.

  The high level of commitment of the officers (whether or not they are directors) is the result of the focus and continuity with which Iberdrola's strategy has been defined, led by the Executive Chairman, who holds all of the Iberdrola shares deriving from his remuneration plans since he joined the Company in 2001.

The level of votes in favour by shareholders was 92% for the Remuneration Policy at the General Shareholders' Meeting held in 2021, higher than the average level of approval of remuneration policies at other Ibex-35 companies since 2021. The Remuneration Committee relied on the outside advice of Sagardoy Abogados, S.L.P. in preparing the Policy, including aspects such as the compliance of the Remuneration Policy with applicable new legislation.

A new Director Remuneration Policy will be submitted for approval at the General Shareholders' Meeting to be held in 2024, effective as from the time of its approval and for the next three financial years, i.e. 2025, 2026 and 2027.

Interaction with shareholders

The Board of Directors, continuing with Iberdrola's aspiration to lead the energy sector, will take into consideration the information received as a result of the ongoing two-way dialogue between the Company represented by the heads of Investor Relations, ESG and the Office of the General Secretary and Secretary of the Board, and in some cases, with the participation of a member of the Board of Directors, and its shareholders (retail and institutional) and proxy advisors. The Board of Directors also takes into consideration both the best practices identified at other listed companies and existing practices for the directors, the officers (whether or not they are directors) and the general remuneration schemes of the professionals of the Iberdrola group.

A.1.1.a) Procedure and bodies involved in determining, approving and applying the remuneration policy and the terms and conditions thereof

General Shareholders' Meeting

- Approves the Director Remuneration Policy, which constitutes the Company's highest-level set of regulations on director remuneration after the By-Laws.
- Approves the remuneration of the directors consisting of the delivery of shares of the Company or of any options thereon or which is indexed to the price of the Company's shares.

Board of Directors

- Proposes the Director Remuneration Policy to the shareholders for approval on the terms established by law and the Governance and Sustainability System.
- Approves the remuneration of the directors within the overall limit established in the By-Laws and in accordance with the provisions of law and the Director Remuneration Policy.
- Proposes variable share-based remuneration plans for approval by the shareholders at a General Shareholders' Meeting.
- Approves the performance of officers (whether or not they are directors) in the annual variable remuneration upon a proposal of the Remuneration Committee.
- Approves the performance of the Company in the long-term variable remuneration upon a proposal of the Remuneration Committee.

Remuneration Committee

- Submits the proposed Director Remuneration Policy to the Board of Directors for approval and subsequent submission to the shareholders at the General Shareholders' Meeting, issuing the corresponding specific explanatory report required by Section 529 *novodecies* of the Companies Act.
- Regularly reviews the Director Remuneration Policy, proposing to the Board of Directors any amendment and update thereof and reporting thereto on any issues that may arise in connection with the interpretation and application of said Policy and standards.
- Endeavours to ensure compliance with the remuneration programmes of the Company and reports on the documents to be approved by the Board of Directors regarding remuneration.
- Proposes to the Board of Directors the system and amount of the annual remuneration of the directors, as well as the individual remuneration of the officers (whether or not they are directors) and the other basic terms and conditions of their contracts, including fixed remuneration, annual or multi-annual variable remuneration, incentive plans and strategic bonuses in shares and any potential compensation or severance payment that may be established in the event of removal, in all cases in accordance with the provisions of the Governance and Sustainability System and of the Director Remuneration Policy.
- Endeavours to ensure that that the Board of Directors is in a position to approve in advance the application, objectives, standards and metrics of the various items of remuneration established for the current financial year in accordance with the Policy approved by the shareholders at the General Shareholders' Meeting.
- Ensures that the Board of Directors is in a position to evaluate the achievement of the objectives, standards and metrics established during the previous year to determine the variable remuneration earned by the officers (whether or not they are directors) in that year sufficiently in advance. And, if applicable, for short- and long-term variable remuneration, proposes to the Board the cancellation or reimbursement of remuneration that has been paid to the respective beneficiaries.
- Annually verifies, on the basis of information provided to the Remuneration Committee, that the remuneration policies for directors and officers are properly applied, that no payments are made that are not provided for therein, whether circumstances have arisen that justify the application of "malus" (cancellation) or "clawback" (reimbursement) clauses, and propose, if appropriate, suitable measures to recover any amounts that may be due.
- Regularly reviews the general remuneration programmes for the group's workforce, assessing the suitability and results thereof, considering that they promote physical, mental and emotional well-being, as well as a healthy, safe, pleasant, diverse and inclusive working environment.

The **employee remuneration** policy ensures the establishment of **decent and appropriate salaries** consisting of cash remuneration above the legal minimum wage established in each country and a set of social benefits that conforms to the different social/labour realities of the territories in which Iberdrola does business, and **which are above the market average** of comparable companies in each country with respect to pension plan **benefits**, savings benefits and healthcare insurance.

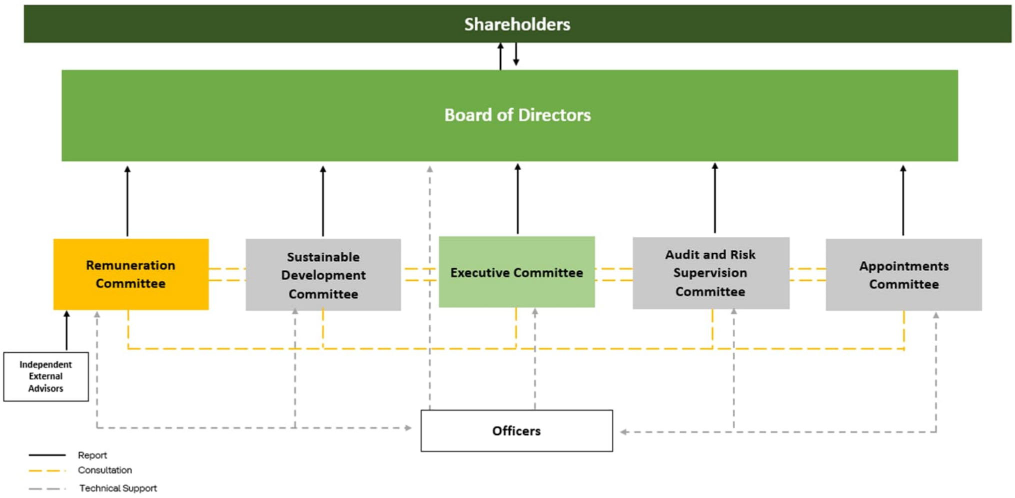
- Proposes to the Board of Directors remuneration policies and standards for the officers and the regular review thereof, proposing to the Board of Directors any amendment and update thereof.
- Reports and submits to the Board of Directors the proposals of its chairman regarding the structure of remuneration of the officers and the basic terms of their contracts.
- In the process of reviewing the Policy, the Remuneration Committee considers employee remuneration and how remuneration is aligned with the *Purpose and Values* of Iberdrola.
- In consultation with other committees, particularly the Audit and Risk Supervision Committee, the Remuneration Committee evaluates whether the remuneration system encourages excessive or inappropriate risk-taking. This evaluation takes into account the nature of Iberdrola's risks in the design of variable remuneration plans.
- In consultation with other committees, particularly the Sustainable Development Committee, the Remuneration Committee evaluates the appropriate transposition of the Company's sustainable development strategy, with particular emphasis on environmental, social and corporate governance and regulatory compliance policies in the remuneration system. This evaluation takes into account Iberdrola's commitment to sustainable development in the design of variable remuneration plans.

External advisors of the Remuneration Committee

- Performs an appropriate assessment of the independence of the external advisor(s) if the participation thereof is required for the preparation of the Director Remuneration Policy.
- Seeks the help or advice of external professionals, who must address their reports directly to the chair of the Remuneration Committee, endeavouring to ensure that any possible conflicts of interest do not prejudice the independence of the external advice received.

Interactions of the Remuneration Committee

In the performance of its duties, the Remuneration Committee works proactively and in consultation with other committees, particularly the Audit and Risk Supervision Committee, the Sustainable Development Committee and the Appointments Committee.



A.1.1.b) Consideration of comparable companies to establish the Company's remuneration policy

The Remuneration Policy takes into account talent, effort, creativity, leadership and the ability to implement the commitment to its *Purpose and Values* as the main differentiating elements in it leadership of the global energy industry, using the companies listed on the STOXX Europe 600 Utilities and S&P 500 Utilities indices as a benchmark to maximise the social dividend and shareholder return and to contribute to the achievement of the Company's strategic objectives.

The Remuneration Committee devotes particular attention to regularly reviewing the following matters, among others:

- The Director Remuneration Policy to keep it in line with the main recommendations and best practices identified, including those adopted by institutional investors.
- The general remuneration programmes for the workforce, assessing the suitability and results thereof.

Iberdrola's leadership

It should be noted that as of 31 December 2023, the Company is the leading European utility in terms of market capitalisation and the second largest globally. It is also the leader in renewables, spearheading the energy transition towards a low-emission economy. The group supplies energy to close to 100 million people in dozens of countries and carries out its renewables, networks and commercial activities in Europe (Spain, United Kingdom, Portugal, France, Germany, Italy and Greece), the United States, Brazil, Mexico and Australia, and it maintains markets such as Japan, Taiwan, Ireland, Sweden and Poland, among others, as growth platforms.

Over the past two decades, Iberdrola's business model has demonstrated its ability to constantly monitor new technologies and strategically decide when to invest in them to achieve its ambitious decarbonisation targets. This includes the leading role played by the Executive Chairman in driving Iberdrola's growth on the Company's three pillars: the renewables business, the networks business (with regulated and stable revenues) and the customer business, with personalised and innovative solutions.

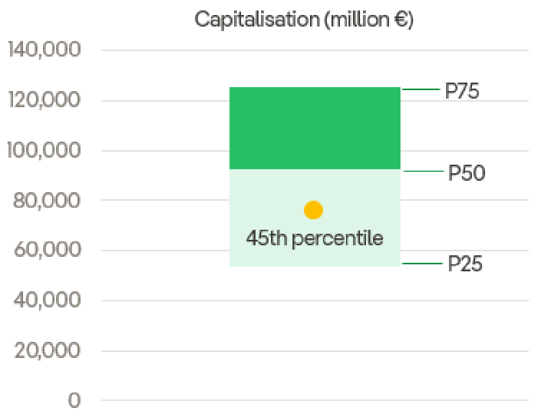
This is why Iberdrola became a Harvard case study as a leader in the challenge of renewable production and supply, at the forefront of this new revolution in which it is the benchmark.

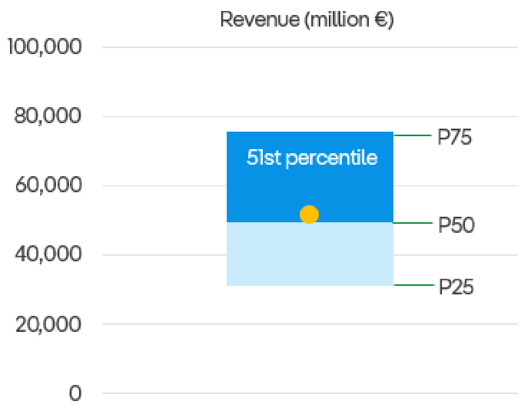
Iberdrola's comparison group

As is customary practice, at the beginning of each financial year, the Remuneration Committee engages an independent external adviser (Ernst & Young Abogados, S.L.P. has been retained for financial years 2023 and 2024) to perform a comparative analysis of the total remuneration of the directors, as well as of the practices and disclosures adopted by other global companies similar in size to Iberdrola in terms of **capitalisation**, **turnover**, **complexity** (including risk management and internal control), **sustainability ambitions**, **ownership structure** (e.g. fewer than half of the leading companies of the STOXX Utilities in terms of capitalisation are companies with a full free float), and **international presence**.

In order to ensure consistency and homogeneity with previous years, after a considered review, it has been deemed appropriate to maintain the criteria for identifying the group of global companies to determine its peer group: (i) utilities, (ii) global leaders, (iii) Ibex-35, and (iv) energy transition. This approach is considered the most appropriate given Iberdrola's leadership position and taking into account that companies in a specific sector or index are not directly comparable to each other.

In application of the above criteria, a benchmark group has been defined, not only for remuneration purposes in terms of director remuneration, but also taking into account all the practices required by the Board of Directors. This group is made up of approximately the following 40 companies, with Iberdrola generally positioned in the median **in terms of capitalisation and turnover**:





Source: Benchmark analysis of the total remuneration of the directors of Iberdrola, S.A. Ernst & Young, Abogados, S.L.P.

The main and specific peer group selection criteria are described below:

Utilities (Global)

- Companies listed on the STOXX Europe 600 and S&P 500 Utilities indices.
- Companies belonging to the European Round Table of Industrialists and Business Round Table.
- Companies with at least 50% of Iberdrola's turnover in the last financial year, provided that the market capitalisation exceeds €10,000 million. This minimum turnover standard is not applied to companies with a market capitalisation higher than that of Iberdrola.
- Excluding state-owned companies.

5 companies: NextEra Energy, Duke Energy, The Southern Company, E.ON and Constellation Energy

Leaders (Global):

- Companies listed on the FTSE Eurotop 100 and S&P 500 indices.
- Companies belonging to the European Round Table of Industrialists and Business Round Table.
- Turnover in the last financial year and market capitalisation between approximately 50% and 200% of Iberdrola's size.
- Leaders in reputational excellence and highly rated for operational excellence with leadership in products/services or customer experience.
- International presence and geographic diversity comparable to that of Iberdrola.
- Financial services and insurance companies excluded.
- Excluding state-owned companies.

31 companies: 3M, ABB, Air Liquide, Archer-Daniels-Midland, BASF, Boeing, Caterpillar, ConocoPhillips, Deere&Company, Dow, FedEx, General Dynamics, GE, GSK, Heineken, Holcim, Honeywell, Humana, IBM, Medtronic, Nike, Northrop Grumman, Pfizer, QUALCOMM, Rio Tinto, Schneider Electric, Siemens, Starbucks, Unilever, Volvo and Walt Disney.

Ibex-35 (Spain)

- Top companies by market capitalisation in the Spanish market.

3 companies: INDITEX, Santander and BBVA.

Energy transition (Europe)

- European companies repositioning to meet the challenges of the energy transition.
- Excluding state-owned companies.

4 companies: Shell, BP, TotalEnergies and Repsol.

According to the results of the comparative analysis of the total remuneration of the directors:

- Positioning in terms of capitalisation and turnover: Iberdrola is positioned in the **median** of the comparison group in terms of the main dimensions (capitalisation and turnover).

- Positioning in total remuneration: the Executive Chairman's total remuneration is approximately in the **median** and the Chief Executive Officer's total remuneration is approximately in the **third decile**.

A.1.1.c) Information on external advisors

Taking into consideration the recommendations and the main demands of investors, both retail and institutional, as well as the best practices identified at other listed companies, the Remuneration Committee has relied on the collaboration and advice of independent external professionals for some aspects of the preparation of the Policy, which professionals have addressed their reports directly to the chair of the Remuneration Committee.

