Annual financial information

Iberdrola, S.A. and subsidiaries

2022

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 2022)

(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. and subsidiaries

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 2022, 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 2022 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.

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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

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

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 non-financial assets See notes 3.i, 14 and 41 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
The principal activities of the different businesses included in the consolidated annual accounts of the Group are related to the generation, transmission, distribution and supply of energy, and therefore the balances recognised under other intangible assets and property, plant and equipment are highly significant. Furthermore, as a result of the acquisitions made in recent years, the consolidated annual accounts include goodwill for an amount of Euros 8,189 million. Under IFRS-EU, the recoverable amount of assets must be analysed when indications of impairment have been identified. Goodwill, intangible assets with indefinite useful lives and in-process intangible assets are not amortised, but are instead tested for impairment at least on an annual basis. The calculation of the recoverable amount of non-current assets indicated in the preceding paragraphs is determined through the use of methodologies based on discounted cash flows, the estimation of which requires the use of a high degree of judgement, as well as 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: ▪ Assessing the design and implementation of the key controls related to the process of evaluating the existence of indications of impairment. ▪ Assessing the design and implementation of the key controls related to the process of determining recoverable amount. ▪ Assessing 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 meet the requirements of the applicable financial reporting framework.

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

Provisions for pensions and similar obligations **See notes 3.p and 26 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 6,671 million, of which Euros 1,540 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 and we have therefore considered this 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 meet the requirements of the applicable financial reporting framework.

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Use of accounting estimates **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 supplies to end customers in the period between the last meter reading and the end of the fiscal year. Estimated unbilled energy supplied amounts to Euros 3,127 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 the volume of estimated unbilled consumption, a process that is subject to a high degree of uncertainty, by the tariff agreed for each customer. Determining the revenue from unbilled energy supplied requires the use of estimates by Group management with the application of criteria, judgements and assumptions in its calculations, and we have therefore considered this a key audit matter.	Our audit procedures included the following: ▪ Analysing the design, implementation and operating effectiveness of the key controls related to the estimation of unbilled revenue. ▪ Evaluating the reasonableness of the calculation model used by 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 meet the requirements of the applicable financial reporting framework.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2022 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.

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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 2022, 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.

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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.

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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 2022 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 2022 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 24 February 2023.

(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

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

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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 FINANCIAL POSITION AT 31 DECEMBER 2022

Millions of euros			
ASSETS	**Note**	**31.12.2022**	**31.12.2021 (*)**
Intangible assets	**9**	**20,118**	**19,909**
Goodwill		8,189	8,312
Other intangible assets		11,929	11,597
Investment property	**10**	**307**	**310**
Property, plant and equipment	**11**	**86,326**	**79,981**
Property, plant and equipment in use		74,813	70,919
Property, plant and equipment under construction		11,513	9,062
Right-of-use assets	**12**	**2,370**	**2,260**
Non-current financial investments		**10,508**	**6,499**
Equity-accounted investees	15.a	857	1,058
Non-current equity investments		32	25
Other non-current financial assets	15.b	5,958	3,995
Derivative financial instruments	29	3,661	1,421
Non-current trade and other receivables	**16**	**4,614**	**3,764**
Current tax assets	**34**	**736**	**729**
Deferred tax assets	**34**	**6,321**	**5,917**
NON-CURRENT ASSETS		**131,300**	**119,369**
Assets held for sale	**15.a**	**308**	**124**
Nuclear fuel	**18**	**259**	**267**
Inventories	**19**	**2,159**	**2,639**
Current trade and other receivables		**11,220**	**10,956**
Current tax assets	**35**	453	367
Other public administration receivables	**35**	898	2,406
Current trade and other receivables	**16**	9,869	8,183
Current financial assets		**4,813**	**4,364**
Other current financial investments	15.b	2,964	1,533
Derivative financial instruments	29	1,849	2,831
Cash and cash equivalents	**20**	**4,608**	**4,033**
CURRENT ASSETS		**23,367**	**22,383**
TOTAL ASSETS		**154,667**	**141,752**

(*) The consolidated Statement of financial position at 31 December 2021 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 2022.

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 FINANCIAL POSITION AT 31 DECEMBER 2022

Millions of euros			
EQUITY AND LIABILITIES	**Note**	**31.12.2022**	**31.12.2021 (*)**
Parent company		**41,119**	**40,479**
Subscribed capital		4,772	4,775
Valuation adjustments		(932)	547
Other reserves		36,839	35,911
Treasury shares		(1,756)	(1,860)
Translation differences		(2,143)	(2,779)
Net profit for the year		4,339	3,885
Non-controlling interests		**16,995**	**15,647**
EQUITY	**21**	**58,114**	**56,126**
Capital grants	**24**	**1,247**	**1,261**
Facilities assigned and financed by third parties	**25**	**5,673**	**5,424**
Non-current provisions		**4,225**	**5,330**
Provision for pensions and similar obligations	26	1,226	1,592
Other provisions	27	2,999	3,738
Non-current financial liabilities		**44,216**	**37,175**
Bank borrowings, bonds and other marketable securities	28	36,129	31,179
Equity instruments having the substance of a financial liability	23	576	525
Derivative financial instruments	29	3,690	1,673
Leases	31	2,287	2,253
Other non-current financial liabilities	32	1,534	1,545
Other non-current liabilities	**33**	**309**	**418**
Current tax liabilities		**362**	**300**
Deferred tax liabilities	**34**	**11,682**	**11,364**
TOTAL NON-CURRENT LIABILITIES		**67,714**	**61,272**
Liabilities linked to assets held for sale	**15.a**	**27**	**—**
Current provisions		**922**	**789**
Provision for pensions and similar obligations	26	42	27
Other provisions	27	880	762
Current financial liabilities		**25,079**	**21,297**
Bank borrowings, bonds and other marketable securities	28	10,458	9,984
Equity instruments having the substance of a financial liability	23	87	100
Derivative financial instruments	29	3,398	2,111
Leases	31	151	158
Trade payables		5,927	5,964
Other current financial liabilities	32	5,058	2,980
Other current liabilities		**2,811**	**2,268**
Current tax liabilities	35	156	227
Other public administration payables	35	1,262	1,205
Other current liabilities	33	1,393	836
TOTAL CURRENT LIABILITIES		**28,839**	**24,354**
TOTAL EQUITY AND LIABILITIES		**154,667**	**141,752**

(*) The consolidated Statement of financial position at 31 December 2021 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 2022.

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 INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

Millions of euros	Note	2022	2021 (*)
Revenue	37	53,949	39,114
Supplies	38	(33,750)	(22,052)
GROSS INCOME		**20,199**	**17,062**
Personnel expenses	39	(3,365)	(3,002)
Capitalised personnel expenses	39	847	716
External services		(3,602)	(2,936)
Other operating income		911	995
Net operating expenses		(5,209)	(4,227)
Taxes	40	(1,762)	(829)
GROSS OPERATING PROFIT (EBITDA)		**13,228**	**12,006**
Impairment losses, trade and other receivables	16	(470)	(369)
Amortisation, depreciation and provisions	41	(4,774)	(4,294)
OPERATING PROFIT (EBIT)		**7,984**	**7,343**
Result of equity-accounted investees	15.a	146	(39)
Finance income	42	1,204	1,265
Finance expense	43	(3,042)	(2,268)
Finance income		(1,838)	(1,003)
PROFIT BEFORE TAX		**6,292**	**6,301**
Income tax	34	(1,161)	(1,914)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**5,131**	**4,387**
NET PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS (NET OF TAXES)		**(71)**	**(35)**
Non-controlling interests	21	(721)	(467)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT		**4,339**	**3,885**
BASIC EARNINGS PER SHARE IN EUROS FOR CONTINUING OPERATIONS	**52**	**0.655**	**0.567**
DILUTED EARNINGS PER SHARE IN EUROS FOR CONTINUING OPERATIONS	**52**	**0.654**	**0.565**
BASIC AND DILUTED EARNINGS PER SHARE IN EUROS FOR DISCONTINUED OPERATIONS	**52**	**(0.011)**	**(0.005)**

(*) The consolidated Income statement at 31 December 2021 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 Income statement for the year ended 31 December 2022.

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 COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

Millions of euros	Note	2022			2021 (*)		
		Parent company	Non-controlling interests	Total	Parent company	Non-controlling interests	Total
NET PROFIT/(LOSS) FOR THE YEAR		**4,339**	**721**	**5,060**	**3,885**	**467**	**4,352**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT YEARS							
In valuation adjustments		**(1,506)**	**(36)**	**(1,542)**	**799**	**(107)**	**692**
Change in value of cash flow hedges	21	(1,886)	(56)	(1,942)	1,005	(151)	**854**
Changes in hedging costs		(7)	—	(7)	4	—	4
Tax effect	34	387	20	407	(210)	44	(166)
In translation differences		**636**	**483**	**1,119**	**2,375**	**380**	**2,755**
TOTAL		**(870)**	**447**	**(423)**	**3,174**	**273**	**3,447**
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENTS IN SUBSEQUENT YEARS							
In other reserves		**141**	**9**	**150**	**693**	**52**	**745**
Actuarial gains and losses on pension schemes	26	194	12	206	915	73	988
Tax effect	34	(53)	(3)	(56)	(222)	(21)	(243)
TOTAL		**141**	**9**	**150**	**693**	**52**	**745**
OTHER COMPREHENSIVE INCOME FROM EQUITY-ACCOUNTED INVESTEES (NET OF TAXES)							
In valuation adjustments		**27**	**—**	**27**	**(10)**	**—**	**(10)**
TOTAL	**15.a**	**27**	**—**	**27**	**(10)**	**—**	**(10)**
TOTAL NET PROFIT RECOGNISED DIRECTLY IN EQUITY		**(702)**	**456**	**(246)**	**3,857**	**325**	**4,182**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**3,637**	**1,177**	**4,814**	**7,742**	**792**	**8,534**

(*) The consolidated Statement of comprehensive income for financial year 2021 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 2022.