Throughout financial year 2023 and up to the date of preparation of this Report, the Remuneration Committee has received independent advice from the following specialised firms:

- PricewaterhouseCoopers Asesores de Negocios, S.L. ("PwC Asesores") in connection with the performance evaluation of the Executive Chairman and Chief Executive Officer.
- Ernst & Young Abogados, S.L.P. in relation to the comparative benchmark analysis of the total remuneration of the directors with respect to comparable companies.

A.1.1.d) Procedures set forth in the current remuneration policy for officers (whether or not they are directors) in order to apply temporary exceptions to the policy, conditions under which those exceptions can be used and components that may be subject to exceptions according to the policy

As provided in the Remuneration Policy, the Board of Directors, after a favourable report from the Remuneration Committee, can apply temporary exceptions to the variable components of the remuneration (both short- and long-term) of officers (whether or not they are directors) when this exceptional situation is required to serve the long-term interests and sustainability of the Company as a whole or to ensure the viability thereof pursuant to the provisions of the new Section 529 *novodecies* 6 of the Companies Act.

The temporary exception to the variable components of remuneration (both short- and long-term) may result in both upward and downward adjustments, and in **no case may it result in a payment in excess of the maximum approved variable remuneration**. **Any use of this temporary exception should be justified and explained** in the Annual Director Remuneration Report.

As indicated in Section B.1.3, **no use was made of the temporary exception** during the reporting period.

A.1.2.

Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix). Criteria and objectives for their determination and to ensure an appropriate balance between the fixed and variable components

The remuneration mix of Iberdrola's officers (whether or not they are directors) is comprised of both short- and long-term fixed and variable components and is designed in such a way as to ensure the attraction and retention of the best talent and the alignment of their conduct with the interests of the Iberdrola Group and the achievement of its business strategy, promoting its long-term sustainability, in accordance with best practices at the domestic and the international level.

Pursuant to the principle of neutrality, the Board of Directors shall ensure that the accrual of variable remuneration of any kind is not based merely on the general performance of the markets, of the industry in which the Company operates, or other similar circumstances.

Variable remuneration is designed to provide significant upside and downside potential based on the Company's performance against pre-determined target metrics. A significant portion of the remuneration is directly dependent on the achievement of specific results that are important for the Company's long-term success, sustainability, and creation of value.

This remuneration mix is strongly affected by the significance of the variable components in accordance with the following basic principles:

- Include a significant **annual variable component** tied to performance and to the achievement of pre-established, specific, quantifiable objectives in line with the corporate interest and strategic goals of the Company.
- Foster and encourage the attainment of the strategic goals of the Company through the inclusion of **long-term incentives** to align the interests of officers (whether or not they are directors) with those of the shareholders, while strengthening continuity in the competitive development of the group, generating motivation and loyalty.
- Set appropriate **maximum limits to any variable remuneration** (short- and long-term) as well as **suitable mechanisms in order for the Company to be able to obtain reimbursement** of the variable components of remuneration if the payment has not conformed to the terms of performance or if such variable components have been paid based on information later shown to be inaccurate (such as "malus" and "clawback" clauses).

The components of the remuneration mix for officers (whether or not they are directors) are as follows:

- Fixed remuneration: this seeks to attract and retain talent and reward the work of officers (whether or not they are directors), based on their level of responsibility, dedication, track record and professional experience, such that the necessary professionals are available to achieve the objectives of the Iberdrola Group. Pursuant to the current Policy, this component of remuneration shall be in line with the remuneration paid by companies that are comparable in terms of capitalisation, turnover, complexity (including risk management and internal control), sustainability ambitions, ownership structure and international scope. The review of fixed remuneration also takes into account market remuneration studies by leading global firms specialising in remuneration.

- Short-term variable remuneration (annual bonus): is intended to incentivise the achievement of the group's annual objectives and those specific to the position, aligning the dedication and efforts of the officers (whether or not they are directors) with the business strategy. The annual variable remuneration of the Executive Chairman and the Chief Executive Officer shall be fully paid in cash.

The maximum limit of the short-term variable remuneration applicable to the Executive Chairman and the Chief Executive Officer for financial year 2024 is reflected in Section A.1.6.

Annual variable remuneration shall be linked to the achievement of pre-defined strategic, specific, and quantifiable objectives aligned with the *Purpose and Values*, the achievement of the business strategy and the long-term economic/financial interests and sustainability of the Company, growth (operational/industrial) and other objectives relating to the Sustainable Development Goals.

The pool of targets to which short-term variable remuneration is linked will be those relating to parameters such as:

Economic / Financial

- Net profit, gross operating income (EBITDA), cash flow, etc.
- Investments.
- Evolution of shareholder remuneration in comparison with other values and indices.
- Financial strength.
- Efficiency level of the group.

Growth

- Selection and implementation of investments.
- Project portfolio.

Sustainable Development Goals – Non-financial

- Development and application of the Stakeholder Engagement Policy and commitment to the social dividend.
- Development of the Equality, Diversity and Inclusion Policy.
- Results in the fight against climate change.
- Management of corporate reputation, measured in terms of presence in sustainability and ethics indices.
- Training of the group's professionals.
- Resiliency and reinforcement of cybersecurity plans.
- Levels of occupational safety, health, well-being and labour climate.

The parameters to which the annual variable remuneration of the Executive Chairman and the Chief Executive Officer for financial year 2024 is linked are detailed in Section A.1.6.

The Remuneration Committee, in consultation with the Audit and Risk Supervision Committee and the Sustainable Development Committee, shall evaluate the performance of each of the officers (whether or not they are directors), for which purposes it may rely on the advice of an independent expert (PwC Asesores was retained for the evaluation of 2023 targets), and it shall submit a reasoned proposal to the Board of Directors for approval thereof.

The Board of Directors, based on a proposal made by the Remuneration Committee, taking into account regulatory uncertainty and the occurrence of exceptional circumstances during the financial year, among other factors, shall have a margin of discretion in evaluating compliance with the indicators. Any use of this margin of discretion beyond the approved maximum for variable remuneration must be justified and explained in the Report.

- Long-term variable remuneration (strategic bonus):

Long-term variable remuneration is intended to encourage commitment to the Iberdrola Group's long-term strategic goals, linking a portion of remuneration to value creation and shareholder return, as well as to the sustainable achievement of the strategic objectives of the Company and the maximisation of its social dividend. Multi-annual variable remuneration is linked to the Company's performance and long-term interests and is implemented through share delivery plans linked to the achievement of long-term objectives, which typically have a term of **six years** (three for the evaluation of performance and three for settlement thereof). **Long-term variable remuneration plans are awarded every three years rather than annually, which ensures that there is no overlap between them.**

Share delivery plans are subject to approval by the shareholders at a General Shareholders' Meeting, who establish the maximum number of shares to be delivered and **provide clear visibility regarding the dilution** that could be caused through these long-term remuneration incentives. Share delivery plans are not implemented by means of capital increases or similar instruments.

The shareholders also approve the objective and quantifiable parameters determining the accrual thereof, as well as their relative weight.

The parameters include economic and other variables related to sustainability, including environmental and social factors. Each parameter is assigned a specific weight, as well as a minimum level above which it is considered to be achieved and another level above which it is considered fully achieved.

The Remuneration Committee evaluates performance in consultation with the Audit and Risk Supervision Committee and the Sustainable Development Committee and determines the level of achievement of the pre-established parameters.

The Company applies a long-term share-based incentive plan (strategic bonus) directed to executive directors, management personnel and other professionals who are considered to contribute decisively to the creation of value due to their position or responsibility within the group, consisting of the delivery of shares linked to the performance of the group in relation to the development of the Outlook, updated on Capital Markets & ESG Day.

The measurement of the targets for the 2020-2022 Strategic Bonus ended on 31 December 2022. To this end, the Remuneration Committee has been advised by an independent expert (PwC Asesores) for the evaluation of the parameters of the 2020-2022 Strategic Bonus. A reasoned proposal of the Remuneration Committee has been submitted to the Board of Directors for approval.

In view of the foregoing, the first delivery took place in financial year 2023 and during 2024 and 2025 and on occasion of each delivery of Iberdrola shares, there will be an evaluation as to whether it is appropriate to confirm or cancel, in whole or in part, the payment corresponding to each financial year, and also, if applicable, to claim reimbursement, in whole or in part, of the Iberdrola shares already delivered.

In addition, at the General Shareholders' Meeting held on 28 April 2023 the shareholders approved the 2023-2025 Strategic Bonus as a long-term share-based incentive linked to the Company's performance from 2023 to 2025 in relation to pre-determined financial, business and sustainable development parameters, which if achieved will be paid in 2026, 2027 and 2028. The criteria used, together with their associated weights and targets, have been disclosed *ex ante* in accordance with the Outlook communicated at the Capital Markets & ESG Day held in London in November 2022.

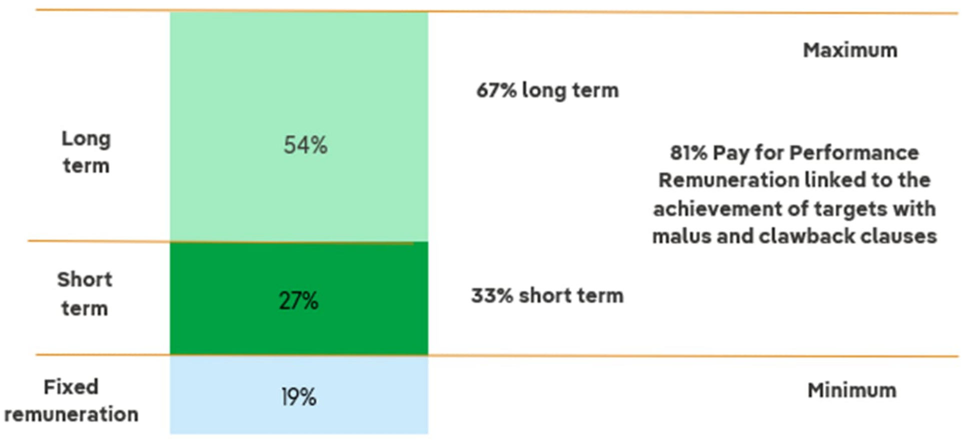
- Benefits: the remuneration system for officers (whether or not they are directors) will be supplemented by health, life and accident insurance and other benefits in line with the practice followed by companies with comparable capitalisation, turnover, complexity (including risk management and internal control), sustainability ambitions, ownership structure and international scope.
  The officers (whether or not they are directors) also have limited electricity allowances through rate concessions at their customary and permanent home or residence and at temporary homes.

Remuneration mix that seeks the creation of value considering all stakeholders and linked to the Company's performance, with establishment of challenging and clear objectives

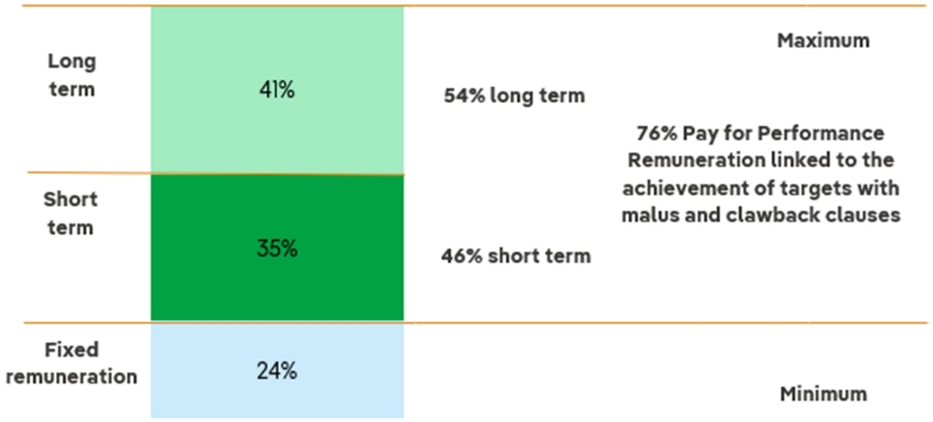
When determining the proportion of each element of total remuneration (remuneration mix), the Remuneration Committee continuously monitors market practices and trends, taking into account the Company's preference for strengthening variable remuneration linked to performance and the achievement of objectives.

The objectives to which the variable remuneration of the Executive Chairman and the Chief Executive Officer are linked, described in Section A.1.6 of this Report, project an ambitious and challenging scenario for the Company, which is not satisfied with simply continuing its profitable growth, being financially sound and being committed to the Sustainable Development Goals, but rather seeks to continue strengthening its global leadership in the energy transition and in decarbonisation as recognised by the stakeholders.

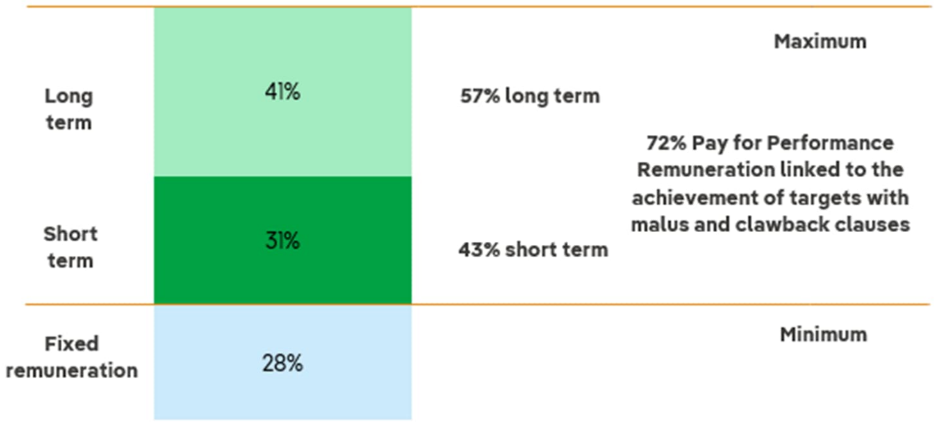
Executive chairman



Chief Executive Officer



Other officers



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.

Actions taken by the Company to help reduce excessive exposure to certain risks

As regards the different actions taken by the Company to help reduce excessive exposure to certain risks and align it with the Company's long-term objectives, values and interests, Iberdrola's Governance and Sustainability System contemplates the participation of the following:

Remuneration Committee

- Proposes to the Board of Directors the remuneration policies applicable to the directors and to the members of senior management, issuing the corresponding specific explanatory report required by Section 529 *novodecies* of the Companies Act.
- Regularly revises the Remuneration Policy, proposing any applicable amendment and update thereof to the Board of Directors.
- Performs an appropriate assessment of the independence of the external advisor if the participation thereof is required for the preparation of the Director Remuneration Policy.
- Proposes to the Board of Directors the system and amount of the annual remuneration of the directors, as well as the individual remuneration of the officers (whether or not they are directors) and the other basic terms and conditions of their contracts, including any potential compensation or severance payment that may be established in the event of removal.
- For short- and long-term variable remuneration, proposes to the Board the cancellation or reimbursement of remuneration that has been paid to the respective beneficiaries.

Audit and Risk Supervision Committee

- Pursuant to the Director Remuneration Policy, the Executive Chairman and the Chief Executive Officer may not transfer ownership of the shares received for a period of three (3) years unless they maintain a net financial exposure to changes in the share price having a market value equal to twice the annual fixed remuneration (Shareholding Guideline).

  The Executive Chairman holds all of the Iberdrola shares deriving from his remuneration plans since he joined the Company in 2001.
- Article 44 of the Regulations of the Board of Directors provides that the directors of Iberdrola must adopt the measures necessary to avoid entering into conflicts of interest pursuant to the provisions of law.

Long-term results of the Company

The ultimate goal of the Director Remuneration Policy is to help develop the *Purpose and Values*, such that the remuneration of the Company's directors is commensurate with the dedication and responsibility assumed, taking into consideration the Company's desire to lead the energy sector. This desire is based on aspects like the provision of a high-quality service through the use of environmentally-friendly energy sources, innovation, digital transformation in its area of activity, the fight against climate change, and commitment to a social dividend and the generation of employment and wealth in its surroundings.

Within this context, the Director Remuneration Policy is governed by the following principles, among others:

- Align the remuneration policy of the Company as a whole with the *Purpose and Values*, with the commitment to maximise the social dividend and with shareholder return, as these terms are defined in the By-Laws, and with the achievement of the long-term sustainability of the Company. All of the foregoing within the framework of the Iberdrola Group's commitment to all of its stakeholders.

- Ensure that the remuneration helps to achieve the strategic goals of Iberdrola, which are regularly published and updated.

In particular, the Remuneration Policy fosters and encourages the attainment of the strategic goals of the Company through the inclusion of long-term share-based incentives, strengthening continuity in the competitive development of the group, and generating a motivating effect that acts as a driving force to ensure the loyalty and retention of the best professionals.

Measures to avoid potential conflicts of interest

With respect to the measures established to avoid conflicts of interest, Article 44 of the Regulations of the Board of Directors provides that the Iberdrola's directors must adopt the measures required to avoid conflicts of interest as provided by law.

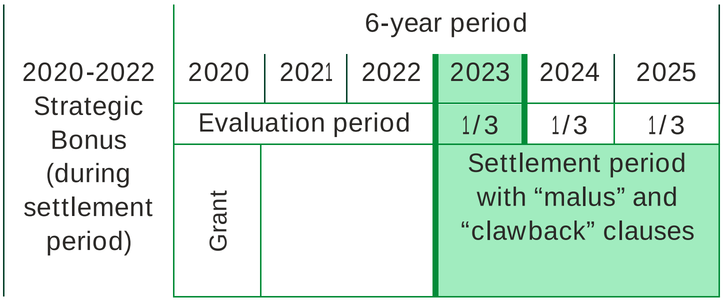
Articles 43, 45, 46 and 47 of the Regulations of the Board of Directors govern the obligation not to compete, the use of corporate assets, the use of non-public information for private purposes and the exploitation of business opportunities by the company. Conversely, Article 49 sets out the specific aspects on which the Board must report to the Company.

In addition, management personnel and other professionals of the Iberdrola Group attached to divisions or areas that report functionally to the Audit and Risk Supervision Committee or the Sustainable Development Committee of Iberdrola may not participate as beneficiaries of long-term variable remuneration, in order to ensure the necessary autonomy and independence of these functions, which are part of the second and third lines of defence, and to strengthen the effectiveness of the internal control system of the Iberdrola Group.

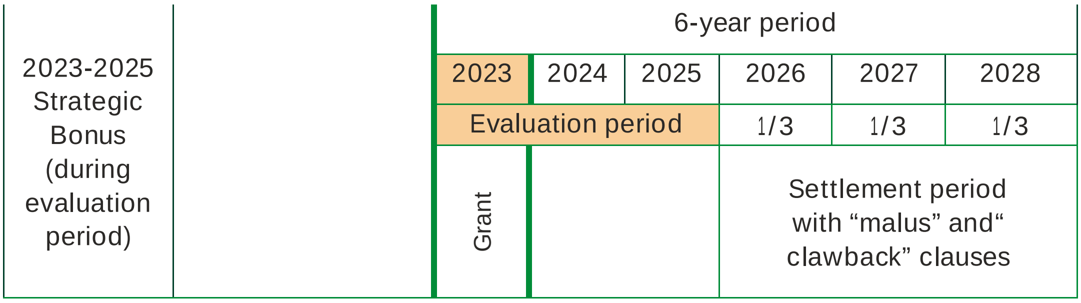
Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any 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 basic principles of the Director Remuneration Policy include **establishing adequate mechanisms so that the Company can obtain reimbursement of the variable remuneration components (both short- and long-term)** in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate ("malus" and "clawback" clauses).

In particular, Iberdrola's long-term variable remuneration system has a duration of six years, of which the initial three-year period is the period for evaluating the performance level compared to the parameters to which the plan is linked, and the next three financial years are the settlement period. Therefore, the delivery of shares under the multi-annual variable remuneration system is deferred for three years.



<table>
<tr><td rowspan="4">2020-2022 Strategic Bonus (during settlement period)</td><td colspan="6">6-year period</td></tr>
<tr><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td><td>2025</td></tr>
<tr><td colspan="3">Evaluation period</td><td>1/3</td><td>1/3</td><td>1/3</td></tr>
<tr><td>Grant</td><td colspan="2"></td><td colspan="3">Settlement period with “malus” and “clawback” clauses</td></tr>
</table>



<table>
<tr><td rowspan="4">2023-2025 Strategic Bonus (during evaluation period)</td><td rowspan="4"></td><td colspan="6">6-year period</td></tr>
<tr><td>2023</td><td>2024</td><td>2025</td><td>2026</td><td>2027</td><td>2028</td></tr>
<tr><td colspan="3">Evaluation period</td><td>1/3</td><td>1/3</td><td>1/3</td></tr>
<tr><td>Grant</td><td colspan="2"></td><td colspan="3">Settlement period with “malus” and“ clawback” clauses</td></tr>
</table>

In this regard, for each delivery of shares there will be an evaluation by the Board of Directors, upon a report from the Remuneration Committee, of whether to confirm or cancel, totally or partially, the payment corresponding to each financial year, and, if applicable, to claim the total or partial reimbursement of the shares already delivered (or the amount thereof in cash) in the event of a material restatement of the financial statements on which Iberdrola's Board of Directors based the evaluation of the performance level, provided that said restatement is confirmed by the external auditors and is not due to a change in accounting rules, and further provided that the foregoing reformulation results in the delivery of a number of shares lower than the one originally provided or the delivery of no shares at all.

In the case above the Company shall decide on the number of Iberdrola shares, if any, to be returned within a period of thirty (30) days, calculated for each beneficiary as the difference between the following amounts:

- Number of shares delivered during the financial year in which the triggering event has occurred.
- Number of shares to be delivered, resulting from the new calculation as a result of the occurrence of the triggering event.

For each delivery of shares, prior to accrual and payment, 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” clauses), and even to demand the total or partial return of amounts already paid (“clawback”). These circumstances include fraud, serious violation of the law, and a material restatement of the financial statements on which the Board of Directors based the evaluation of the performance level, provided that said restatement is confirmed by the external auditors and is not due to a change in accounting rules.

A.1.3. Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such

The remuneration to which directors are entitled in their capacity as such is structured in accordance with the following criteria within the framework of law and the By-Laws:

1. Directors receive a fixed annual amount in line with benchmarks, based on the positions they hold within the Board of Directors and the committees of which they are members.
2. The maximum amount of annual remuneration to be paid to the directors as a whole in their capacity as such (excluding any potential compensation for their non-compete commitment) is €9,000 thousand in each financial year in which this Policy is in effect.

From 2008 until 2023, the Board of Directors, upon a proposal of the Remuneration Committee, has unanimously decided to maintain unchanged the amounts of fixed remuneration of the directors in their capacity as such, which are presented below:

Fixed remuneration of the directors for belonging to the Board of Directors and to the committees thereof (€ thousands annually):

- Chairman of the Board: 567
- Vice-chairs of the Board and/or Chair of any of the Committees: 440
- Member of the Board: 165
- Member of any of the committees: 88

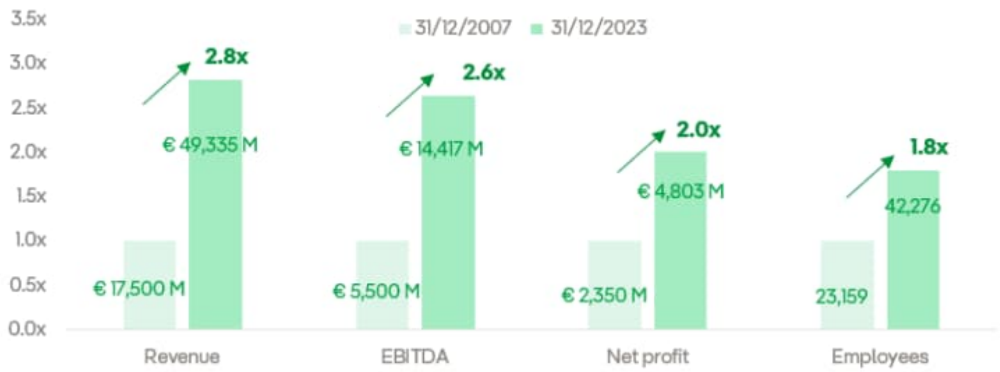
Attendance fees:

Fees received by the directors for attending the meetings of the Board of Directors and of the committees thereof (€ thousands per meeting)

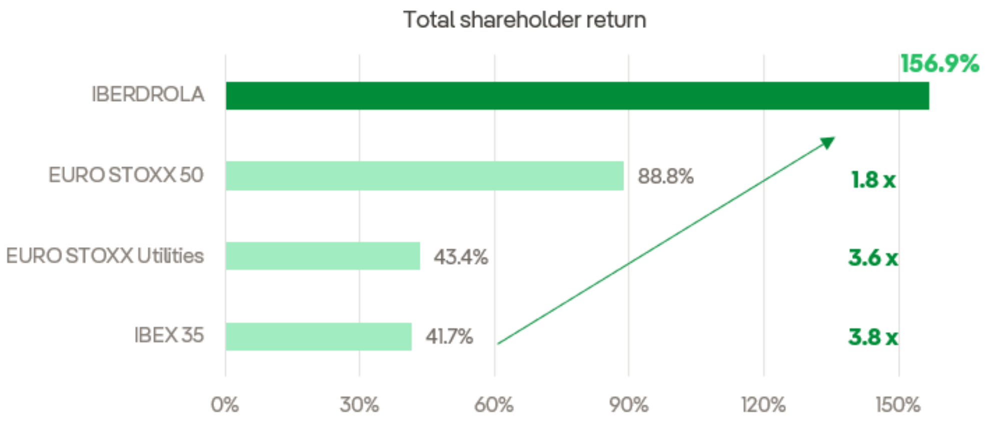
- Chairman and Vice-chairs of the Board: 6
- Chairs of the committees: 6
- Members of the Board and of the committees thereof: 4

Between 2008 and 2023 Iberdrola has significantly increased its international presence, operating in multiple markets to become a **global player in the energy sector that has tripled its revenues and doubled its workforce during this period**.

Based on the performance of the Company during the period from 2008 to 2023, as well as total shareholder return during the reference period (the details of which are presented below), the amounts of fixed remuneration of the directors in their capacity as such for financial year 2024 are being reviewed within the framework of the new Director Remuneration Policy to be submitted to the shareholders at Iberdrola's next General Shareholders' Meeting.



At the same time, the capitalisation has gone from €51,900 million in 2007 to €75,400 million in 2023, which represents an increase of 1.5x.



A.1.4. 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 Executive Chairman and the Chief Executive Officer shall be entitled to receive fixed remuneration for the dedication and responsibility involved in the performance of their duties.

The Executive Chairman Mr José Ignacio Sánchez Galán and the Chief Executive Officer Mr Armando Martínez Martínez are the two directors who receive fixed remuneration for senior management functions.

- 2024 amount

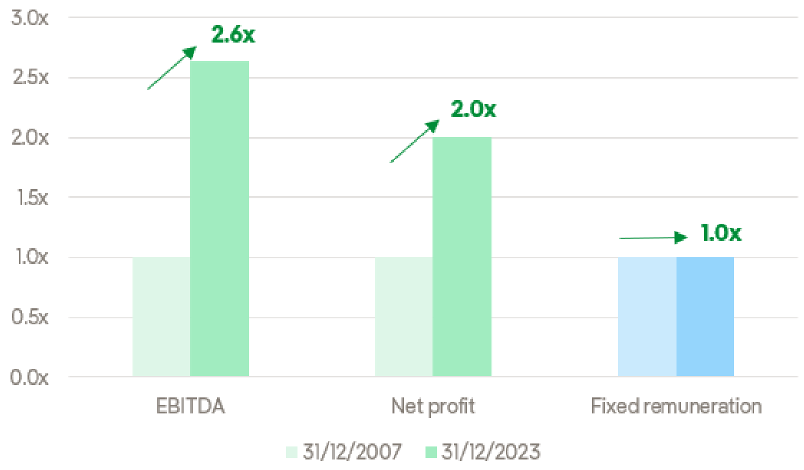
  The Board of Directors, upon a proposal of the Remuneration Committee, approved maintaining unchanged the fixed remuneration of the Executive Chairman and of the Chief Executive Officer for 2024, in the following amounts:

  Executive Chairman €2,250 thousand and Chief Executive Officer €1,000 thousand.

- Trends

It should be noted that the fixed remuneration of the **Executive Chairman has remained unchanged since 2008**.

Meanwhile, between 2008 and 2023, Iberdrola has significantly increased its international presence, operating in multiple markets to become a global player in the energy sector that has tripled its revenues and doubled its workforce during this period.



The fixed remuneration of the **Chief Executive Officer has remained unchanged since his appointment** on 25 October 2022. The aforementioned remuneration began to apply as from said date.

A.1.5. 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 includes the subsidised electricity rate, health insurance and accident insurance. The estimated cost of all remuneration in kind will be similar to the cost reflected in Section B.14 of this Report.

A.1.6. 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 Chairman and the Chief Executive Officer.