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 2022

Millions of euros	Subscribed capital	Treasury shares	Other reserves			Retained earnings	Valuation adjustments	Translation differences	Net profit/(loss) for the year	Non-controlling interests	Total
			Legal reserve	Share premium	Other restricted reserves						
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 21)	145	—	—	(145)	—	—	—	—	—	—	—
Capital reduction (Note 21)	(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 21)	—	—	—	—	—	1	—	—	—	558	559
Transactions with treasury shares (Note 21)	—	(1,881)	—	—	—	2	—	—	—	—	(1,879)
Other changes in equity											
Equity instruments-based payments (Note 22)	—	—	—	—	—	(9)	—	—	—	5	(4)
Interest accrued on perpetual subordinated bonds (Note 21)	—	—	—	—	—	(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**

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.

Millions of euros	Subscribed capital	Treasury shares	Other reserves			Retained earnings	Valuation adjustments	Translation differences	Net profit/(loss) for the year	Non-controlling interests	Total
			Legal reserve	Share premium	Other restricted reserves						
Balance at 01.01.2021 (*)	**4,762**	**(1,985)**	**969**	**14,361**	**1,052**	**18,038**	**(242)**	**(5,154)**	**3,611**	**11,806**	**47,218**
Change in accounting criteria (Note 2.a)						(97)				(4)	(101)
Adjusted balance at 01.01.2021	**4,762**	**(1,985)**	**969**	**14,361**	**1,052**	**17,941**	**(242)**	**(5,154)**	**3,611**	**11,802**	**47,117**
Comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**693**	**789**	**2,375**	**3,885**	**792**	**8,534**
Transactions with shareholders or owners											
Share capital increase (Note 21)	146	—	—	(146)	—	—	—	—	—	—	—
Capital reduction (Note 21)	(133)	1,898	—	—	—	(1,765)	—	—	—	—	—
Distribution of 2020 profit	—	—	—	—	—	3,041	—	—	(3,611)	(229)	(799)
Transactions with non-controlling interests (Notes 7 and 21)	—	—	—	—	—	33	—	—	—	517	550
Transactions with treasury shares (Note 21)	—	(1,773)	—	—	—	7	—	—	—	—	(1,766)
Other changes in equity											
Equity instruments-based payments (Note 22)	—	—	—	—	—	7	—	—	—	5	12
Issuance of perpetual subordinated bonds (Note 21)	—	—	—	—	—	(10)	—	—	—	2,750	2,740
Interest accrued on perpetual subordinated bonds (Note 21)	—	—	—	—	—	(155)	—	—	—	—	(155)
Other changes	—	—	—	—	—	(117)	—	—	—	10	(107)
Balance at 31.12.2021 (*)	**4,775**	**(1,860)**	**969**	**14,215**	**1,052**	**19,675**	**547**	**(2,779)**	**3,885**	**15,647**	**56,126**

(*) The consolidated Statement of changes in equity for financial year 2021 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 2022.

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 2022

Millions of euros	Note	2022	2021 (*)
Profit before tax from continuing activities		6,292	6,301
Profit before tax from discontinued operations		(96)	(45)
Adjustments for			
Amortisation, provisions, valuation adjustments of financial assets and personnel expenses for pensions	39, 41	5,491	5,088
Net profit/loss from investments in associates and joint ventures	15.a	(146)	39
Capital grants and other deferred income	24	(304)	(282)
Finance income and finance costs	42, 43	1,842	975
Changes in working capital			
Change in trade receivables and other		(1,701)	(4,707)
Change in inventories		521	52
Change in trade payables and other liabilities		44	1,927
Provisions paid		(512)	(459)
Income taxes paid		(1,055)	(832)
Dividends received		67	49
Net cash flows from operating activities		**10,443**	**8,106**
Acquisition of subsidiaries	7	—	(536)
Change in cash flow due to modification of the consolidation scope	7	—	21
Acquisition of intangible assets	9	(510)	(591)
Acquisition of associates	15.a	(65)	(203)
Acquisition of investment property	10	(1)	(3)
Acquisition of property, plant and equipment	11	(6,277)	(6,327)
Capitalised interest paid	42	(189)	(145)
Capitalised personnel expenses paid	39	(847)	(716)
Capital grants and other deferred income		1	8
Proceeds/(payments) for securities portfolio		(7)	—
Proceeds/(payments) for other investments		(1,631)	(1,103)
Proceeds/(payments) for current financial assets		(834)	(364)
Interest received		172	33
Proceeds from disposal of non-financial assets		23	305
Proceeds from disposal of financial assets		11	133
Net cash flows used in investing activities		**(10,154)**	**(9,488)**
Dividends paid		(890)	(570)
Dividends paid to non-controlling interests		(419)	(229)
Perpetual subordinated bonds	21		
Instruments issued		—	2,740
Interest paid		(169)	(94)
Bank borrowings, bonds and other marketable securities	30		
Issues and disposals		14,826	9,748
Redemption		(10,272)	(7,641)
Interest paid excluding capitalised interest		(1,495)	(741)
Financial liabilities from leases	31		
Payment of principal		(175)	(154)
Interest paid excluding capitalised interest		(61)	(49)
Equity instruments having the substance of a financial liability	23		
Instruments issued		130	272
Payments		(177)	(110)
Acquisition of treasury shares	21	(1,885)	(1,897)
Proceeds from disposal of treasury shares	21	91	73
Payments for transactions with non-controlling interests	21	(51)	(94)
Proceeds for transactions with non-controlling interests	21	698	615
Net cash flows from/(used in) financing activities		**151**	**1,869**
Effect of exchange rate fluctuations on cash and cash equivalents		**135**	**119**
Net increase/(decrease) in cash and cash equivalents		**575**	**606**
Cash and cash equivalents at beginning of year		**4,033**	**3,427**
Cash and cash equivalents at end of year		**4,608**	**4,033**

(*) The consolidated Statement of cash flows for 2021 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 2022.

Notes to the consolidated Financial Statements for the year ended 31 December 2022

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 2022 consolidated Financial Statements were authorised for issue by the directors on 21 February 2023, 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 2021 consolidated Financial Statements were approved by the shareholders at the General Meeting held on 17 June 2022.

At 31 December 2022, the consolidated Financial Statements presented negative working capital of EUR 5,472 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 17,754 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 Financial Statements are the same as those used for the year ended 31 December 2021, except for the application on 1 January 2022 of the following amendments adopted by the European Union to be applied in Europe:

– **Amendments to IAS 37: Onerous Contracts — Costs of Fulfilling a Contract**

  The amendments to IAS 37 specify the costs to be considered when determining the costs of fulfilling a contract in order to assess whether or not the contract is onerous. In particular, fulfilment costs include both incremental costs and other costs directly related to the contract.

  Until 1 January 2022, the IBERDROLA Group only considered incremental costs as the contract fulfilment costs. As a result of the amendments, the IBERDROLA Group has revised its provisions for onerous contracts, mainly in relation to agreements for the sale of electricity and gas.

  These amendments apply to contracts under which not all of the performance obligations have been fulfilled as at 1 January 2022 (date of initial application). The effect of applying the amendments on 1 January 2022 has resulted in a net tax effect of EUR 75 million under "Other reserves" in the consolidated Statement of financial position (Notes 27 and 34).

– **Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use**

  Under the amendments, proceeds earned before an asset of property, plant and equipment is available for its intended use must be recognised in profit or loss, and it is prohibited to deduct such revenue from the cost of the asset. The amendments apply with retroactive effect to facilities that were commissioned from 1 January 2021 onwards, without having had a significant impact on the date of first application.

Furthermore, the entry into force on 1 January 2022 of the Annual Improvements — 2018-2020 Cycle and the Amendments to IFRS 3: Reference to the Conceptual Framework has had no effect on these consolidated Financial Statements.

Change of accounting criteria

In 2021, the IBERDROLA Group changed its accounting criteria in relation to the accounting recognition of deviations in market price, as per the methodology set out in Royal Decree 413/2014 of 6 June, regulating the activity of electricity production from renewable energy sources, cogeneration and waste, when the actual market prices corresponding to the different half-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 half-period that were used to determine the incentives to be received for the investments under the scope of the aforementioned regulations (Note 33).

The change responds to the publication by the National Securities Market Commission (CNMV), on 22 October 2021, of the "Criteria for accounting for the 'value of adjustments due to deviations in market price', in accordance with Section 22 of Royal Decree 413/2014".

The IBERDROLA Group adopted the criteria published by the CNMV with retroactive effect back to 1 January 2021.

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 2023:

		Mandatory application	
Standard		IASB	European Union
IFRS 17	Insurance contracts	01/01/2023	01/01/2023
Amendments to IAS 1	Presentation of Financial Statements: Classification of liabilities as current or non-current	01/01/2023	(*)
Amendments to IAS 8	Definition of Accounting Estimates	01/01/2023	01/01/2023
Amendments to IAS 1	Disclosure of Accounting Policies	01/01/2023	01/01/2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	01/01/2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	01/01/2024	(*)
Amendments to IAS 1	Non-current Liabilities with Covenants	01/01/2024	(*)

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

In relation to the amendments to IAS 12, these narrow the scope of the exemption to initial recognition, which is contained in paragraphs 15 and 24 of IAS 12. They do not, therefore, apply to transactions in which equal amounts of deductible and taxable temporary differences arise. As a result of the amendments, a deferred tax asset and a deferred tax liability should be recognised for the temporary differences arising from the initial recognition of the lease contract and of the decommissioning provisions. The IBERDROLA Group believes that the amendments will not have a significant impact on equity on the date of first application.

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.b) Consolidation principles

Appendix I to these consolidated Financial Statements lists all IBERDROLA subsidiaries, jointly controlled entities and associates, together with the consolidation or measurement basis used and other related disclosures.

Subsidiaries

The subsidiaries over which the IBERDROLA Group exercises control are fully consolidated from the point at which such control is obtained.

The IBERDROLA Group considers that it controls a company when it is exposed, or has a right, to variable returns from its involvement in the company and has the capacity to influence such yields through that control.

Results of subsidiaries acquired or sold in the year are included in the consolidated Income statement as from the effective date of acquisition or up to the effective date of sale. All accounts and transactions between fully consolidated companies have been eliminated in consolidation.

On the acquisition date, assets, liabilities and contingent liabilities of a subsidiary are recognised at fair value. Any excess of the subsidiary's acquisition cost over the market value of its assets and liabilities is recognised as goodwill, as it corresponds to assets that cannot be identified and measured separately. If the difference is negative, it is recognised as a credit in the consolidated Income statement.

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 non-controlling interests are derecognised. The resulting gains or losses are recognised 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.

The income obtained in stock purchase transactions with minority shareholders in controlled companies and the sale of stock without loss of control will be recognised as charged or credited to reserves.

Investments accounted for using the equity method

Investments accounted for using the equity method include both investments in associates and joint businesses. Associates are companies in which the IBERDROLA Group has significant influence, i.e., the power to intervene in decisions regarding financial and operating policies yet without having control or joint control. A joint business is a joint agreement in which the Group has the right to net assets of the agreement.

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.

Homogenisation

The closing date of the Financial Statements of the subsidiaries, jointly controlled entities and associates is 31 December.

The accounting policies applied by these companies are the same or have been harmonised with the ones used by the IBERDROLA Group.

Translation of the financial statements of foreign companies

The financial statements of each foreign company were drawn up in their respective functional currencies, defined as the currency of the economy in which each company operates and in which it generates and uses cash.

The financial statements of foreign companies have been translated applying the year-end exchange rate method. This method consists of translating to euros all the assets, rights and obligations at the exchange rates prevailing at the date of the consolidated Financial Statements and the average exchange rate for the year (provided that there are non-material transactions for which it is not deemed appropriate to use the average exchange rate) for the consolidated Income statement items, keeping equity at the historical exchange rate at the time of the acquisition (or at the average exchange rate of the year in which they were generated in the case of accumulated results). The resulting translation differences are taken directly to reserves.

2.c) Amendment to comparative information

Changes in segmentation (Note 8)

In such a fast-changing and competitive environment, organisations must continuously adapt and focus on value creation, requiring them to structure their operations, both from a shared vision of their activities in the different countries in which they operate, and from the perspective of building synergies across their businesses.

Over the course of 2022, and with a view to adapting to changes in its activities, the IBERDROLA Group streamlined its organisation, based on a two-pronged approach, namely the corporate and governance structure (or geographic area vision) and the business model (or business vision), which allows it, among other things, to successfully tackle the energy transition challenge.

As noted below, while the corporate and governance structure envisages decentralised decision-making by the company responsible in each case, the business model facilitates appropriate integration and coordination of the businesses and corporate areas in global terms so as to achieve the objectives established by the IBERDROLA Group as a whole. This organisational model therefore makes it possible to coordinate and combine the day-to-day management of the businesses in each country or territory while exchanging information and best practices among the companies belonging to the IBERDROLA Group, thus maximising the overall value of the businesses.

■ Corporate and governance structure

The corporate and governance structure of the IBERDROLA Group is guided by the principle of subsidiarity (pursuing a balance between the decentralised management of the Group's companies, and leveraging the synergies derived from belonging to the Group), whilst respecting the self-governance of the companies within it.

The corporate and governance structure of the IBERDROLA Group comprises:

a. The holding company, Iberdrola, S.A., a listed entity whose main function is to act as the holder of the equity interests of the country subholding companies. Its powers relate to defining strategies and the governance model, as well as strategic oversight, organisation and co-ordination. In particular: (i) it approves the strategic targets and basic management guidelines and decides on strategically relevant matters with Group-wide projection; (ii) it defines the organisational model and supervises the implementation and development thereof; (iii) it establishes the necessary information-sharing mechanisms within the framework of strategic coordination; and (iv) it approves the budget and results of Iberdrola, S.A. and the consolidated results at Group level.

b. The country subholding companies, that group together the interests in the head of business companies:

   – perform the aforementioned function of strategic oversight, organisation and coordination in their respective territories, countries or businesses for which they are responsible. As such, they disseminate, implement and ensure the monitoring of the policies, strategies and general guidelines defined at IBERDROLA Group level, with due attention to their individual nature and singularities and specifying the application thereof, approving, as the case may be, their own rules, to be applied, as appropriate, to their head of business companies;

   – centralise the provision of services common to those head of business companies, in accordance with applicable law and, in particular, the legal provisions on the separation of regulated activities;

– agree, based on proposals from their respective chief executive officers, on the short- and long-term strategic objectives for the territories, countries or businesses for which they are responsible; and

– approve the budget and results of their company and the consolidated budget and results of their company and its subsidiaries and, within their remit, monitor and supervise their implementation in the respective territories, countries or businesses for which they are responsible.

The listed country subholding companies have a special framework of enhanced autonomy that ensures that the interests of the shareholders of such companies other than those of Iberdrola, S.A. enjoy sufficient protection and harmoniously co-exist with the wider interests of the Group companies and with those of the shareholders of Iberdrola, S.A.

c. The head of business companies undertake the day-to-day management and effective management of the business, as well as the day-to-day monitoring thereof. In particular:

– they effectively direct, control and manage the business conducted by their company, with responsibility for their day-to-day supervision;

– in the context of the strategy established by the country subholding company or its respective territory or country, they approve, at the proposal of their chief executive officer, the business's short- and long-term strategic objectives, as well as the budgets and the update programmes for their development and delivery; and

– approve the company’s results.

In short, the IBERDROLA Group's corporate and governance structure is based on a clear separation of, on the one hand, the strategic definition and supervision functions and, on the other hand, those of day-to-day governance and effective management.

■ Business model

The purpose of the Business Model is to define a Group organisation to coordinate the day-to-day management of the businesses in each country or territory, while exchanging information and best practices among the Group companies, thus maximising the overall value of the businesses thereof.

In this respect, the Business Model seeks to balance the Group's activities, both by geographic area and by business.

The structuring of activities by geographical areas allows for decentralised decision-making wherever these decisions are to take effect. The main geographic areas are: Spain, United Kingdom, United States, Brazil, Mexico and Iberdrola Energía Internacional (encompassing all other countries, including Germany, France and Australia). Structuring the activity by business (Renewables and Sustainable Generation Business, Networks Business and Customer Business) streamlines the overall integration and coordination of the businesses and corporate areas with a view to achieving the objectives established at Group level.

The corporate areas serve as a support function that provides services to the Group's companies and businesses, both globally and locally. Thus, in addition to their structuring by geographic area, they are also coordinated by businesses. They help to implement the policies and overall strategy established at Group level (including procurement, risk, legal, financial, information systems, cybersecurity, among others), and ensure the correct consolidation of all financial and non-financial information at Group level.

The Group's Business Model is therefore geared towards maximising the operating efficiency of the various business units/geographies and ensuring the dissemination, implementation, and monitoring of the general strategy and basic management guidelines established for each of the businesses and geographies. This is achieved primarily through sharing information and best practices across the various Group companies, but without detriment to each company's decision-making autonomy and to the requirements imposed on their directors by law and by the Governance and Sustainability System.

As part of the Business Model, Iberdrola, S.A. fosters the creation and functioning of global business and corporate area committees, empowered to approve global guidelines and recommendations, propose improvement initiatives, promote the exchange of best practices, and support both the chief executive officer and the heads of the businesses in the performance of their duties, all without detriment to the corporate autonomy of the Group's companies.