Short-term variable remuneration (annual bonus)	
Purpose	Short-term variable remuneration is intended to incentivise the achievement of the group's annual objectives and those specific to the position, aligning dedication and efforts with the business strategy.
2024 metrics	Each metric has a related achievement scale where a minimum threshold and an upper limit are set. If the minimum performance level is not reached, no annual variable remuneration will accrue. For each of the metrics, any intermediate results will be calculated by linear interpolation. Short-term variable remuneration is subject to the achievement of clear objectives that are disclosed *ex post* due to the strategic sensitivity of the targets set. Executive chairman Economic/financial objectives - specific weight of 700 out of 1,000: - Growth in net profit (weight of 300 out of 1,000). - Increase shareholder remuneration in line with growth in net profit (weight of 200 out of 1,000). - Financial soundness: FFO/Net Debt (weight of 200 out of 1,000). Sustainable development goals – Non-financial - specific weight of 300 out of 1,000:

	- Diversity and inclusion (weight of 75 out of 1,000). - Presence on international indices (weight of 150 out of 1,000). - Cybersecurity (weight of 75 out of 1,000). Chief Executive Officer Economic/financial objectives - specific weight of 600 out of 1,000: - Growth in net profit (weight of 400 out of 1,000). - Financial soundness: FFO/Adjusted Net Debt (weight of 200 out of 1,000). Growth objective - specific weight of 300 out of 1,000: - Profitable growth of projects (weight of 150 out of 1,000). - Liberalised and regulation (weight of 150 out of 1,000). Sustainable development goals – Non-financial - specific weight of 100 out of 1,000: - Diversity and inclusion (weight of 50 out of 1,000). - Safety, health and well-being (weight of 50 out of 1,000). These objectives for both the Executive Chairman and the Chief Executive Officer were approved by the Board of Directors, upon a proposal of the Remuneration Committee, at its meeting on 20 February 2024.
2024 maximum amount	Executive Chairman For 2024, the Board of Directors has resolved to maintain the same level as in 2023. The maximum limit of annual variable remuneration is 144% of the annual fixed remuneration and will be reached in the event of 100% compliance with the pre-established objectives, which is lower than the maximum limit established in the current Policy, which is 200% of the Executive Chairman's fixed remuneration for that financial year. Chief Executive Officer For 2024, the Board of Directors has resolved to maintain the same level as in 2023. The maximum limit of annual variable remuneration is 150% of the annual fixed remuneration and will be reached in the event of 100% compliance with the pre-established objectives, which is lower than the maximum limit established in the current Policy, which is 200% of the Chief Executive Officer's fixed remuneration for that financial year.
Operation	The Remuneration Committee evaluates the performance of the Executive Chairman and the Chief Executive Officer, for which purposes it may rely on the advice of an independent expert, and submits a reasoned proposal to the Board of Directors for approval thereof. The annual variable remuneration is paid entirely in cash once the annual financial statements have been prepared by the Board of Directors and subsequently audited. The Board of Directors shall also

	consider the overall economic/financial and operational performance of the Company in evaluating performance.
Malus and clawback clauses	Possible cancellation of pending payments and reimbursement of the amounts delivered (“malus” and “clawback” clauses).

Long-term variable remuneration (strategic bonus)	
Purpose	Finally, multi-annual variable remuneration encourages commitment to the Iberdrola Group’s business enterprise over the long term, linking a portion of remuneration to the creation of value for the shareholders as well as to the sustainable achievement of the strategic objectives of the Company and the maximisation of its social dividend and shareholder return. Multi-annual variable remuneration is linked to the Company’s performance and long-term interests and is implemented through share delivery plans linked to the achievement of long-term objectives, which are approved *ex ante* by the shareholders at a General Shareholders’ Meeting. These long-term plans typically have a duration of six years (three for performance evaluation and three for settlement).
Current plans: 2020-2022 Strategic Bonus (in settlement period)	
	During financial year 2024, and upon a report from the Remuneration Committee, there will be a second delivery of shares corresponding to the payment of the 2020-2022 Strategic Bonus approved at the General Shareholders’ Meeting held on 2 April 2022 on the terms described in Section B.7 of this Report. The Remuneration Committee has confirmed the validity of the grounds for settlement of the second instalment.
Current plans: 2023-2025 Strategic Bonus (in evaluation period)	
	At the General Shareholders’ Meeting held on 28 April 2023, shareholders approved the 2023-2025 Strategic Bonus as a long-term incentive linked to the Company’s performance in relation to certain parameters, any payment of which will occur during 2026-2028. **The 2023-2025 Strategic Bonus was approved at the General Shareholders’ Meeting by 92%**. Management personnel and other Iberdrola professionals who are deemed to make a decisive contribution to the creation of sustainable value due to their position or responsibility within the Company may participate as beneficiaries in the 2023-2025 Strategic Bonus. Like the preceding 2020-2022 Strategic Bonus, the number of beneficiaries of the 2023-2025 Strategic Bonus will not exceed a maximum of 300 people. The maximum number of shares to be delivered to all the beneficiaries of the 2023-2025 Strategic Bonus shall be equal to the 14,000,000 shares established in the 2020-2022 Strategic Bonus, equal to 0.22% of

the share capital, of which approximately 2,500,000 shares, equivalent to 0.04% of the share capital, will correspond to the Executive Chairman and the Chief Executive Officer.

These bonuses are not implemented by means of capital increases or similar instruments.

Metrics

The Company's performance as at 31 December 2025 will be evaluated based on the following financial, business and sustainable development parameters, which project an ambitious and challenging scenario for a company that is not satisfied with simply continuing its profitable growth, being financially sound and being committed to the Sustainable Development Goals, but rather seeks to continue strengthening its global industry leadership in the energy transition and decarbonisation. The metrics established for the 2023-2025 Strategic Bonus were aligned with the strategy announced by Iberdrola at its Capital Markets & ESG Day in November 2022, which was positively received by the market.

1. Exceed the current Outlook. A target of consolidated net profit of €5,400 million is established for the Iberdrola Group in 2025, representing an increase of approximately 25% over the Iberdrola Group's record consolidated net profit achieved in 2022. This parameter will be deemed not to have been met if the consolidated net profit for financial year 2025 does not reach the previous record of €5,000 million, despite the difficult macroeconomic context and geopolitical instability.

   The specific weight in the overall performance evaluation in the 2023-2025 period will be 30% for the Iberdrola Group's consolidated net profit parameter.

Weight	Metric	Minimum 0%	Maximum 100%
30%	Consolidated net profit at year-end 2025	€5,000 M	€5,400 M

2. Increase total shareholder return of the Company during the 2023-2025 period compared to total shareholder return for the Euro STOXX Utilities Index. The objective is to once again outperform the Euro STOXX Utilities Index by at least 5 percentage points over the 2023-2025 period, an ambitious target considering the geographic diversification of the businesses of the Iberdrola Group's companies. **As not all participants in this Index are exposed to the same volatility in share prices**, given the limited exposure of companies like Iberdrola to different economic regions, the Remuneration Committee has deemed it necessary to take this volatility into account when defining this metric.
   It shall be deemed that this parameter is not met if the Company's total shareholder return is at least 5 percentage points less than the return for the Euro STOXX Utilities Index.

The specific weight in the overall performance evaluation in the 2023-2025 period will be 20% for the Company's total shareholder return parameter.

Weight	Metric	Minimum 0%	Maximum 100%
20%	Total Shareholder Return (TSR) compared to the Euro STOXX Utilities index	Contents - 5 pp	Contents ≥ 5 pp

3. Parameters relating to financial targets:
   a. Maintain financial strength as measured by the Company's long-term credit rating. The objective is to maintain the following long-term credit ratings for the Company by the end of financial year 2025 according to at least two of the three rating agencies: BBB+ according to Standard & Poor's, Baa1 according to Moody's and BBB+ according to Fitch Ratings. This parameter shall be deemed to have not been met if the Company's long-term credit rating according to at least two of the three rating agencies is below BBB+ according to Standard & Poor's, Baa1 according to Moody's or BBB+ according to Fitch Ratings.
   b. Increase ESG financing, understood as all financial instruments (loans, credit facilities, bonds, notes, etc.) issued in accordance with the green financing frameworks of the Company or its subsidiaries or linked to sustainability goals. The target is established for new ESG financing issued by the Iberdrola Group between 2023 and 2025 to represent at least 80% of the total new financing issued by the Iberdrola Group during this period. This parameter will be deemed not to have been met if the new ESG financing issued by the Iberdrola Group between 2023 and 2025 represents less than 80% of the total new financing issued by the Iberdrola Group during this period.

The specific weight in the overall performance assessment is 20% for parameters related to financial targets. The first indicator (maintaining financial strength) will be weighted 15 percentage points, while the second indicator (ESG financing) will be weighted 5 percentage points.

Weight	Metric	Minimum 0%	Maximum 100%
15%	Maintain the Company's financial strength as measured by the long-term credit ratings at year-end 2025	Two agencies < BBB+ or Baa1	Two agencies BBB+ or Baa1
5%	ESG financing measured as the percentage that new ESG financing issued between 2023 and 2025 represents of all new financing issued during this period	< 80%	≥ 80%

4. Parameters relating to the Sustainable Development Goals ("SDGs"):

a. Reduction in intensity of CO2 emissions specific to the Iberdrola Group, as a benchmark linked to SDGs 7 (Affordable and Clean Energy) and 13 (Climate Action). This parameter will be deemed to have been met if, considering a normal rainfall period, a level of 70 grCO2/kWh or less is achieved in the intensity of own CO2 emissions in 2025. This goal represents a demanding 27% reduction compared to the Iberdrola Group's 2021 specific CO2 emissions intensity and an even greater reduction compared to the 200 grCO2/kWh of the average 2021 specific CO2 emissions intensity of all the electricity companies on the Euro STOXX Utilities Index. This parameter will be deemed not to have been met if the specific CO2 emissions intensity in 2025 exceeds 88 grCO2/kWh.

b. Increase the number of suppliers subject to sustainable development policies and standards, such as having: (i) a human rights strategy; (ii) a supplier code of conduct; (iii) health and safety standards (SDG 3); and (iv) a global environmental sustainability strategy, including strategies on water (SDG 6), energy (SDG 7) and biodiversity (SDGs 14 and 15). The goal is to ensure that by 2025, at least 85% of the Iberdrola Group's main suppliers (those billing the Iberdrola Group more than one million euros) are subject to these policies, which represents an increase of 6.25% compared to year-end 2022. This parameter will be deemed not to have been met at year-end 2025 if the percentage is less than 80% (corresponding to the percentage of sustainable main suppliers of the Iberdrola Group at year-end 2022).

c. Increase the number of women in senior positions of the Iberdrola Group, corresponding to management positions in accordance with SDGs 5 (Gender Equality) and 10 (Reducing Inequalities). The target is established for at least 30% of the Iberdrola Group's senior positions to be held by women by 2025, which represents an increase of 15.38% over year-end 2022. This parameter will be deemed not to have been met at year-end 2025 if the percentage is less than 26% (corresponding to the percentage of women in senior positions of the Iberdrola Group at year-end 2022).

The specifics 30% for parameters related to the SDGs. Each of the three indicators will contribute 10 percentage points.

Weight	Metric	Minimum 0%	Maximum 100%
10%	Specific CO2 emissions intensity by year-end 2025	> 88 gr CO2 kWh	≤ 70 gr CO2 kWh
10%	Number of suppliers subject to sustainable development policies and standards by year-end 2025	< 80%	≥ 85%
10%	Percentage of women in senior positions by year-end 2025	< 26%	≥ 30%

Maximum amount	Maximum number of shares to be delivered for the entire 2023-2025 Strategic Bonus: Executive Chairman Up to a maximum of 1,900,000 shares. Chief Executive Officer Up to a maximum of 500,000 shares. These shares will be delivered through shares purchased in the market, and not through the issue of new shares.
Operation	Duration: six years, with an evaluation period from 2023 to 2025 and a settlement period from 2026 to 2028, in equal parts each year. The Board of Directors, upon a proposal of the Remuneration Committee, which may be assisted by an independent expert, must evaluate the Company's performance regarding the goals described above and determine the level of achievement thereof. For each share delivery during 2027 and 2028, the Remuneration Committee will confirm the continued validity of the grounds on which the shares were delivered.
Malus and clawback clauses	Possible cancellation of pending payments and reimbursement of the shares delivered ("malus" clause and "clawback" clauses).

A.1.7. Long-term savings schemes for officers (whether or not they are directors)

The members of the management team are insured under a long-term savings scheme, implemented through an insurance policy that provides coverage for the supplementary social security contributions regime established to enhance the regime that would apply to them pursuant to applicable law and the Collective Bargaining Agreement.

This is a defined contribution plan applicable for retirement, death and disability for any reason, meaning that the management team will have the financial rights acquired at the normal retirement age, and the grounds for any early termination of the contractual relationship will determine the rights thereof. The policy expressly acknowledges that in the event of cessation of office or resignation or improper payment, the Policyholder undertakes to pay the amount that has been surrendered under the policy in relation to the retirement contingency.

The Chief Executive Officer Mr Armando Martínez Martínez is insured under the group life insurance policy described above, with an undertaking assumed when he was a member of senior management, and which has not been changed as a result of his appointment as Chief Executive Officer. Details of the amount accrued in financial year 2023 by the Chief Executive Officer in respect of long-term savings schemes, from the commitment acquired when he was a member of senior management, are set out in Section C.1.a) of this Report.

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

The Executive Chairman Mr José Ignacio Sánchez Galán is not a participant in any long-term savings schemes (pensions).

A.1.8. Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, on 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

No non-executive director shall receive any compensation for termination or early cessation of office or due to termination of the contractual relationship. However, non-executive directors, with the exception of proprietary directors, must abide by the commitment not to compete, which consists of the following:

Commitment to not compete:

A director who ends the term of office to which the director was appointed or who, for any other reason, ceases to act as such, may not be a director or officer of, or provide services to, any entity whose object is similar, in whole or in part, to that of the Company or which is a competitor of the Company, for a term of two years. The Board of Directors may, if it deems it appropriate, relieve the outgoing director from this obligation or shorten the period thereof.

In the case of cessation of office prior to the end of the period for which they were appointed, non-executive directors who are not proprietary directors shall have the right to receive compensation for the two-year commitment not to compete unless their cessation is due to a breach of the duties of director attributable thereto or to the provisions of the succession plan included in the General Corporate Governance Policy, or to the sole decision thereof.

Cessation of office shall not be considered to be due exclusively to the decision of the director if resignation occurs on occasion of the acceptance of a public office that is incompatible with the holding of the position of director. The compensation for the commitment not to compete, if applicable, 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 of office is maintained), with a maximum equal to two times 90% of such annual fixed amount.

During the period under review, no non-compete payments were made to directors in their capacity as such.

A.1.9. Contract terms and conditions

The basic terms and conditions of the contracts of the officers (whether or not they are directors) are as follows:

Basic terms of the contracts	
Duration	The contracts of the Company's officers (whether or not they are directors) are of indefinite duration.
Applicable legal provisions	The contracts with the officers of the Company are governed by the legal provisions applicable to senior officer special employment relationship agreements or by such special terms and conditions of the common employment system (*regimen laboral comun*) as are determined by the Company or as legally apply from time to time. The regulations applicable to the contracts of the Executive Chairman and Chief Executive Officer are those provided for by the legal system in each case, based on commercial law.
Compliance with the Governance and Sustainability System	All of the officers of the Company (whether or not they are directors) have the duty to strictly observe the rules and provisions contained in the Company's Governance and Sustainability System to the extent applicable thereto.
Non-compete clause	The contracts with the officers 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 and of the other companies of the Group, during the term of their relationship with the Company and for a period of not less than one year following termination thereof, and also provide for payment, for each year of duration of such agreement not to compete, of an amount equal to 50% of the fixed remuneration received during the last full financial year. The contractual relationship with the Executive Chairman establishes 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 his relationship with the Company and for a period of three years (it was two years) after the termination of the contract. In compensation for this commitment, he is entitled to a severance payment equal to two times annual remuneration, as indicated in Section B.11. In the case of the Chief Executive Officer, during the term of the contract and for one year after the termination thereof. In compensation for this post-contractual commitment not to compete, he is entitled to compensation equal to one times his annual fixed remuneration, which is in any case included in the severance payment for termination of contract, if one exists.
Confidentiality and return of documents	A rigorous duty of confidentiality is established, which must be assumed by the professional and complied with both during the term of the contract and once the relationship has terminated, with the Company reserving the right to bring such legal actions as may be appropriate to defend its interests. In addition, the professional must return to the Company any documents and items relating to the professional's activity that are in the possession thereof upon termination of the

	relationship with the Company, in accordance with such terms and conditions as are set forth by the Company.
Indemnification	The contracts of the officers contemplate financial compensation in the event of termination of the contractual relationship with the Company, provided that such termination does not occur exclusively due to the professional's decision to withdraw or as a result of a breach of the duties thereof. The amount of the severance payment is established in accordance with length of service and the reasons for the professional's withdrawal from office, up to a maximum of five times annual salary. A limit of two times annual salary started to apply to new contracts with officers signed as from 2011. When the current Executive Chairman joined the Company in 2001, the Company 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. Although the treatment in effect for such officers was applied to him at that time, he would currently be entitled to two times annual remuneration as severance pay (it was three times the prior year) for instances in which a severance payment was required for termination of contract, as indicated in Section B.11. The Chief Executive Officer is entitled to receive severance pay equivalent to two times annual remuneration in the event of termination of his relationship with the Company, provided that said termination is not due to a breach attributable to the beneficiary or solely due to a voluntary decision thereof. This severance payment for termination of contract includes compensation for the commitment not to compete. From 2001 to 31 December 2023, the number of officers with a compensation limit of more than two annuities has been reduced by approximately 90 %.
Application of "malus" and "clawback" clauses	Provided for in contracts with officers of the Company (whether or not they are directors), for both short-term variable remuneration and long-term variable remuneration.