3. ACCOUNTING POLICIES

3.a) Goodwill

Goodwill represents future economic benefits arising from other financial assets acquired in a business combination and which are not individually identified and separately recognised.

Goodwill arising from acquisitions of companies with a functional currency other than the euro is translated to euros at the exchange rate prevailing at the reporting date of the consolidated Statement of financial position.

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”.

Goodwill is not amortised. However, at the end of each reporting period it is reviewed for its recoverability and any impairment is written down (Note 3.i).

3.b) Other intangible assets

Concessions, patents, licenses, trademarks and others

The amounts recognised as concessions, patents, licenses, trademarks and others relate to the cost incurred in their acquisition net of accumulated amortisation and valuation changes due to impairment, if applicable.

The electricity distribution and transmission concessions held in 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 — "Service concession arrangements" affects public-private service concession arrangements that meet two conditions:

- the grantor controls or regulates which services the operator must provide with the infrastructure, to whom it must provide them and at what price; and

- the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Items of infrastructure within the scope of a service concession arrangement are not recognised as property, plant and equipment of the operator, because the operator does not have the right to control the use of the infrastructure.

If the operator performs more than one service (i.e. operation services and construction or upgrade services), the consideration received under the agreement for provision of services is recognised separately in the consolidated Income statement, in accordance with IFRS 15 "Revenues from Contracts with Customers".

In the case of the IBERDROLA Group, 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).

Computer software

The acquisition and development costs incurred in relation to computer software are recorded with a charge to the "Other intangible assets" heading of the consolidated Statement of financial position. Maintenance costs of computer software are recorded with a charge to the consolidated Income statement for the year in which they are incurred.

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.

Research and development expenditure

The IBERDROLA Group's policy is to record research expenses in the consolidated Income statement for the period when they are incurred.

Development costs are recognised as an intangible asset in the consolidated Statement of financial position if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

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 42) is calculated as follows:

   – The interests accrued by specific-purpose sources of financing used to build certain assets are fully capitalised.

   – The interests accrued by general-purpose borrowings are capitalised by applying the average effective interest rate on this financing to the average cumulative investment qualifying for capitalisation, after deducting the investment financed with specific-purpose borrowings, provided that it does not exceed the total finance expenses incurred in the year.

3. Personnel expenses related directly or indirectly to construction in progress (Note 39).

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 “Provisions — Other provisions” of the consolidated Statement of financial position (Note 3.r).

   The IBERDROLA Group periodically checks its estimation of said current value, increasing or decreasing the asset value depending on the results of said estimation.

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.

The costs of expansion or improvements leading to increased productivity, capacity or to a lengthening of the useful lives of the assets are capitalised. Replacements or renewals of complete items are recorded as additions to property, plant and equipment, and the items replaced are derecognised.

Income from the sale and the costs of items that arise during the period in which property, plant and equipment are brought into use are recognised in the consolidated Income statement (Note 2.a).

Gains or losses arising on the disposal of items of property, plant and equipment are calculated as the difference between the amount received on the sale and the carrying amount of the asset disposed of.

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	25-40
Transmission facilities	40-56
Distribution facilities	30-54
Conventional meters and measuring devices	10-40
Electronic or smart meters	15
Buildings	50-75
Dispatching centres and other facilities	4-50

As hydroelectric plants are operated under concessions (Note 13), civil engineering assets are depreciated over the life of the concession, while their electromechanical equipment is depreciated over either the concession period or 50 years, whichever is lower.

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.

Right-of-use assets are initially recorded by cost, which includes:

– The initial valuation amount of the lease liability;

– Any lease payment made on or before the asset start date, minus incentives received;

– The initial direct costs incurred as a result of the lease; and

– An estimation of the costs that will be incurred by the lessee for the dismantling and restoration of assets.

After the initial recognition, right-of-use assets are recorded at cost minus accumulated depreciation and impairment losses. The depreciation of right-of-use assets is recorded under the “Amortisation, depreciation and provisions” heading of the consolidated Income statement for the useful life of the underlying asset or the lease term, whichever is shorter (Note 41). If the property is transferred to the lessee or it is practically certain that the lessee will exercise the purchase option, it will be depreciated over the useful life of the asset. Furthermore, for calculation loss due to right of use asset impairment, the Group applies impairment criteria on the value of non-current assets described in Note 3.i.

The right of-use asset is later adjusted due to the impact of certain reassessments which affect lease liabilities.

The initial value of lease liabilities is calculated as the present value of future lease payments deducted at the implicit interest rate that may reliably be determined or, otherwise, at the incremental interest rate.

Lease payments include:

– Fixed or substantially fixed lease fees specified in the contract, minus any incentive to be received by the lessee;

– Variable fees dependent on an index or rate initially valued by applying the indices or rates existing at the beginning of the lease;

– The amounts that the lessee expects to pay for guarantees on the residual value of the underlying asset;

– The exercise price of the purchase option, if it is reasonably certain that the lessee will exercise said option; and

– The payments corresponding to extension options whose exercise is considered to be fairly certain or early lease cancellation fines if the lease period includes the early cancellation.

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.

Subsequently, the lease liability is increased to show financial expenses and is reduced by the amounts paid. The discounting to present value is recorded under the “Financial expenses” heading of the consolidated Income statement (Note 43).

The lease liability is revalued when there is a change in indices or rates, in the estimated amounts to be paid for guarantees on the residual value, in those cases where options to extend are reasonably certain or in those cases where, with a reasonable degree of certainty, it is not considered that the cancellation options will be exercised.

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 elements as well as non-lease elements. The IBERDROLA Group chooses not to separate such elements for accounting purposes and to recognise them as a single lease element.

3.g) Nuclear fuel

The IBERDROLA Group measures its nuclear fuel stocks on the basis of the costs actually incurred in acquiring and subsequently processing the fuel.

Nuclear fuel costs include the financial expenses accrued during construction, calculated as indicated in Note 3.d (Note 42).

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, calculated using the method set out in Note 3.d (Note 42).

Trade expenses are charged to the consolidated Income statement for the year in which they are incurred, except for those incremental costs required to obtain customer contracts.

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 2020 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 10% to 45% 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 certificates

Inventories of emission allowances and renewable energy certificates are measured at acquisition cost, calculated using the average weighted price method, or net realisable value, if the latter is lower. In the case of emission allowances and renewable energy certificates that are incorporated into the production process, no valuation adjustments are made if it is expected that the finished products into which they will be incorporated will be sold at above cost.

Emission allowances and energy renewable 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.

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 allowances are delivered, they are derecognised with a charge to the provision made when the CO_2 emissions were produced.

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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if it is necessary. In the case of assets that do not generate cash inflows and which are largely independent from those generated by other assets, the IBERDROLA Group estimates the recoverable amount of the cash-generating unit to which they belong.

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 that benefit from the synergies arising from the business combination (Note 9).

The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of estimated future cash flows. 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).

If the recoverable amount of an asset is less than its carrying amount, the difference is registered as a charge to the “Amortisation, depreciation and provisions“ heading of the consolidated Income statement.

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.

Impairment losses are due to the fact that future expected earnings to be obtained are less than the carrying amount. 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.

3.j) Associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under this method, investments are measured initially at acquisition cost, subsequently adjusted for changes to each company’s equity, taking into consideration the percentage of ownership and, if applicable, any valuation adjustments.

Some investments in associates and joint ventures which in the context of these consolidated Financial Statements are immaterial are recorded at acquisition cost within the "Non-current financial assets — Non-current equity investments" heading of the consolidated Statement of financial position.

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) Joint arrangements

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These consolidated Financial Statements include the proportional part of the assets, liabilities, income and expenses of the joint arrangements in which the IBERDROLA Group takes part.

3.l) 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. Financial 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 29).

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 valuation changes resulting from credit losses expected 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 recording. 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 the impairment of trade receivables and contract assets are recognised under the “Impairment losses, trade and contract assets” 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 43).

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 assets 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 substantial different terms, the original financial liability is derecognised and the new financial liability is recognised.

The IBERDROLA Group considers that the conditions are substantially different if the current value of the discounted cash flows under the new conditions, including any fee paid net of any fee received from the lender, and using the original effective interest rate for the discount, differs at least 10 per cent from the current discounted value of the cash flows that still remain from the original financial liability.

The difference between the carrying amount of the financial liability or of the part of it that has been deregistered 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 conditions, changed flows are deducted at the original interest rate, and every 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.

Interests and dividends

Interest income is accrued on a time proportional basis, by reference to the outstanding principal and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the asset to that asset's carrying amount.

Dividend income is recognised when the IBERDROLA Group companies are entitled to receive them.

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 asset 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.

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, unless the derivative has been designated as a cash flow hedge or a hedge of a net investment in foreign countries.

At the start of the hedge, the hedging relationships are designed 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", 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 proceeding from the measurement at fair value of the hedge instrument that corresponds to the part identified as effective hedge in "Translation differences". The hedging portion considered ineffective is recognised under the "Finance income" and "Finance expense" headings of the consolidated Income statement.

Specific accounting policies for hedging relationships directly affected by the IBOR reform applicable as of 1 January 2021 (Note 4):

In order to assess whether there is an economic relationship between the hedging instrument and the hedged item at 31 December 2022, the IBERDROLA Group assumes that the reference variable interest rate has not been altered as a result of the IBOR reform.