A.1.10. 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.

A.1.11. Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration

The Director Remuneration Policy does not contemplate the granting of advances, loans or guarantees by the Company.

A.1.12. 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 Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021 provides that officers of the Group (whether or not they are directors) 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 external directors. Along these lines, it is estimated that during 2024 the Executive Chairman of Iberdrola will receive an amount equivalent to the amount set forth in Section C.1.b) of this Report for his positions as chairman of the boards of directors of Neoenergia, S.A. and AVANGRID, Inc.

Both companies of the Iberdrola Group commission an independent external adviser to conduct a comparative analysis of the total remuneration of the directors, with a comparison group that includes a group of comparable companies in terms of size, ensuring alignment with the market.

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

A.2.a) A new policy or an amendment to a policy already approved by the General Meeting.

A.2.b) 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.

A.2.c) 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.

The Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021 has been in force since the financial year of its approval and during financial years 2022, 2023 and 2024.

The text thereof complies with the amendments made by Section 529 *novodecies* of the Spanish Companies Act (*Ley de Sociedades de Capital*), which came into force after the approval of this Policy by the shareholders at the General Shareholders' Meeting.

Pursuant to Section 529 *novodecies* of the Companies Act, proposals for new director remuneration policies must be submitted to the General Shareholders' Meeting prior to the end of the last financial year of application of the previous policy.

Taking the foregoing into account, a new Director Remuneration Policy will be submitted for approval at the General Shareholders' Meeting to be held in 2024, effective as from the time of its approval and for the next three financial years, i.e. 2025, 2026 and 2027.

The Board of Directors, continuing with Iberdrola's devotion to leadership in the energy sector, will take into consideration the information received as a result of the ongoing two-way dialogue between the Company represented by the heads of Investor Relations, ESG and the Office of the General Secretary and Secretary of the Board, and in some cases, with the participation of a member of the Board of Directors, and its shareholders (retail and institutional) and proxy advisors. The Board of Directors also takes into consideration both the best practices identified at other listed companies and regarding the directors and the officers (whether or not they are directors), the general remuneration schemes of the professionals of the Iberdrola group.

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

The Policy is available at the following link, in compliance with the **accessibility policy**:

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.

The consultative vote on the Annual Director Remuneration Report for financial year 2022 yielded approximately **88% votes in favour at the 2023 General Shareholders' Meeting**, which represents an increase of approximately 13 percentage points compared to the previous year.

The Remuneration Committee has devoted special attention to the continuous improvement of the Annual Director Remuneration Report, developing a specific action plan that includes the following measures:

- Analysis of the main concerns of institutional investors through continuous two-way contact.
- Analysis of the main reasons for negative shareholder voting.
- Analysis of the main concerns of the proxy advisors.
- Analysis of the voting policies of the main institutional investors.
- Analysis of remuneration best practices observed at comparable companies and global companies.
- Design of an action plan with specific activities, commitments and future requirements in terms of disclosure of information.
- Implementation of improvements in the disclosure of information in the Annual Director Remuneration Report for financial year 2023.

B. Summary of the application of the directors and officers remuneration policy in 2023

B. Summary of the application of the directors and officers remuneration policy in 2023

The Director Remuneration Policy applied in financial year 2023 was the Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021, the application of which covers the financial year of its approval and financial years 2022, 2023 and 2024.

B.1.1. Process followed to implement the remuneration policy and determine individual remuneration and the role played by the Remuneration Committee, the Board of Directors and any activities of external advisors

Within the overall limit established by the By-Laws and pursuant to the provisions of law and the Director Remuneration Policy, the Board of Directors, upon a proposal of the Remuneration Committee, sets 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 Iberdrola's shares, which must be approved by the shareholders acting at a General Shareholders' Meeting.

At 31 December 2023 and as of the date of preparation of this Report, Iberdrola's Remuneration Committee is made up of three members, 67% of whom are independent directors (two members) and 33% of whom are other external directors (one member).

- Mr Juan Manuel González Serna (chair, independent).

- Mr Iñigo Víctor de Oriol Ibarra (member, other external).

- Mr Manuel Moreu Munaiz (member, independent).

- Mr Iñigo Sagardoy de Simón (secretary, non-member).

The biography, profile and expertise of the members of the Remuneration Committee is available through the following link:

https://www.iberdrola.com/corporate-governance/board-directors/remuneration-committee

These are profiles with significant experience in the energy and industrial engineering sectors, as well as in other sectors, with expertise in remuneration systems, human capital and talent, among other areas.

The Remuneration Committee met 10 times during 2023, with the attendance of all its members, and it devoted special attention to the priorities set out in the Activities Report of the Board of Directors and of the Committees thereof, specifically:

- Determination of short-term variable remuneration targets (annual bonus).
- Determination of the percentage of compliance with the targets to which the 2020-2022 Strategic Bonus is linked and payment of the first tranche.
- Definition of the Strategic Bonus for the 2023-2025 period and acknowledgement of designation of new beneficiaries.

- Review of best practices on the remuneration of directors taking into account the main recommendations of institutional investors as well as best practices identified at comparable companies. Specifically, in the area of remuneration reporting and information in the annual director remuneration reports.
- Continuous improvement of the Annual Director Remuneration Report.
- Analysis of the feedback received from retail and institutional shareholders and proxy advisors during the year with a view to developing and presenting a new policy at the General Shareholders' Meeting in 2024.
- Review of trends in remuneration parameters used at comparable companies and global companies, such as the inclusion of indicators aligned with the objectives of the ESG strategy and review of their alignment with Iberdrola's strategic objectives.
- Review of directors' fixed remuneration to determine its competitiveness vis-à-vis comparable companies.
- Review of the general remuneration programmes for the workforce, assessing the suitability and results thereof.
- Review of the results of the external competitive analyses presented by independent external advisors on remuneration in order to determine Iberdrola's remuneration practices.

In compliance with the good practices and recommendations established in "Technical Guide 1/2019 on Nomination and Remuneration Committees", the Remuneration Committee has received support from independent external advisers. In this regard, in all of its decision-making processes, the Remuneration Committee has 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 PwC Asesores was relied upon to evaluate the performance of the Executive Chairman and the Chief Executive Officer during financial year 2023 and the parameters of the 2020-2022 Strategic Bonus.

Taking into account Iberdrola's commitment to understanding its shareholders (retail and institutional) and proxy advisors, the Remuneration Committee has continued to work on the action plan in the following areas:

- Analysis of the main concerns expressed by the main proxy advisors in connection with the Annual Director Remuneration Report and, if applicable, the Remuneration Policy of Iberdrola.
- Analysis of voting policies in remuneration matters among Iberdrola's main institutional investors.
- Analysis of remuneration and transparency practices (remuneration policies and reports) of comparable international and domestic companies to identify changing trends in these areas.

Furthermore, in February 2023, the Remuneration Committee received a comparative analysis of the total remuneration of the Executive Chairman and the Chief Executive Officer and best practices from an independent external advisor (Ernst & Young Abogados, S.L.P) . It was considered appropriate to maintain the criteria for identifying the selection of a group of global companies similar in size to Iberdrola in terms of capitalisation, turnover, complexity (including risk management and internal control), sustainability ambitions, ownership structure and international presence. Therefore, the above analysis was carried out in accordance with the procedure described in Section A.1.1 of this Report.

B.1.2. Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year

There were no deviations from the established procedure during financial year 2023.

B.1.3. Indicate whether any temporary exception has been applied to the remuneration policy and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the entity believes that these exceptions have been necessary to serve the long-term interests and sustainability of the society as a whole or ensure its viability. Similarly, quantify the impact that the application of these exceptions has had on the remuneration of each director over the year.

No temporary exception was applied in financial year 2023.

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, 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. Ensure 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.

As already explained in Section A.1.2 of this Report, the Remuneration Policy fosters and encourages the attainment of the strategic goals of the Company through the inclusion of long-term incentives, strengthening continuity in the competitive development of the group, and generating a motivating effect that acts as a driving force to ensure the loyalty and retention of the best professionals, thus ensuring alignment of the interests of the directors and the stakeholders, including the shareholders.

The Director Remuneration Policy includes establishing adequate mechanisms so that the Company can obtain reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate ("malus" and "clawback" clauses).

The plans typically have a duration of six years, of which the initial three-year period is the period for evaluating the performance level compared to the parameters to which the plan is linked, and the next three financial years are the settlement period. Therefore, the delivery of shares under the multi-annual variable remuneration system is deferred for three years.

<table>
<tr><td rowspan="4">2020-2022 Strategic Bonus (during settlement period)</td><td colspan="6">6-year period</td></tr>
<tr><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td><td>2025</td></tr>
<tr><td colspan="3">Evaluation period</td><td>1/3</td><td>1/3</td><td>1/3</td></tr>
<tr><td>Grant</td><td colspan="2"></td><td colspan="3">Settlement period with “malus” and “clawback” clauses</td></tr>
</table>

<table>
<tr><td rowspan="4">2023-2025 Strategic Bonus (during evaluation period)</td><td rowspan="4"></td><td colspan="6">6-year period</td></tr>
<tr><td>2023</td><td>2024</td><td>2025</td><td>2026</td><td>2027</td><td>2028</td></tr>
<tr><td colspan="3">Evaluation period</td><td>1/3</td><td>1/3</td><td>1/3</td></tr>
<tr><td>Grant</td><td colspan="2"></td><td colspan="3">Settlement period with “malus” and“ clawback” clauses</td></tr>
</table>

In this connection, for each delivery of Iberdrola shares there will be an evaluation of whether to confirm or cancel, totally or partially, the payment corresponding to each financial year, and, if applicable, to claim the total or partial reimbursement of the Iberdrola shares already delivered (or the amount thereof in cash) in the event of a material restatement of the financial statements on which Iberdrola's Board of Directors based the evaluation of the performance level, provided that said restatement is confirmed by the external auditors and is not due to a change in accounting rules, and further provided that the foregoing reformulation results in the delivery of a number of Iberdrola shares lower than the one originally provided or the delivery of no shares at all.

As regards the balance between fixed and variable components of remuneration, see the explanation of the remuneration mix in Section A.1.2 of this Report.

B.3. Explain how the remuneration accrued and consolidated over the financial the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the company's long-term and sustainable performance.

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 directors' 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 2023 fully conforms to the current Director Remuneration Policy. In this regard:

- The overall limit established in Article 48.1 of the By-Laws is not exceeded, pursuant to which the amount that the Company annually allocates as director remuneration is limited to a maximum amount equal to 2% of the profits obtained by the consolidated group during the financial year, once the legal and other mandatory reserves have been covered and if there has been an issuance to the shareholders of a dividend of at least 4% of the share capital.
- It has been set and approved by the competent bodies in compliance with the established procedure; in this regard, the Remuneration Committee, pursuant to the provisions of Article 3 of the Regulations thereof, proposes to the Board of Directors the remuneration policies applicable to the directors and to the members of senior management and regularly revises them, proposing, if applicable, the amendment and update thereof to the Board of Directors. The Remuneration Committee submits the proposed Director Remuneration Policy to the Board of Directors for approval and subsequent submission to the shareholders at the General Shareholders' Meeting, issuing the corresponding specific explanatory report required by Section 529 novodecies of the Companies Act.
- It abides by the principles and structure of remuneration provided for in the Director Remuneration Policy, which have been described in Sections A.1.1 and A.1.2 of this report.
- The annual fixed remuneration to be paid to the directors does not exceed the limits established in said Policy.

The remuneration packages of the Executive Chairman and of the Chief Executive Officer have the following characteristics, which ensures their consistency with the long-term strategy, interests and sustainability of the Company:

- Total remuneration, as described in Section A.1.2 of this Report, is mainly composed of the following elements:
  - Fixed remuneration.
  - Short-term variable remuneration (annual bonus).
  - Long-term variable remuneration (strategic bonus).
- The short-term variable remuneration (annual bonus) of the Executive Chairman and of the Chief Executive Officer is linked to the group's annual objectives and those specific to the position, aligning dedication and efforts with the business strategy.

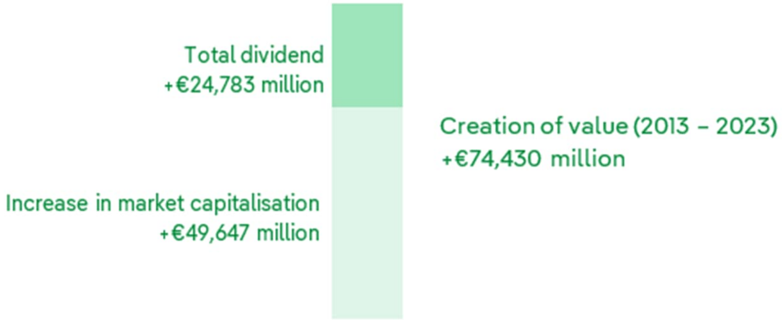
  In the case of the Executive Chairman, his objectives for 2023 include three (3) economic/financial metrics with a weight of 50% and three (3) metrics relating to sustainable development, with a weight of 50%. In the case of the Chief Executive Officer, his objectives for 2023 include two (2) economic/financial metrics with a weight of 60%, two (2) growth metrics with a weight of 30%, and one (1) metric relating to sustainable development, with a weight of 10%. These metrics are pre-determined, quantifiable and auditable and they are linked to Iberdrola's Outlook as updated on Capital Markets & ESG Day. A description of the metrics to which variable remuneration is linked can be found in Section B.7 of this Report.

- The long-term variable remuneration (strategic bonus) of the Executive Chairman and of the Chief Executive Officer encourages commitment to the Iberdrola Group's business enterprise over the long term, linking a portion of their remuneration to the creation of value for the shareholders as well as to the sustainable achievement of the strategic objectives of the Company and the maximisation of its social dividend and shareholder return.