The IBERDROLA Group will cease to apply the temporary exceptions mentioned above in the assessment of the economic relationship between the hedging instrument and the hedged item when there is no longer any uncertainty arising from the IBOR reform with respect to the term or amount of its interest settlements, or when the hedging relationship is discontinued.

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 hedge 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.

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.

Financial instrument offsetting principles

The financial assets and liabilities are offset and the corresponding net amount is shown in the Statement of financial position if the company currently has a legally enforceable right to set off the recognised amounts and the intention either to settle them on a net basis or to realise the assets and settle the liabilities simultaneously.

3.m) Treasury shares

At year end, the IBERDROLA Group's treasury shares are included under the "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.n) 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.o) 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 assigned 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.p) Post-employment and other employee benefits

Contributions to defined contribution post-employment benefit plans are registered 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 provision 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 with the limit on 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 bonds or business obligations of high credit quality (the IBERDROLA Group considers a rating equivalent to AA/Aa). In countries which do not have such a deep market for such bonds and obligations, the discount rate is determined with 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 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 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 to have been 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.q) Furlough schemes and other collective redundancy procedures

IBERDROLA recognises termination benefits when the Group can no longer remove 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.r) 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 27).

This estimate is reviewed every year so that the provision reflects the present value of the full amount of the estimated future costs. The value of the asset is only adjusted for variances with respect to the initial estimate.

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.s) 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 27).

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.t) Current and non-current debt classification

In the consolidated Statement of financial position debts are classified by their maturity date at year end. Debts that are due within 12 months are classified as current items, while those due beyond 12 months as non-current items.

3.u) 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.

When the IBERDROLA Group acts as principal, it recognises ordinary income in the gross amount of the consideration it expects to be entitled to in exchange for the goods or services transferred, whereas when it acts as agent, it recognises ordinary income in the amount of any payment or commission it expects to be entitled to in exchange for organising for a third party the supply of the goods or services.

The IBERDROLA Group presents contracts with customers in the consolidated Statement of financial position as a contract asset or liability depending on the relationship between the IBERDROLA Group’s performance and the payment settled by the customer.

- The contract with the customer is recognised as a contract liability when the customer has paid consideration before control of the goods or services has been transferred to the customer, so there is an obligation on IBERDROLA Group’s side to transfer the goods or services for which it has already received consideration.

- Contracts with customers are recognised as contract assets when the IBERDROLA Group has completed the arrangement by transferring the control of the goods or services to the customer before the customer has settled the consideration, so the IBERDROLA Group has a right to a consideration in exchange for the goods or services transferred to the customer.

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.l) is recognised in accordance with applicable accounting rules.

3.v) 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, these facilities receive certain incentives (specific remuneration regime) in accordance with the methodology established in Royal Decree 413/2014 of 6 June, which regulates the activity of electricity production from renewable energy sources, cogeneration and waste (the Royal Decree). The Royal Decree states that certain remuneration parameters will be updated in each regulatory half period.

The Royal Decree regulates the procedure to be followed if the real market prices for the different half-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 half-period that were used to determine the incentives to be received for the investments under the scope of the regulation.

Due to the high prices seen in the second half of 2021 and early 2022, Royal Decree 6/2022 of 29 March amended the 2020-2022 regulatory period by dividing it into two half-periods: 2020-21 and 2022. For the 2022 half-period, the price to be applied in 2022-2024 has been estimated as the average of OMIP futures during the period July to December 2021, resulting in prices for 2022, 2023 and 2024 of EUR 122/MWh, EUR 71/MWh and EUR 56/MWh, respectively. Likewise, Royal Decree 6/2022 amends Section 22.3 of Royal Decree 413/2014, of 6 June, so that the adjustment for deviations in the market price incorporates the real target coefficient of each technology when applying the annual average price of the daily and intraday market. This change has an impact on the adjustment for market price deviations in 2020 and 2021, influencing the remuneration parameters for 2022, and on the adjustment for price deviations in 2022, which also influences the remuneration parameters for the regulatory half-period starting on 1 January 2023. In this regard, Order TED/1232/2022 of 2 December established the remuneration parameters to be applied in 2022.

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” published by the CNMV on 22 October 2021 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 2022, liabilities amounting to EUR 412 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 the Proposal for an Order of 28 December 2022 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.

Thus, there are currently no standard facilities not receiving operating remuneration that record the liabilities associated with price deviations.

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.w) 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 converted to euros applying the existing rate at the close of the financial year, while the non-monetary ones measured at historical cost are converted 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 recorded, being charged 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.l.

3.x) 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 net 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.

The Group recognises deferred tax liabilities in all cases except when:

- they arise from the initial recognition of the goodwill or from an asset or liability in a transaction that is not a business combination and which on the date of the transaction does not affect the accounting profit/(loss) or the tax base;
- which refer to timing differences relating to investments in subsidiaries, associated companies and joint businesses in which the Group can decide the point at which they are reversed, and when the reversal is unlikely to take place in the foreseeable future.

The Group recognises all deferred tax assets provided that:

- there are likely to be sufficient future tax gains for them to be offset or when, according to tax laws, deferred tax assets can be converted in the future into a payable to be made by the public authorities. However, the deferred tax assets that arise from the initial recognising of assets or liabilities in a transaction that is not a business combination and on the date of the transaction does not affect the accounting income or the tax base, are not recognised;
- which correspond to temporary differences related with investments in subsidiaries, associates and joint ventures inasmuch as the temporary differences will not be reinvested in a foreseeable future and future positive tax gains to offset the differences are not expected to be generated in the future.

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.y) Final radioactive waste management costs

On 8 November 2003, the Royal Decree 1349/2003 was published regulating the activities of ENRESA and its financing. This Royal Decree grouped together the previous legislation regulating the activities that ENRESA carries out, as well as its financing, and repeals, inter alia, Royal Decree 1899/1984 of 1 August.

Pursuant to Royal Decree-Law 5/2005 and Law 24/2005, the costs of managing radioactive waste and spent fuel from nuclear plants, and for the decommissioning and closure of the plants attributable to their operation and incurred after 31 March 2005, will be financed by the owners of the nuclear plants in use.

On 7 May 2009, Royal Decree-Law 6/2009 was published, adopting various energy sector measures and approving the social tariff. The principal measures introduced are as follows:

- Necessary costs incurred in the management of radioactive waste and nuclear fuel at nuclear power stations which have definitively ceased to operate before the state-owned radioactive waste management company ENRESA is actually incorporated, which had not yet been done at the date of these consolidated Financial Statements, and all necessary costs incurred in decommissioning and closing these power stations, will be treated as diversification and capacity guarantee costs.
- Diversification and capacity guarantee costs shall also include amounts used to cover the cost of managing radioactive waste generated by research activities directly related to nuclear electricity generation and the costs deriving from the reprocessing of spent fuel sent overseas prior to the entry into force of the Electricity Industry Act 54/1997, as well as any other costs that may be indicated in the Royal Decree.
- Amounts used to register provisions to cover the costs incurred in managing radioactive waste and spent fuel generated at operational nuclear power stations after the establishment of ENRESA as well as decommissioning and closure costs will not be treated as supply diversification and security costs, so these will be financed by the owners of the nuclear power stations while they are operational, irrespective of the date on which they are generated.
- The balance of ENRESA's provision remaining after deduction of the amounts needed to cover the supply security and diversification costs will be used to cover costs not included in this category.
- To cover the costs associated with nuclear power plants in operation, the companies owning the stations must pay a charge directly proportional to the volume of energy generated at each plant in accordance with the methodology proposed for each plant.

Following a detailed analysis of the impact of Royal Decree-Law 6/2009, the IBERDROLA Group considers that the rate is the best estimate available of the accrued expenses originated under that Royal Decree-Law.

3.z) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by group companies (Notes 21 and 52).

Meanwhile, diluted earnings per share are calculated by dividing the net profit for the year attributable to the parent company by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of IBERDROLA. For these purposes, it is considered that shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

3.aa) Non-current assets held for sale and discontinued operations

If the carrying amount of a non-current asset (or a disposable group of assets) is recovered principally through its sale rather than through its continued use, the IBERDROLA Group classifies it as held for sale and values it at the lower of its carrying amount and its fair value less the costs of sale.

Impairment losses relating to disposal groups are first allocated to goodwill and then to other assets and liabilities on a pro rata basis. No valuation adjustments are recognised that could affect inventories, financial assets, deferred tax assets and assets related to employee commitments. These assets are valued pursuant to the principles set out in the preceding paragraphs. Losses recognised at the time of initial classification under this heading and gains and/or losses arising thereafter are recognised in the consolidated Income statement.

The items classified as non-current kept for their disposal are not amortised.

A discontinued operation is a component of the entity that either has been sold or disposed of by other means, or is classified as held for sale and:

- represents a business line or geographical area that is significant and can be considered separately from the rest;
- is part of a single and coordinated plan to sell or dispose by other means a business line or geographical area that can be considered separately from the rest; or
- is a subsidiary acquired exclusively with a view to resale.

If discontinued operations are deemed to exist, the IBERDROLA Group recognises a single heading in the consolidated Income statement comprising the sum of:

- profit or loss after tax from discontinued operations, and

– profit or loss after tax recognised by measurement at fair value less costs of sale, or sale or disposal by other means of the assets or disposable groups of assets that constitute the discontinued operation.

3.ab) Consolidated Statement of cash flows

In the consolidated Statements of cash flow, which were prepared using the indirect method, the following terms are considered:

– Operating activities: the typical activities of the group companies, as well as other activities that are not investing or financing activities.

– Investing activities: the acquisition, sale or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.

– Financing activities: activities that result in changes in the size and composition of the equity and liabilities of the company that are not operating activities.

3.ac) 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 remunerated 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 delivery 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 in reference to the market value of shares at the award 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.

If remuneration based on equity instruments is paid in cash, the amount 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 retained to meet the employee's tax obligations do not alter the plan's classification as equity-settled.

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 structure for debt between fixed and floating interest rate. Once the target structure has been defined, the Group dynamically manages the actions to be taken throughout the year: new sources of financing at a fixed or floating rate and/or the use of 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 rates and cash placements of the IBERDROLA Group are largely pegged to market rates (mainly Euribor, SONIA, Libor-dollar, SOFR and the IPCA CDI for the debt of the Brazilian subsidiaries).

Management of the IBOR (Interbank offered rates) reform and of the financial risks arising as a result of the reform

At 31 December 2022 and 2021, the nominal amount of hedging instruments indexed to IBOR indices, with the exception of Euribor, with a maturity date after 31 December 2022, is as follows:

Millions in currency	Currency	Notional value at	Notional value at
Libor-pound indexed interest rate swap	GBP	—	550
Libor-USD indexed interest rate swap	USD	1,706	1,706
Cross currency swap indexed to Libor-dollar	USD	181	212
Cross currency swap indexed to Libor-pound sterling	GBP	—	201

At 31 December 2022 and 31 December 2021, the nominal amount of bank borrowings, bonds and other marketable securities indexed to IBOR indices, with the exception of Euribor, with a maturity date after 31 December 2022, is as follows:

Millions in currency	Currency	Notional value at	Notional value at
Libor-pound sterling bank loans	GBP	—	—
Libor-dollar bank loans	USD	765	1,200

As at 31 December 2022, the Group had completed, or was in the process of completing, the process of implementing appropriate alternative clauses for all of the reported Libor-dollar indexed exposures. These clauses automatically change the instrument's Libor-dollar benchmark to SOFR or, as the case may be, TERM SOFR when Libor-dollar ceases to be used.

If the authorities make any progress on the IBOR indices, the IBERDROLA Group will make the appropriate contractual amendments so as to include the new replacement reference interest rate in its financing contracts.

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.

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 and commodity price risks, 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 29.

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 2023, 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 2022 and 2021, the IBERDROLA Group had undrawn loans and credit facilities totalling EUR 17,754 and 15,360 million, respectively. Additionally at 31 December 2022 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 2022 and 2021, 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	2022	2021
Available maturity		
2022	—	219
2023	346	674
2024	461	317
2025 and beyond	16,947	14,150
Total	**17,754**	**15,360**
Current financial assets (between 3 and 12 months) (Note 15.b)	18	12
Cash and cash equivalents (Note 20)	4,608	4,033
Liquidity position	**22,380**	**19,405**

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 2022 and 2021 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	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**	**31.12.2022**	**31.12.2021**
Spain	120	176	1,270	546	278	272	4,511	3,919
United Kingdom	388	317	912	265	19	32	1,607	1,286
United States	759	239	470	229	101	95	1,672	1,151
Mexico	52	30	2	16	623	572	336	129
Brazil	4,500	3,192	154	345	3,576	2,764	1,586	1,469
Iberdrola Energía Internacional (IEI)	91	25	3	3	8	10	109	90
Corporation and adjustments	48	16	153	129	9	19	48	139
Total	**5,958**	**3,995**	**2,964**	**1,533**	**4,614**	**3,764**	**9,869**	**8,183**

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 2022 and 2021.

– 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 net floating rate 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
2022	50	(78)	202	124
	(50)	78	(202)	(124)
2021	50	(55)	174	119
	(50)	55	(174)	(119)

– 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
2022	Depreciation of 5%	(12)	(1,122)	(1,134)
	Appreciation of 5%	4	1,241	1,245
2021	Depreciation of 5%	(13)	(1,023)	(1,036)
	Appreciation of 5%	7	1,131	1,138

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
2022	Depreciation of 5%	(8)	(545)	(553)
	Appreciation of 5%	3	603	606
2021	Depreciation of 5%	—	(781)	(781)
	Appreciation of 5%	—	863	863

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
2022	Depreciation of 5%	(6)	(242)	(248)
	Appreciation of 5%	1	267	268
2021	Depreciation of 5%	(7)	(198)	(205)
	Appreciation of 5%	2	219	221

– Commodities:

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

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)

Millions of euros				
2021	Variation in price	Impact on profit/(loss) before tax	Direct impact on equity before tax	Impact on equity before tax
Gas	5%	(5)	73	68
	(5%)	5	(73)	(68)
Electricity	5%	15	120	135
	(5%)	(15)	(120)	(135)

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 2ºC 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 2022 and 2021. 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.u). Fully depreciated property, plant and equipment still in use at 31 December 2022 and 2021 amounted to EUR 3,127 and 2,662 million, respectively. This amount is included under “Current trade and other receivables” in the consolidated Statements of financial position at 31 December 2022 and 2021 (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 37).

- Provisions for contingencies and expenses:

  As indicated in Note 3.s, 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.p, 3.q and 26).

  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.

– Fair value of investment property:

  The IBERDROLA Group appraises its investment property each year.

– Impairment of assets:

  As described in Notes 3.i and 14, the IBERDROLA Group, in accordance with the applicable accounting criteria, performs an impairment test on those cash-generating units that so require on an annual basis. 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

IBERDROLA embarked upon a profound transformation more than 20 years ago, when it pledged its support for a sustainable, safe and competitive energy model that would enable it to fight climate change. This has been the main driver of its profitable growth strategy, which has led it to invest more than EUR 140,000 million over the last two decades with the ultimate aim of achieving a decarbonised energy model. The Group is now in an excellent position from which to continue to anticipate and manage the risks and harness the opportunities that this energy transition offers thanks to its leadership in renewable energies, smart grids and storage, as well as its firm commitment to digitalisation.

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 carbon equivalent emissions by 2030 and aims to achieve zero net CO_2 equivalent emissions for all scopes, including Scope 3, 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 is fully integrated into a decarbonised future. The company is moving forward with its EUR 47,000 million investment plan until 2025 and consolidating its business model, based on more renewable energies, more 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 2022, the directors have taken into account the strategic plan presented to the markets in 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 Disclosure (TCFD), that the central scenario is the equivalent of the WEO2022 Announced Pledges Scenario (APS) projections.

1. Europe

Penetration of renewables

- IEA SDS assumes a renewable penetration (RES) of 66% in Europe by 2030, increasing to 82-83% by 2040 and 85-86% by 2050.
- IBERDROLA assumes 68% for 2030, reaching 81% for 2040 and 87% for 2050, assumptions consistent with IEA SDS.
  - This assumption reflects updated policies, in particular those announced during the war scenario: 80% RES by 2030 in Germany, new nuclear capacity in France beyond 2035, 50 GW in offshore wind in the United Kingdom by 2030 or 21 GW in offshore wind by 2030 in the Netherlands, to name a few.
  - Targets that are considered overly ambitious or unrealistic are set back by a few years.

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, STEPS) assumes 0.9% to 1.2%.
- IBERDROLA assumes a compound annual growth rate (CAGR) of 1.7% until 2050, reflecting the impact of electrification and decarbonisation in other sectors (electric vehicles and electrolysers), representing 25-30% of energy demand by 2050.

Commodities

- Gas price
  - IEA SPS (Stated Policies Scenario) assumes growth in worldwide gas demand of 0.8% (CAGR 2020-2050), with new LNG plants required and the gas price reflecting a total cost of HH 3.6 – 4.3 $\$_{2020}$/mmBtu (2030-2040), which translates into 7.7 - 8.3 $\$_{2020}$/mmBtu.
  - By contrast, IEA SDS considers that through decarbonisation, global gas demand will decline by 1.6% (CAGR 2020-2050), there is global LNG overcapacity and the gas price remains stable at a level that slightly exceeds the variable costs of the US LNG chain: from HH 1.9-2.0 $\$_{2020}$/mmBtu which translates into 4.2 - 4.5 $\$_{2020}$/mmBtu in Europe.

- 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.

– CO_2 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 2025-2050 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 or H2.

  - Regulators often intervene when prices exceed certain thresholds, and ETS already has the tools to intervene in the price. Therefore, IBERDROLA considers it highly unlikely that prices will reach the IEA SDS values (noting that 200 $\$_{2020}/tCO_2$ by 2050 is 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 renewables to reach 80% by 2050

  - Coal virtually phased out by 2035-2040

– IEA SDS

  - Share of renewables 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 for renewables:

- Australia: policies at federal and state level
  - Federal: 82% RES by 2030.
  - New South Wales: +12 GW of wind and photovoltaic by 2030.
  - Queensland: 80% RES by 2035.
  - Victoria: 9 GW offshore by 2040.
- Brazil: Ten-Year Energy Expansion Plan (PDE 2031).