  Specifically, the parameters to which the multi-annual variable remuneration is linked include economic variables (with a weight of 50%), financial variables (with a weight of 20%) and others related to sustainable development (with a weight of 30%) as described in Section B.7 of this Report.

- The shares delivered to the Executive Chairman and to the Chief Executive Officer are subject to a 3-year settlement period.
- The Executive Chairman and the Chief Executive Officer have a variable remuneration system that includes a minimum threshold below which no incentive is paid. The percentage of short- and long-term variable remuneration may be significant if the objectives are achieved at their maximum level.
- Sustainability is a basic pillar of the Company's strategy, which includes sustainability criteria in its variable remuneration plans (both short- and long -term).

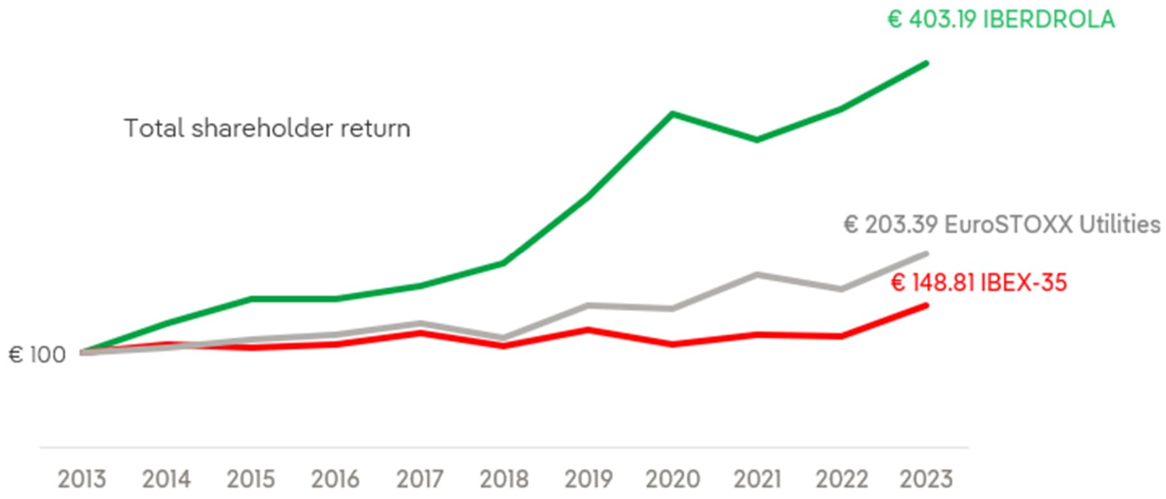
Over the last ten years (2013 to 2023), Iberdrola's strategy, which aims to deliver long-term results to all stakeholders, including the shareholders, has created value in the amount of €74,430 million.



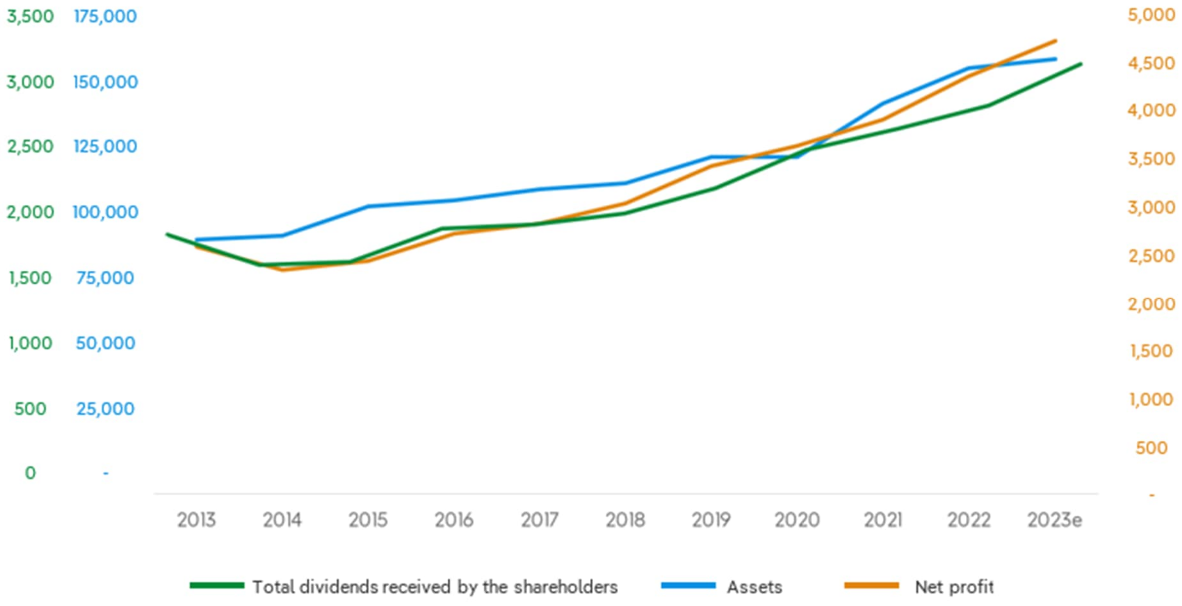
- Iberdrola's capitalisation has increased from €25,753 million at year-end 2012 to €75,400 million at year-end 2023, which represents a €49,647 million increase in the absolute value of the capitalisation.
- total dividends (including payment in kind) received by shareholders during the period amounted to €24,783 million:

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total dividends received by the shareholders (€ millions)	1,922	1,716	1,732	1,966	1,996	2,077	2,247	2,517	2,664	2,825	3,121

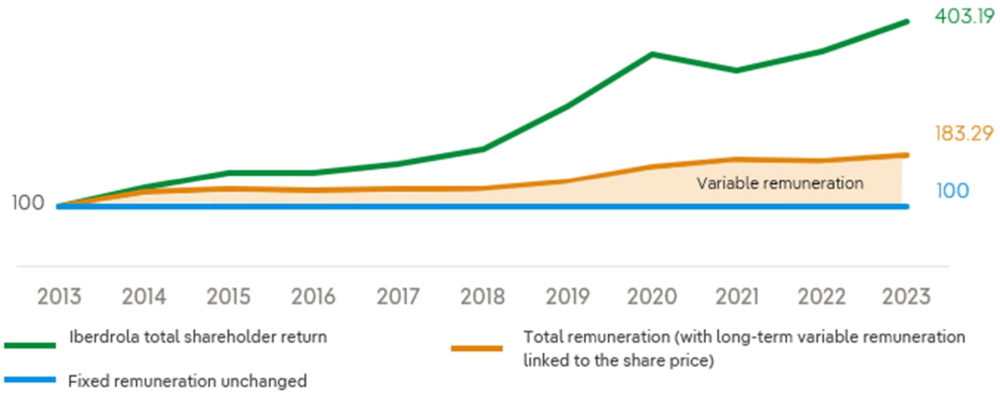
Over the last ten years (2013 to 2023), Iberdrola's total shareholder return has significantly outperformed the total return of the Spanish market index (Ibex 35) and the total return of the European sector index (EuroSTOXX Utilities).



Over the last ten years (2013 to 2023), the evolutions of Iberdrola's assets, net profits and total dividends received by the shareholders are aligned with the long-term, non-volatile (stable and sustainable) growth of the Company.



Over the last ten years (2013 to 2023), the evolution of the Executive Chairman's total remuneration, under the "Pay for Performance" principle, reflects the achievement of the Company's strategic objectives linked to variable remuneration, which have allowed for the creation of €74,430 million in value.



Insofar as fixed remuneration has remained unchanged since 2008, the evolution of total remuneration is determined by variable remuneration based on predetermined objectives that are closely aligned with the strategy communicated by Iberdrola and which aim to offer long-term results to all stakeholders, including shareholders.

B.4. Result of the consultative vote at the General Shareholders' Meeting on the annual remuneration report for the previous year

Iberdrola's Annual Director Remuneration Report for financial year 2022 was approved with approximately 88% votes in favour at the General Shareholders' Meeting held in financial year 2023, which represents an increase of approximately 13 percentage points compared to the previous year. This level of support was obtained with a quorum of more than 72% at the General Shareholders' Meeting, which was significant considering that Iberdrola is a full free float company. This high level of participation was motivated by, amongst other things, the "engagement dividend" that promotes active shareholder participation.

The results of the consultative vote of the shareholders on the Annual Director Remuneration Report for financial year 2022 were as follows:

	Number	% of total
Votes cast	4,639,250,945	100
	Number	% of total
Votes against	524,873,161	11.31
Votes in favour	4,065,905,989	87.64
Blank ballots	2,580,516	0.06
Abstentions	45,891,279	0.99

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

The remuneration of the directors in their capacity as such is determined in the Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021. It has remained unchanged since 2008. Directors in their capacity as such do not receive variable remuneration.

In accordance with the above and with the current composition of the Board of Directors and its Committees, in financial year 2023 the aggregate amount accrued by the directors in their capacity as such amounted to €7,206 thousand, which is within the limit of €9,000 thousand explained in Section A.1.3 of this Report.

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

Salaries accrued during 2023 by the Executive Chairman and the Chief Executive Officer are determined in accordance with the Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021.

The Remuneration Committee proposed to the Board of Directors that the fixed remuneration of the Executive Chairman for financial year 2023 be set at €2,250 thousand, which proposal was approved by the Board of Directors. **This amount does not represent an increase compared to the previous financial year. It should be noted that the fixed remuneration of the Executive Chairman has remained unchanged since 2008.**

In the case of the Chief Executive Officer, the Remuneration Committee proposed to the Board of Directors that his fixed remuneration of €1,000 thousand be maintained for financial year 2023. **This amount does not represent an increase compared to the previous financial year. In this regard, the fixed remuneration of the Chief Executive Officer has remained unchanged since his appointment on 25 October 2022.** The aforementioned remuneration began to apply as from said date.

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:

a) 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.

b) 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

c) 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)

d) Information is to be provided on any periods for accrual or deferment of payment applied and/or the periods for retention/unavailability of shares or other financial instruments, if any

Pursuant to the Remuneration Policy, the only directors who are entitled to variable remuneration are the Executive Chairman and the Chief Executive Officer. Said remuneration consists of an annual variable component that is received in cash and a long-term variable component that is received in shares of Iberdrola.

Determination of performance objectives for variable remuneration

The Remuneration Committee regularly evaluates the establishment of the objectives, criteria and metrics linked to variable remuneration to ensure that they are aligned with Iberdrola's long-term strategy and sustainability.

The Remuneration Committee also analyses the performance indicators considered by Iberdrola's shareholders and market practices at comparable companies to ensure alignment with market expectations.

With regard to economic and financial targets, the Remuneration Committee takes into account budgetary and financial planning, considering the economic and regulatory environment as well as expectations of investment opportunities.

Furthermore, the Remuneration Committee sets challenging non-financial targets to drive the long-term sustainable creation of value and continuity in leadership positions.

Short-term variable remuneration (annual bonus)	
The annual variable remuneration incentivises and rewards performance in connection with a number of annual financial and non-financial objectives, which are consistent with the Company's strategy.	
2023 metrics	Executive Chairman: The parameters of the Executive Chairman were as follows:

Economic/financial objectives – specific weight of 500 out of 1,000

- **Net profit** (weight of 200 out of 1,000).

  The Iberdrola group's net profit at December 2023 amounted to €4,803 million, 10.7% higher than in the same period of 2022. This result was achieved in an adverse global macroeconomic context of rising interest rates, high inflation and devaluation of the main currencies. The result includes provisions for exit plans in Spain of €90 million and an effect associated with the divestment of assets in Mexico of -€98 million.

  EBITDA was €14,417 million, up 9%, with an exchange rate effect of -€135 million, yielding an underlying increase of 10%. This sharp rise is centred in Spain and the United Kingdom, with increases of 31% and 75% respectively, the latter increase being impacted by the recovery in 2023 of the strong energy cost overruns suffered in the regulated tariff in 2022. Increased installed renewable power capacity, higher emission-free production and higher electricity trading margins have led to significant increases in the main markets.

  In view of the above, to the extent that the target result exceeds the budgeted result by more than 2%, the degree of achievement is assessed at 100%.

Points	Net profit	
200	0% > 2022 + x	100% Budget + 2 %
Result: €4,803 million Achievement level: 100%		

- **Increase shareholder remuneration** in line with growth in net profit (weight of 150 out of 1,000).

  In 2023, the shareholder remuneration paid with a charge to financial year 2022 was €0.496 per share. This amount represents an 11.7% increase over the €0.444 per share paid in 2022 and is in line with the 11.7% improvement in net profit in 2022 compared to 2021. This fulfils one of the pillars of the shareholder remuneration strategy, which links the increase in shareholder remuneration to the increase in results. The amount of €0.496 paid in 2023 is also two years ahead of the minimum target of €0.50 shareholder remuneration set for 2025. Furthermore, the dividend paid in 2023 represents a shareholder return of 4.5%, which compares favourably with the 3.1% inflation rate in Spain in the same period. If we add to this 4.5% a share appreciation of 8.6% in financial year 2023, the total shareholder return for financial year 2023 is 13.1%.

  Taking into account the foregoing, the achievement level is evaluated at 100%.

Points	Increase shareholder remuneration similar to growth in net profit	
150	0% No	100% Yes
Result: Yes Achievement level: 100%		

- **Financial soundness: FFO/Adjusted Net Debt** (weight of 150 out of 1,000).

  In terms of financial strength, the year-end FFO/net debt ratio was 23.2%, 14.5% higher than the 2023 budget, and in any case above the target (2.5% above the budget).

  The Group's financial management model, designed to preserve credit rating stability by keeping the Group's FFO/Net Debt ratio within the limits set by the rating agencies for the rating level of Iberdrola, has once again proven successful in 2023, a year with a challenging and volatile macroeconomic and geopolitical context. The Company achieved a ratio of 23.2% while complying with the investment programme, at the same time as maintaining the dividend at the levels committed to the market and meeting the divestment target announced to the market ahead of schedule. Maintaining the credit rating also helps to minimise the volatility of Iberdrola's financial expenses and earnings, which the market recognises with a higher total shareholder return and a premium in share price multiples.

As the ratio has been improved and the credit rating levels maintained, the achievement level is evaluated at 100%.

Points	Financial soundness: FFO/adjusted net debt	
150	0% Plan – 2.5%	100% Plan + 2.5%
Result: Plan + 14.5% Achievement level: 100%		

- **Sustainable development** goals (specific weight of 500 out of 1,000)
  - Continuous increase in **female presence in positions of responsibility** (weight of 125 out of 1,000).

    Female presence in positions of responsibility grew from 34% in 2022 to 34.4% in 2023, in addition to a notable percentage of women in senior management (50%) and an improvement in the percentage of women in important positions to 27.8%, as against 26.1% in the previous financial year. In view of the increase in positions of responsibility of 0.4 percentage points, the achievement level is evaluated at 100%.
  - **Presence on international indices** (weight of 250 out of 1,000).

    Iberdrola maintains its presence on the world's leading sustainability indices (DJSI, FTSE4Good, 2023 World's Most Ethical Companies). In addition, Iberdrola remains included on numerous sustainability indices: Global 100, ISS ESG (Prime), MSCI Global Sustainability Index (AAA), Bloomberg Gender Equality Index 2023, etc.

    In addition, in 2023 Iberdrola was recognised by Influence Map at the Dubai Climate Summit (COP28) as the company with the greatest leadership, and included for another year in the Supplier Engagement Leaderboard prepared by CDP.

    As it has maintained the same ratings as in previous financial years on more than 6 benchmark indices, the achievement level is evaluated at 100%.
  - **Cybersecurity** (weight of 125 out of 1,000).

    50% corresponds to the absence of a significant cybersecurity incident with a high reputational impact according to the System for Assessing the Severity of the Reputational Impact of a Crisis or with a Significant Impact on the Critical Systems of the Iberdrola Group, according to the criteria established in the Cybersecurity Risk Policy.
    The remaining 50% corresponds to the fulfilment of cybersecurity action plans, such as:
    - Securing the electric vehicle charging points network (Customer Business – Spain).

- Safety monitoring of Termopernambuco (Customer Business – Brazil).
- Deployment of the Cybersecurity Operation Centre (SOC) and Cybersecurity Event Management System (SIEM) at ScottishPower Energy Networks (Networks Business – United Kingdom).
- Deployment of the Cybersecurity Operation Centre at AVANGRID Networks (Networks Business – United States of America).
- Implementation of 24/7 monitoring and response at ScottishPower Renewables (Renewables Business – United Kingdom).
- Implementation of a cyber-intrusion detection system for the Wikinger offshore wind farm (Germany) (Renewables Business – Offshore).

The expected achievement level of the cybersecurity plan for financial year 2023 is evaluated at 100%.

Points	Continuous increase of female presence in positions of responsibility	
125	0% No	100% Yes
Result: Yes Achievement level: 100%		
Points	Presence on international indices	
250	0% No	100% Yes
Result: Yes Achievement level: 100%		
Points	Cybersecurity	
125	0% 0	100% 100
Result: Plan 100% Achievement level: 100%		

Taking into account the foregoing, the total weighted achievement level is 100% for the parameters to which the Executive Chairman's annual variable remuneration for 2023 is linked.

Chief Executive Officer

The parameters of the Chief Executive Officer were as follows:

- Economic/financial objectives – specific weight of 600 out of 1,000
  - **Net profit** (weight of 400 out of 1,000).

    The Iberdrola group's net profit at December 2023 amounted to €4,803 million, 10.7% higher than in the same period of 2022. This result was achieved in an adverse global macroeconomic context of rising interest rates, high inflation and devaluation of the main currencies. The result includes provisions for exit plans in Spain of €90 million and an effect associated with the divestment of assets in Mexico of -€98 million.

    EBITDA was €14,417 million, up 9%, with an exchange rate effect of -€135 million, yielding an underlying increase of 10%. This sharp rise is centred in Spain and the United Kingdom, with increases of 31% and 75% respectively, the latter increase being impacted by the recovery in 2023 of the strong energy cost overruns suffered in the regulated tariff in 2022. Increased installed renewable power capacity, higher emission-free production and higher electricity trading margins have led to significant increases in the main markets.

In view of the above, to the extent that the target result exceeds the budgeted result by more than 2%, the degree of achievement is assessed at 100%.

Points	Net profit	
400	0% > 2022 + x	100% Budget + 2 %
Result: €4,803 million Achievement level: 100%		

- **Financial soundness: FFO/Adjusted Net Debt** (weight of 200 out of 1,000).

  In terms of financial strength, the year-end FFO/net debt ratio was 23.2%, 14.5% higher than the 2023 budget, and in any case above the target (2.5% above the budget).

  The Group's financial management model, designed to preserve credit rating stability by keeping the Group's FFO/Net Debt ratio within the limits set by the rating agencies for the rating level of Iberdrola, has once again proven successful in 2023, a year with a challenging and volatile macroeconomic and geopolitical context. The Company achieved a ratio of 23.2% while complying with the investment programme, at the same time as maintaining the dividend at the levels committed to the market and meeting the divestment target announced to the market ahead of schedule. Maintaining the credit rating also helps to minimise the volatility of Iberdrola's financial expenses and earnings, which the market recognises with a higher total shareholder return and a premium in share price multiples.

  As the ratio has been improved and the credit rating levels maintained, the achievement level is evaluated at 100%.

Points	Financial soundness: FFO/adjusted net debt	
200	0% Plan – 2.5%	100% Plan + 2.5%
Result: Plan + 14.5% Achievement level: 100%		

- Growth objective – specific weight of 300 out of 1,000:
  - **Installed renewable capacity** (weight of 150 out of 1,000)

    The result of installed renewable capacity at the end of 2023 amounted to 42.175 GW, an increase of 0.275 GW above the plan, and in any case above the established target of exceeding the plan by 0.2 GW. The achievement level is therefore evaluated at 100%.

Points	Installed renewable capacity	
150	0% Plan – 0.2 GW	100% Plan + 0.2 GW
Result: Plan + 0.275 GW Achievement level: 100%		

- **New networks assets** recognised as part of RAB (weight of 150 out of 1,000).

  The result at year-end 2023 is €3,901 million, a 5.434% increase over the plan. Insofar as the target was 5% above the plan, the level of achievement is assessed at 100%.

Points	New networks assets recognised as part of RAB
150	0% Plan – 5% 100% Plan + 5%
Result: Plan + 5.434% Achievement level: 100%	

- **Sustainable development goals** – specific weight of 100 out of 1,000:
  - **Occupational health and safety**: internal personnel incident rate (weight of 100 out of 1,000)

    The indicator for the accident rate objective is the lost time accident (LTA) rate, which indicates the number of accidents with sick leave per 100 workers. The LTA result as of December 2023 was 0.212. In view of the above, insofar as the scale of achievement of the target was 100% of the average of the last five years minus 1% (0.218), the level of achievement is assessed at 97.56%.

Points	Occupational risk prevention: internal personnel incident rate (LTA)
100	0% 0.222 (average of the last 5 years +1%) 100% 0.218 (average of the last 5 years -1%)
Result: 0.212 Achievement level: 97.56%	

Taking into account the foregoing, the total weighted achievement level is 99.756% for the parameters to which the Chief Executive Officer's annual variable remuneration for 2023 is linked.

Other officers

The metrics linked to annual variable remuneration of the officers follow the same pattern, rewarding performance in connection with a number of annual financial and non-financial objectives, which are consistent with the Company's strategy.

2023 amount

Executive Chairman

% achievement	Maximum annual variable remuneration	2023 annual variable remuneration amount
100	€3,250,000	€3,250,000

Chief Executive Officer

% achievement	Maximum annual variable remuneration	2023 annual variable remuneration amount
99.756	€1,500,000	€1,496,340

The Board of Directors, at its meeting on 20 February 2024, upon a proposal of the Remuneration Committee and with the advice of PwC Asesores, assessed the level of achievement of the 2023 metrics for both the Executive Chairman and the Chief Executive Officer, with no margin of discretion applied by the Board of Directors.

Long-term variable remuneration

Long-term incentive plans seek to incentivise the creation of long-term value, aligning the interests of the directors and shareholders through the granting of shares.

Current plans: **2020-2022 Strategic Bonus** (in settlement period)

Duration and metrics

The 2020-2022 Strategic Bonus has a term of six years, with the period covering financial years 2020 to 2022 being the period for evaluation of the performance level in relation to the parameters to which the 2020-2022 Strategic Bonus is linked, and the period covering financial years 2023 to 2025 being the period for payment thereof, which will be made through the deferred delivery of shares over those three years.

The measurement of the targets for the 2020-2022 Strategic Bonus ended on 31 December 2022.

At its meeting on 21 February 2023, the Board of Directors, upon a proposal of the Remuneration Committee and with the advice of PwC Asesores, evaluated the performance level in relation to the financial, business and sustainable development objectives, which present a challenging scenario for a company that continues to have profitable growth and is financially strong and committed to the Sustainable Development Goals, with the following details:

- 2022 consolidated Net Profit (30% Weight). Target (€4,200). Result €4,339. Achievement level 100%.

Weight	2022 consolidated net profit	
30%	0% ≤ €3,700 M	100% ≥ €4,200 M
Result: €4,339 M Achievement level: 100%		

- Increase total shareholder return (2020-2022) as compared with the Euro STOXX Utilities Index (20% Weight). Index result + 18.92 bp. Achievement level 100%.

Weight	Comparative TSR performance against the STOXX Utilities Index at year-end 2022	
20%	0% Index -5%	100% Index +5%
Result: Index +18.92% Achievement level: 100%		

- Improve financial strength measured through the FFO/Net Debt ratio (20% Weight) Target (22%) Result 25.43%. Achievement level 100%.

Weight	Maintenance of financial strength through FFO/Net Debt	
20%	0%	100%

	Year-end 2019	22%
Result: 25.43% Achievement level: 100%		

- Parameters related to the Sustainable Development Goals ("SDGs") (30% Weight):
  - Reduction in the average intensity of CO_2 emissions of the Iberdrola group (10% weight). Target (average intensity of own emissions of CO_2 equal to 105 g CO_2/kWh in the 2020-2022 period). Result 93 g CO2/kWh. Achievement level 100%.
  - Increase the number of suppliers subject to sustainable development policies and standards (10% weight). Target (70% main suppliers). Result 77.6%. Achievement level 100%.
  - Close the salary gap between women and men at the Iberdrola group level (10% weight). Target (Less than 2%). Result of positive pay gap in favour of women of 5.5%. Achievement level 100%.

Weight	Reduction in the average intensity of CO2 EMISSIONS	
10%	0% 2017-2019 period	100% 105 grCO2/kWh
Result: 92.33 grCO2/kWh Achievement level: 100%		
Weight	Increase the number of suppliers subject to sustainable development policies and standards	
10%	0% Year-end 2019	100% 70%
Result: 77.6% Achievement level: 100%		
Weight	Close the salary gap between women and men at the Iberdrola Group level	
10%	0% ≥ 2%	100% 0%
Result: -5.5% Achievement level: 100%		

Taking into account the foregoing, the total weighted achievement level is 100% for the parameters to which the 2020-2022 Strategic Bonus is linked.

In view of the above, on 21 February 2023 the Board of Directors resolved to allocate the established maximum number of shares to both the Executive Chairman and the Chief Executive Officer, with the first of the deliveries taking place.

The second delivery of shares will take place during the first quarter of 2024, once the basis for the application of the 2020-2022 Strategic Bonus has been confirmed by the Board of Directors following a report of the Remuneration Committee.

Current plans: 2023-2025 Strategic Bonus (in evaluation period)

Shareholders at the General Shareholders' Meeting held on 28 April 2023, with 92% of votes in favour, approved the 2023-2025 Strategic Bonus, which has a term of six years, with the period covering financial years 2023 to 2025 being the period for evaluation of the performance level in relation to the parameters to which the 2023-2025 Strategic Bonus is linked, and the period covering financial years 2026 to 2028 being the settlement period, which will be made through the deferred delivery of shares over those three years.

Metrics	The performance is evaluated based on the following financial, business and sustainable development parameters, which project an ambitious and challenging scenario for a company that is not satisfied with simply continuing its profitable growth, being financially sound and being committed to the Sustainable Development Goals approved by the United Nations, but rather seeks to continue strengthening its industry leadership in the energy transition and decarbonisation. • Consolidated net profit of the Iberdrola Group in financial year 2025 (30% weight) • Increase total shareholder return of the Company during the 2023-2025 period (20% weight) • Parameters relating to financial objectives (maintain financial strength through the long-term credit rating of the Company and increase ESG financing) (20% weight) • Parameters related to the Sustainable Development Goals (Reduction in intensity of CO2 emissions specific to the Iberdrola Group; Increase the number of suppliers subject to Sustainable Development policies and standards; and (iii) increase the number of women in senior positions within the Iberdrola Group (30% weight). The criteria used, together with their associated weights and targets, have been disclosed *ex ante* in accordance with the Outlook communicated at the Capital Markets & ESG Day held in November 2022. These parameters will be measured at the end of the assessment period, i.e. on 31 December 2025, in accordance with the criteria set out in Section A.1.6 of this Report.

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

During financial year 2023 **there has been no reduction in, nor any demand for return** of, any variable component of the remuneration of the Executive Chairman or of the Chief Executive Officer, nor have any amounts been reduced or returned due to the application of the claw-back clause.

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 members of the management team are insured under a long-term savings scheme, implemented through an insurance policy that provides coverage for the supplementary social security contributions regime established to enhance the regime that would apply to them pursuant to applicable law and the Collective Bargaining Agreement.

This is a defined contribution plan applicable for retirement, death and disability for any reason, meaning that the management team will have the financial rights acquired at the normal retirement age, and the grounds for any early termination of the contractual relationship will determine the rights thereof. The policy expressly acknowledges that in the event of cessation of office or resignation or improper payment, the Policyholder undertakes to pay the amount that has been surrendered under the policy in relation to the retirement contingency.

The Chief Executive Officer Mr Armando Martínez Martínez is insured under the group life insurance policy described above, with an undertaking assumed when he was a member of senior management, and which has not been changed as a result of his appointment as Chief Executive Officer. Details of the amount accrued in financial year 2023 by the Chief Executive Officer in respect of long-term savings schemes, from the commitment acquired when he was a member of senior management, are set out in Section C.1.a) of this Report.

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

The Executive Chairman Mr José Ignacio Sánchez Galán is not a participant in any long-term savings schemes (pensions).

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

No severance payments or payments arising from early termination were paid in financial year 2023.

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.

On the occasion of the appointment of Mr Armando Martínez Martínez as the new Chief Executive Officer of the Company, the Board of Directors resolved in June 2023 to change the contractual terms of the Executive Chairman, approving the amendment thereof on the following terms:

1. Severance pay for termination of contract will be **reduced from three (3) times annual remuneration to two (2) times annual remuneration**.
2. The term of the post-contractual **non-compete clause will be extended from two (2) years to three (3) years, while maintaining the compensation of two (2) times annual remuneration.**

These changes occurred upon the appointment of Mr Armando Martínez Martínez as the new Chief Executive Officer of the Company.

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

During 2023 there was no supplementary remuneration for the directors for services other than those inherent in their position.

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

During 2023 there was no remuneration deriving from advances, loans or guarantees granted by the Iberdrola Group to the members of Iberdrola's Board of Directors.

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 €384 thousand (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

During 2023 no remuneration was accrued by the directors of Iberdrola by virtue of payments made by the listed company to a third company in which the director provides services.

B.16. Explain any item of remuneration other than the foregoing

The Executive Chairman has received remuneration as chairman of the Boards of Directors of Neoenergia S.A. and of AVANGRID, Inc. The amount of such remuneration is reflected in Section C of this Report.