  Benchmark scenario (2031): high penetration of renewables with only 7% gas share (67 TWh).
- Mexico: National Electricity System Development Programme (PRODESEN 2031).

  Combined cycle production in the range of 225-250 TWh in the period 2025-2035 (from ~ 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.

The IBERDROLA Group foresees investments of EUR 47,000 million for the 2023-2025 period, as announced at the Capital Markets Day presentation.

The growth of this Plan is based on organic investments in all markets and the PNM Resources transaction, to which EUR 11,000 million will be allocated.

Specifically, of the EUR 47,000 million investment, 80% will go to A-rated countries with stable regulatory frameworks and ambitious electrification targets. By country, the group will allocate 47% of its investments to the United States -including organic investments and the integration of PNM Resources-, representing the main market for expansion over the next three years. In second place is the United Kingdom with 16%. In addition, IBERDROLA is pursuing geographic diversification through additional focus on countries such as Germany, France and Australia, to which it will allocate 13% of the total investment. In Spain, investments will exceed EUR 6,000 million in three years, 13% of the total, in line with the average of recent years.

Growth will be centred on electricity grids and selective investments in renewables:

- A total of EUR 27,000 million will be allocated to networks, to reach an asset base of EUR 56,000 million for 2025.
- In renewables, investments will reach EUR 17,000 million, with a total capacity of 52,000 MW at the end of the period, increasing the current capacity by 12,100 MW:
  - 3,100 MW onshore wind,
  - 6,300 MW photovoltaic,
  - 1,800 MW offshore,
  - 700 MW in batteries, and
  - 200 MW of hydropower.

The outlook for 2030, driven by growth in all markets and accelerating electrification, could reach EUR 65-75,000 million in investments in the 2026-30 period 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 2022, 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 renewables, or by offsetting any residual emissions.

The above-mentioned offsetting could take the form of:

- indirect offsetting through the carbon credit markets provided for in the Paris Agreement or regulated or voluntary markets. In this regard, the IBERDROLA Group will promote the planting of 20 million trees by 2030 to obtain sufficient carbon credits to neutralise these residual emissions.

– developments in technology that could make it feasible to reduce emissions through, for example, biogas or CCS (Carbon Capture and Storage), thereby reducing financial offsetting.

Moreover, the long-term ambition to achieve the carbon neutral target in 2040 (Scopes 1, 2 and 3) depends as much on the measures 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.

The IBERDROLA Group has pledged not to build any additional thermal power plants to those already in place and expects that this type of generation will remain in operation. This is justified mainly by the need to provide power to the population without access to electricity or to ensure an 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 significant impact, as the regulation would compensate the Group through tariffs, given that the regulation itself guarantees the profitability of the investments made.

Consequently, in general, the IBERDROLA Group considers it impractical 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 are based on the 2030 Sustainable Development Scenario (SDS) as the central scenario, which includes the objectives set out in the Paris Agreement with 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 "Operational risks – 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 2022 amounts to EUR 9,512 million. The breakdown by product is as follows:

Millions of euros	Note	Green financing	Sustainable financing	Total
Bank borrowings, bonds and other marketable securities	28			
Obligations and bonds		3,237	—	3,237
Multilateral loans		991	—	991
Development bank and ECA loans		1,535	—	1,535
Bank loans		—	995	995
Credit facilities		—	2,500	2,500
Structured financing	23	254	—	254
Total		**6,017**	**3,495**	**9,512**

Green financing arrangements

- **Obligations and Bonds**

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

In 2022, the IBERDROLA Group increased its volume of green bonds issued for a combined amount of EUR 3,237 million; in the Corporation, EUR 2,950 million; at Avangrid, USD 125 million (EUR 118 million) and at Neoenergia, BRL 950 million (EUR 169 million).

- **Bank loans**

In the banking market, in May 2022 Iberdrola Mexico extended the maturity of the first green loan signed in Latin America (USD 400 million) for an additional year until May 2024.

- **Multilateral loans**

In 2022, the Corporation signed four green loans with the European Investment Bank (EIB) for a total of EUR 893 million and Neoenergia increased its green financing with a Super Green Loan arranged with International Finance Corporation (IFC), a member of the World Bank Group, in the amount of BRL 550 million (EUR 98 million) to finance the upgrading, expansion and digitalisation of transmission networks.

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

In April 2022 IBERDROLA signed a EUR 35 million loan with the Spanish Instituto de Crédito Oficial (ICO).

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.

As a result, IBERDROLA signed two green loans during the 2022 financial year, for a total of EUR 1,500 million: EUR 1,000 million guaranteed by the Danish Export Credit Agency (EKF) and EUR 500 million guaranteed by the Spanish Export Credit Agency (CESCE).

- **Structured financing**

In 2022 AVANGRID increased its green financing by USD 271 million (EUR 254 million) under the tax equity investment approach.

Financing linked to the achievement of sustainability goals (SDGs)

The IBERDROLA Group has also entered into other financing contracts with the ESG label. These are sustainable transactions that, rather than earmarking funds, link certain elements of the instrument to sustainability metrics or the achievement of strategic milestones aligned with the Sustainable Development Goals.

- **Credit facilities linked to sustainable goals**

In 2022, a new and innovative syndicated credit facility was signed for EUR 2,500 million, linked to the Company's water footprint.

- **Bank loans linked to sustainable goals**

In 2022 IBERDROLA signed bank loans for an aggregate amount of EUR 995 million linked to its water management indicator.

At 31 December 2022, the total composition of the IBERDROLA Group's ESG financial transactions portfolio is as follows:

Millions of euros	Note	Green financing	Sustainable financing	Total
Bank borrowings, bonds and other marketable securities	28			
Obligations and bonds		17,668	—	17,668
Multilateral loans		2,857	—	2,857
Development bank and ECA loans		2,666	—	2,666
Bank loans		376	1,245	1,621
Credit facilities		—	15,272	15,272
Commercial paper programmes		—	5,000	5,000
Structured financing (*)		973	—	973
Total		**24,540**	**21,517**	**46,057**

(*) Including 100% green financing of projects with partners, amounting to EUR 2,416 million, the portfolio of ESG financial transactions as at 31 December 2022 totalled EUR 48,473 million.

7. CHANGES IN THE SCOPE OF CONSOLIDATION AND OTHER SIGNIFICANT TRANSACTIONS

Business combinations

In 2022, the IBERDROLA Group has not carried out any relevant business combinations.

In 2021, the IBERDROLA Group also carried out the following business combinations:

Neoenergia Distribuição Brasília (formerly CEB Distribuição)

In December 2020, Bahia Geração de Energia S.A., a company wholly owned directly by Neoenergia S.A., was awarded 100% of the share capital of the Brazilian company CEB Distribuição S.A. (CEB Distribuição) in a public auction. The privatisation process was managed through a public auction on the Brazilian stock exchange.

CEB Distribuição holds the electric power distribution concession for the region of Brasilia, an area of approximately 5,800 square kilometres. It serves approximately 1.1 million customers through a distribution network of more than 9,700 kilometres. This concession expires in 2045.

For the acquisition to be completed, the required regulatory approvals had to be secured from the Brazilian authorities, and other common conditions in these types of deals also had to be fulfilled. Both of these requirements were met. The takeover took place on 2 March 2021.

After the takeover, CEB Distribuição was renamed Neoenergia Distribuição Brasília.
The fair value of the assets and liabilities of Neoenergia Distribuição Brasília and their carrying amount at the takeover date were as follows:

Millions of euros	Carrying amount	Fair value
Intangible assets	104	421
Property, plant and equipment	7	7
Non-current financial investments	58	58
Deferred tax assets	61	61
Inventories	2	2
Current trade and other receivables	111	111
Current financial assets	12	12
Cash and cash equivalents	15	15
Total	**370**	**687**

Millions of euros	Carrying amount	Fair value
Non-current provisions	25	40
Non-current financial liabilities	101	101
Deferred tax liabilities	—	104
Current provisions	3	3
Current financial liabilities	152	154
Total	**281**	**402**

Poland

The IBERDROLA Group has reached an agreement with CEE Equity Partner to buy three wind farms in Poland with a total capacity of 162.9 megawatts (MW). Two of the projects (Zopowy and Korytnica 1), with a capacity of 112.5 MW, are already in operation, while the third project (Korytnica 2), with 50.4 MW, started construction in March 2022. The takeover took place on 22 June 2021.

Goodwill

Details of goodwill at 31 December 2021 arising on the above business combinations were as follows:

Millions of euros	Neoenergia Distribuição Brasília	Poland	Total
Fair value of net acquired assets	285	142	427
Total acquisition cost	389	147	536
Goodwill from the acquisition (Note 9)	**104**	**5**	**109**

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

Since the takeover, the acquisition of Neoenergia Distribuição Brasília and the wind farms in Poland contributed EUR 4 million to the IBERDROLA Group's net profit from continuing operations in 2021.