C. Itemised individual remuneration accrued by each director

C. Itemised individual remuneration accrued by each director

Name	Type	Period of accrual in year 2023
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	Executive Chairman	1/01/2023 until 31/12/2023
Mr ARMANDO MARTINEZ MARTINEZ	Chief Executive Officer	1/01/2023 until 31/12/2023
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	Other External Director	1/01/2023 until 31/12/2023
Ms MARÍA HELENA ANTOLÍN RAYBAUD	Other External Director	1/01/2023 until 31/12/2023
Mr MANUEL MOREU MUNAIZ	Independent Director	1/01/2023 until 31/12/2023
Mr XABIER SAGREDO ORMAZA	Independent Director	1/01/2023 until 31/12/2023
Mr JUAN MANUEL GONZÁLEZ SERNA	Independent Director	1/01/2023 until 31/12/2023
Mr ANTHONY L. GARDNER	Independent Director	1/01/2023 until 31/12/2023
Ms SARA DE LA RICA GOIRICELAYA	Independent Director	1/01/2023 until 31/12/2023
Ms NICOLA MARY BREWER	Independent Director	1/01/2023 until 31/12/2023
Ms REGINA HELENA JORGE NUNES	Independent Director	1/01/2023 until 31/12/2023
Mr ÁNGEL JESÚS ACEBES PANIAGUA	Independent Director	1/01/2023 until 31/12/2023
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	Independent Director	1/01/2023 until 31/12/2023
Ms ISABEL GARCÍA TEJERINA	Independent Director	1/01/2023 until 31/12/2023

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	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total in year 2023	Total in year 2022
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	567	144	88	2,250	3,250			175	6,474	6,345
Mr ARMANDO MARTINEZ MARTINEZ	165	96	88	1,000	1,496			172	3,017	3,240
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	165	76	88					5	334	301
Ms MARÍA HELENA ANTOLÍN RAYBAUD	165	68	88					6	327	361
Mr MANUEL MOREU MUNAIZ	165	136	176					3	480	322
Mr XABIER SAGREDO ORMAZA	211	102	88					4	405	527
Mr JUAN MANUEL GONZÁLEZ SERNA	440	174	176					1	791	549
Mr ANTHONY L. GARDNER	440	142	176					2	760	536
Ms SARA DE LA RICA GOIRICELAYA	440	78	88					3	609	505
Ms NICOLA MARY BREWER	165	64	88					1	318	296
Ms REGINA HELENA JORGE NUNES	165	96	88					1	350	306
Mr ÁNGEL JESÚS ACEBES PANIAGUA	440	144	176					6	766	495
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	394	112	88					3	597	307
Ms ISABEL GARCÍA TEJERINA	165	64	88					2	319	297

Observations

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 2023		Financial instruments granted during year 2023		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2023	
		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	EBITDA from vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	2020-2022 Strategic Bonus		1,900,000				633,333	10.705	6,780			1,266,667
	2023-2025 Strategic Bonus		0					0				1,900,000
Mr ARMANDO MARTINEZ MARTINEZ	2020-2022 Strategic Bonus		240,000				80,000	10.705	856			160,000
	2023-2025 Strategic Bonus		0					0				500,000

Observations
In the case of the Chief Executive Officer with respect to the 2020-2022 Strategic Bonus, up to a maximum of 240,000 shares, which was assigned to him in 2020 when he was a member of senior management and has not been changed as a result of his appointment as Chief Executive Officer. The 2023-2025 Strategic Bonus was approved by the shareholders at the General Shareholders' Meeting held on 28 April 2023.

iii) Long-term savings schemes

Name	Remuneration for vested rights in savings schemes
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	
Mr ARMANDO MARTINEZ MARTINEZ	
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	
Ms MARÍA HELENA ANTOLÍN RAYBAUD	
Mr MANUEL MOREU MUNAIZ	
Mr XABIER SAGREDO ORMAZA	
Mr JUAN MANUEL GONZÁLEZ SERNA	
Mr ANTHONY L. GARDNER	
Ms SARA DE LA RICA GOIRICELAYA	
Ms NICOLA MARY BREWER	
Ms REGINA HELENA JORGE NUNES	
Mr ÁNGEL JESÚS ACEBES PANIAGUA	
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	
Ms ISABEL GARCÍA TEJERINA	

	Contribution by the company in the financial year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights					
					Year 2023		Year 2022	
Name	Year 2023	Year 2022	Year 2023	Year 2022	Systems with vested economic rights	Systems with non-vested economic rights	Systems with vested economic rights	Systems with non-vested economic rights
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN								
Mr ARMANDO MARTINEZ MARTINEZ	200	100			1,186		904	
Mr IÑIGO VÍCTOR DE ORIOL IBARRA								
Ms MARÍA HELENA ANTOLÍN RAYBAUD								
Mr MANUEL MOREU MUNAIZ								
Mr XABIER SAGREDO ORMAZA								
Mr JUAN MANUEL GONZÁLEZ SERNA								
Mr ANTHONY L. GARDNER								
Ms SARA DE LA RICA GOIRICELAYA								
Ms NICOLA MARY BREWER								
Ms REGINA HELENA JORGE NUNES								
Mr ÁNGEL JESÚS ACEBES PANIAGUA								
Ms MARÍA ÁNGELES ALCALÁ DÍAZ								
Ms ISABEL GARCÍA TEJERINA								

Observations
In the case of the Chief Executive Officer, this commitment was acquired when he was a member of senior management and has not been changed as a result of his appointment as Chief Executive Officer. The above amounts are as at 28 February 2033.

iv) Details of other items

Name	Item	Remuneration amount
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN		
Mr ARMANDO MARTINEZ MARTINEZ		
Mr IÑIGO VÍCTOR DE ORIOL IBARRA		
Ms MARÍA HELENA ANTOLÍN RAYBAUD		
Mr MANUEL MOREU MUNAIZ		
Mr XABIER SAGREDO ORMAZA		
Mr JUAN MANUEL GONZÁLEZ SERNA		
Mr ANTHONY L. GARDNER		
Ms SARA DE LA RICA GOIRICELAYA		
Ms NICOLA MARY BREWER		
Ms REGINA HELENA JORGE NUNES		
Mr ÁNGEL JESÚS ACEBES PANIAGUA		
Ms MARÍA ÁNGELES ALCALÁ DÍAZ		
Ms ISABEL GARCÍA TEJERINA		

Observations

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

i) Remuneration accruing in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total in year 2023	Total in year 2022
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	582								582	389
Mr ARMANDO MARTINEZ MARTINEZ										
Mr IÑIGO VÍCTOR DE ORIOL IBARRA										
Ms MARÍA HELENA ANTOLÍN RAYBAUD										
Mr MANUEL MOREU MUNAIZ										
Mr XABIER SAGREDO ORMAZA										
Mr JUAN MANUEL GONZÁLEZ SERNA										
Mr ANTHONY L. GARDNER										
Ms SARA DE LA RICA GOIRICELAYA										
Ms NICOLA MARY BREWER										
Ms REGINA HELENA JORGE NUNES										
Mr ÁNGEL JESÚS ACEBES PANIAGUA										
Ms MARÍA ÁNGELES ALCALÁ DÍAZ										
Ms ISABEL GARCÍA TEJERINA										

Observations

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 2023		Financial instruments granted during year 2023		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2023	
		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	EBITDA from vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN												
Mr ARMANDO MARTINEZ MARTINEZ												
Mr IÑIGO VÍCTOR DE ORIOL IBARRA												
Ms MARÍA HELENA ANTOLÍN RAYBAUD												
Mr MANUEL MOREU MUNAIZ												
Mr XABIER SAGREDO ORMAZA												
Mr JUAN MANUEL GONZÁLEZ SERNA												
Mr ANTHONY L. GARDNER												
Ms SARA DE LA RICA GOIRICELAYA												
Ms NICOLA MARY BREWER												
Ms REGINA HELENA JORGE NUNES												
Mr ÁNGEL JESÚS ACEBES PANIAGUA												
Ms MARÍA ÁNGELES ALCALÁ DÍAZ												
Ms ISABEL GARCÍA TEJERINA												

Observations

iii) Long-term savings schemes

	Remuneration for vested rights in savings schemes
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	
Mr ARMANDO MARTINEZ MARTINEZ	
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	
Ms MARÍA HELENA ANTOLÍN	
Mr MANUEL MOREU MUNAIZ	
Mr XABIER SAGREDO ORMAZA	
Mr JUAN MANUEL GONZÁLEZ SERNA	
Mr ANTHONY L. GARDNER	
Ms SARA DE LA RICA GOIRICELAYA	
Ms NICOLA MARY BREWER	
Ms REGINA HELENA JORGE NUNES	
Mr ÁNGEL JESÚS ACEBES PANIAGUA	
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	
Ms ISABEL GARCÍA TEJERINA	

Name	Contribution by the company in the financial year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights					
					Year 2023		Year 2022	
	Year 2023	Year 2022	Year 2023	Year 2022	Systems with vested economic rights	Systems with non-vested economic rights	Systems with vested economic rights	Systems with non-vested economic rights
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN								
Mr ARMANDO MARTINEZ MARTINEZ								
Mr IÑIGO VÍCTOR DE ORIOL IBARRA								
Ms MARÍA HELENA ANTOLÍN RAYBAUD								
Mr MANUEL MOREU MUNAIZ								
Mr XABIER SAGREDO ORMAZA								
Mr JUAN MANUEL GONZÁLEZ SERNA								
Mr ANTHONY L. GARDNER								
Ms SARA DE LA RICA GOIRICELAYA								
Ms NICOLA MARY BREWER								
Ms REGINA HELENA JORGE NUNES								
Mr ÁNGEL JESÚS ACEBES PANIAGUA								
Ms MARÍA ÁNGELES ALCALÁ DÍAZ								
Ms ISABEL GARCÍA TEJERINA								

Observations

iv) Details of other items

Name	Item	Remuneration amount
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN		
Mr ARMANDO MARTINEZ MARTINEZ		
Mr IÑIGO VÍCTOR DE ORIOL IBARRA		
Ms MARÍA HELENA ANTOLÍN RAYBAUD		
Mr MANUEL MOREU MUNAIZ		
Mr XABIER SAGREDO ORMAZA		
Mr JUAN MANUEL GONZÁLEZ SERNA		
Mr ANTHONY L. GARDNER		
Ms SARA DE LA RICA GOIRICELAYA		
Ms NICOLA MARY BREWER		
Ms REGINA HELENA JORGE NUNES		
Mr ÁNGEL JESÚS ACEBES PANIAGUA		
Ms MARÍA ÁNGELES ALCALÁ DÍAZ		
Ms ISABEL GARCÍA TEJERINA		

Observations

c) Summary of remuneration (thousands of euros):

This summary must include the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros

Name	Remuneration accruing in the Company					Remuneration accruing in group companies					
	Total cash remuneration	Gross benefit of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2023 company	Total cash remuneration	Gross benefit of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	**Total in year 2023 group**	**Total in year 2023 company + group**
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	6,474	6,780			13,254	582				582	13,836
Mr ARMANDO MARTINEZ MARTINEZ	3,017	856	200		4,073						4,073
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	334				334						334
Ms MARÍA HELENA ANTOLÍN RAYBAUD	327				327						327
Mr MANUEL MOREU MUNAIZ	480				480						480
Mr XABIER SAGREDO ORMAZA	405				405						405
Mr JUAN MANUEL GONZÁLEZ SERNA	791				791						791
Mr ANTHONY L. GARDNER	760				760						760
Ms SARA DE LA RICA GOIRICELAYA	609				609						609
Ms NICOLA MARY BREWER	318				318						318
Ms REGINA HELENA JORGE NUNES	350				350						350
Mr ÁNGEL JESÚS ACEBES PANIAGUA	766				766						766
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	597				597						597
Ms ISABEL GARCÍA TEJERINA	319				319						319
TOTAL	15,547	7,636	200		23,383	582				582	23,965

Observations

C.2 Indicate the evolution in the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total amounts accrued and % annual variation								
Executive directors	Year 2023	% change 2023/2022	Year 2022	% change 2022/2021	Year 2021	% change 2021/2020	Year 2020	% change 2020/2019	Year 2019
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	13,836	5.9	13,060	-1.10	13,205	8.23	12,201	16.96	10,432
Mr ARMANDO MARTINEZ MARTINEZ	4,073	25.7	3,240	189.03	1,121				
External directors									
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	334	11.0	301	1.35	297	-5.41	314	1.29	310
Ms MARÍA HELENA ANTOLÍN RAYBAUD	327	-9.4	361	-28.08	502	1.21	496	-0.60	499
Mr MANUEL MOREU MUNAIZ	480	49.1	322	-1.23	326	0.31	325	3.17	315
Mr XABIER SAGREDO ORMAZA	405	-23.1	527	3.74	508	0.59	505	6.54	474
Mr JUAN MANUEL GONZÁLEZ SERNA	791	44.1	549	-0.54	552	2.99	536	10.29	486
Mr ANTHONY L. GARDNER	760	41.8	536	61.93	331	14.93	288	1.41	284
Ms SARA DE LA RICA GOIRICELAYA	609	20.6	505	1.20	499	29.61	385	76.61	218
Ms NICOLA MARY BREWER	318	7.4	296	2.07	290	36.79	212		
Ms REGINA HELENA JORGE NUNES	350	14.4	306	4.08	294	36.11	216		
Mr ÁNGEL JESÚS ACEBES PANIAGUA	766	54.7	495	53.24	323	429.51	61	-16.44	73
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	597	94.5	307	157.98	119				
Ms ISABEL GARCÍA TEJERINA	319	7.4	297	137.60	125				
Consolidated results of the company	4,803	10.69	4,339	11.69	3,885	7.59	3,611	4.18	3,466
Average employee remuneration	88	6.02	83	7.79	77	-1.28	78	-4.88	82

Observations
Employee remuneration corresponds to total personnel expense.

D. Further information of interest

D. Further 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

This Annual Report on Remuneration of Directors and Officers was approved by the Company's Board of Directors at its meeting held on 20 February 2024.

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

Yes No X

Annual financial information

Statement of responsability

2023

ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY 2023

The members of the Board of Directors of “Iberdrola, S.A.” state that, to the best of their knowledge, the individual annual accounts of “Iberdrola, S.A.” (balance sheet, profit and loss statement, statement of change in shareholders’ equity, statement of cash flows and notes), as well as the consolidated annual accounts of “Iberdrola, S.A.” and its subsidiaries (consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated notes) for the fiscal year ended on December 31, 2023, issued by the Board of Directors at its meeting held on February 20, 2024, and prepared in accordance with the applicable accounting standards, present a fair view of the assets, financial condition and income of “Iberdrola, S.A.” as well as of its subsidiaries included within its scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual accounts and the consolidated *Statement of non-financial information. Sustainability report* contain a fair assessment of the corporate performance and of the position of “Iberdrola, S.A.” and of its subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

Madrid, February 20, 2024

Mr José Ignacio Sánchez Galán
Executive chairman

Mr Armando Martínez Martínez
Chief Executive Officer

Mr Juan Manuel González Serna
First vice-chair and lead independent director

Mr Anthony Luzzatto Gardner
Second vice-chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz *Consejero*
Director

Mr Xabier Sagredo Ormaza
Director

Ms Sara de la Rica Goiricelaya
Director

Ms Nicola Mary Brewer
Director

Ms Regina Helena Jorge Nunes
Director

Mr Ángel Jesús Acebes Paniagua
Director

Ms María Ángeles Alcalá Díaz
Director

Ms Isabel García Tejerina
Director