Had the acquisitions taken place on 1 January 2021, the contribution to net sales and net profit for the year from continuing operations of the IBERDROLA Group in 2021 would have been EUR 683 million and EUR 4 million, respectively.

The costs incurred in the acquisitions amounted to EUR 4 million.

Sale of Group companies

On 30 March 2021, IBERDROLA and MAPFRE, S.A. signed a strategic alliance to jointly invest in renewable energies in Spain. The alliance has begun with 230 MW: 100 MW operational wind and 130 MW photovoltaic under development, with the objective of incorporating further green projects to reach 1,000 MW. The agreement was structured through the company Energías Renovables Ibermap, S.L. (IBERMAP), in which MAPFRE holds an ownership interest of 80% and IBERDROLA holds 20% and is also responsible for developing, building and maintaining the facilities.

Under the terms of this strategic alliance, IBERDROLA contributed the following to IBERMAP:

- on 10 June, 95.3 MW relating to the wind farms SE Altamira (49.3 MW), SE La Linera (28 MW) and SE La Gomera (18 MW). On 30 June, it sold 80% of its shareholding to MAPFRE in exchange for EUR 51 million. The transaction has resulted in the loss of control of IBERMAP. In addition, the Group has valued the 20% stake it retains at fair value at the transaction date.

- on 30 September it sold 99.8 MW corresponding to the wind farms SE Tacica de Plata (26 MW), SE Nacimiento (23.8 MW) and SE Savallá Comtat (50 MW) in exchange for EUR 116 million; and

- on 4 November it sold 100 MW corresponding to the Alto de Layna (50 MW) and Alto de la Degollada (50 MW) wind farms in exchange for EUR 58 million.

As a result of all the foregoing, the IBERDROLA Group recognised a capital gain amounting to EUR 230 million under “Other operating income” in the consolidated Income statement for 2021.

Transactions with non-controlling interests (Note 21)

– 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 is the parent company–, of a 49% stake in the share capital of Iberdrola Renovables Offshore Deutschland GmbH, the owner of the Wikinger offshore wind farm in Germany with an installed capacity of 350 MW, inaugurated in October 2018. Iberdrola Renovables Deutschland will retain control of IBERDROLA Renovables Offshore Deutschland and the IBERDROLA Group will continue to provide it with the operation and maintenance services required to run the wind farm.

  The consideration for the transaction amounts 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. In the last quarter of 2021, IBERDROLA acquired additional shares in NEOENERGIA worth EUR 60 million. At 31 December 2022 and 2021, the percentage ownership stands at 53.5% and 52.905%, respectively.
  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 and EUR 81 million in "Non-controlling interests" and a credit of EUR 8 million and EUR 21 million under the "Other reserves" heading of the consolidated Statement of financial position at 31 December 2022 and 2021, respectively.

Other significant transactions

Avangrid, Inc. announced in September 2021 that its indirect wholly-owned subsidiary Avangrid Renewables, LLC (Avangrid Renewables) entered into an agreement with CI-II Park Holding LLC, CI III Park Holding LLC and CI IV Master DEVCO LLC, all subsidiaries of Copenhagen Infrastructure Partners, and Vineyard Wind LLC, to reorganise the assets of Vineyard Wind LLC, the joint venture 50% owned by Avangrid Group and 50% owned by Copenhagen Infrastructure Partners for the development of certain offshore wind projects on the east coast of the United States of America. According to the signed agreement:

i. Vineyard Wind 1, the 800 megawatt project to be built off the coast of Martha's Vineyard, Massachusetts, will continue to be owned 50/50 by each of the two partners;

ii. Avangrid Renewables will acquire 100% ownership of the rights to the OCSA 0534 lease area, comprising the 804-megawatt Park City Wind project, which will supply clean energy to Connecticut, and Commonwealth Wind, which bid for up to 1,200 megawatts in Massachusetts' third competitive offshore wind auction on 16 September 2021; and

iii. Copenhagen Infrastructure Partners will acquire 100 % ownership of the rights to the OCS-A 0522 lease area, which has the potential for the development of approximately 2,500 megawatts of clean energy supply projects in New England and New York.

The transaction has resulted in a credit of EUR 228 million is recognised under "Result of equity-accounted investees — net of tax" of the consolidated Income statement for financial year 2022 (Note 15.a).

8. SEGMENT INFORMATION

As described in Note 2.c, during financial year 2022 the IBERDROLA Group optimised its organisational structure, based on a dual structure of geographic areas and businesses. This makes it possible to coordinate and combine the day-to-day management of the businesses in each country or territory while exchanging information and best practices among the companies belonging to the IBERDROLA Group, in order to maximise the operating efficiency and value of its businesses as a whole.

Based on the above, the segment information has been adapted in accordance with IFRS 8 for the preparation of the financial statements for 2022 with regard to defining segments in line with the "management approach", i.e. how the top decision-making authorities review financial performance and financial position information during the operating or resource allocation decision-making process. Furthermore, the information for the previous period has been restated.

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:

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	33,799	28,043	43,961	7,501	11,102	6,699	3,325	**134,430**
Equity-accounted investees	172	10	402	—	143	42	88	**857**
LIABILITIES								
Segment liabilities	11,370	7,104	13,028	1,773	4,050	1,036	1,389	**39,750**
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	(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**

2021 Restated (Note 2.c) Millions of euros	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
REVENUE	16,082	6,172	5,752	3,489	7,167	557	(105)	**39,114**
PROFIT/(LOSS)								
Segment operating profit	3,700	850	776	551	1,237	204	25	**7,343**
Result of equity-accounted investees — net of taxes	22	—	6	—	(68)	(4)	5	**(39)**
ASSETS								
Segment assets	34,100	29,026	39,192	6,910	9,313	5,312	2,879	**126,732**
Equity-accounted investees	146	9	477	—	260	71	95	**1,058**
LIABILITIES								
Segment liabilities	10,992	7,192	11,914	1,718	3,876	1,147	804	**37,643**
OTHER INFORMATION								
Total cost incurred during the period in the acquisition of property, plant and equipment use and intangible assets	2,417	1,115	2,897	243	482	1,237	81	**8,472**
Impairment losses, trade and other receivables	102	126	86	—	55	—	—	**369**
Amortisation and depreciation	1,447	886	1,030	215	378	165	76	**4,197**
Charges for asset impairment	13	—	17	13	—	6	3	**52**
Reversal for asset impairment	(6)	—	—	—	—	(16)	(2)	**(24)**
(Charges)/Reversal for other	(9)	12	57	5	6	13	(15)	**69**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	89	(1)	88	2	7	—	61	**246**

With a view to improving the homogeneity and comparability of the information, the energy supplied during 2021 between Group companies and settled in 2022, totalling EUR 776 million, is classified in the information for 2021.

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

Millions of euros	31.12.2022	31.12.2021 Restated (Note 2.c)
Non-current assets (*)		
Spain	25,642	24,826
United Kingdom	25,746	26,403
United States	39,726	35,700
Mexico	5,953	5,679
Brazil	5,014	4,332
IEI	6,332	5,011
Corporation and adjustments	708	509
Total	**109,121**	**102,460**

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

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	62,088	47,825	13,949	10,568	**134,430**
Equity-accounted investees	180	628	20	29	**857**
LIABILITIES					
Segment liabilities	21,414	10,399	7,522	415	**39,750**
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**

2021 Restated (Note 2.c) Millions of euros	Networks	Renewables and Sustainable Generation	Customers	Other businesses, Corporation and adjustments	Total
REVENUE	14,887	8,969	23,764	(8,506)	**39,114**
PROFIT/(LOSS)					
Segment operating profit	3,362	4,648	(733)	66	**7,343**
Result of equity-accounted investees — net of taxes	13	(63)	6	5	**(39)**
ASSETS					
Segment assets	57,333	45,490	12,888	11,021	**126,732**
Equity-accounted investees	162	779	22	95	**1,058**
LIABILITIES					
Segment liabilities	19,843	11,256	6,453	91	**37,643**
OTHER INFORMATION					
Total cost incurred during the period in the acquisition of property, plant and equipment and intangible assets	3,206	4,321	802	143	**8,472**
Impairment losses, trade and other receivables (expense/income)	159	2	208	—	**369**
Amortisation and depreciation	1,835	1,666	564	132	**4,197**
Charges for asset impairment	—	36	13	3	**52**
Reversal for asset impairment	(1)	(12)	(10)	(1)	**(24)**
(Charges)/Reversal for other provisions	40	27	17	(15)	**69**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	139	32	30	45	**246**

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

Millions of euros	31.12.2022	31.12.2021
Non-current assets (*)		
Networks	51,444	48,488
Renewables and Sustainable Generation	42,655	39,001
Customers	6,102	5,790
Other business, Corporation and adjustments	8,920	9,181
Total	**109,121**	**102,460**

(*) 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	31.12.2022	31.12.2021
Segment assets	**134,430**	**126,732**
Non-current financial investments	10,508	6,499
Assets held for sale	308	124
Current financial assets	4,813	4,364
Cash and cash equivalents	4,608	4,033
Total Assets	**154,667**	**141,752**

Millions of euros	31.12.2022	31.12.2021
Segment liabilities	**39,750**	**37,643**
Equity	58,114	56,126
Non-current financial liabilities	42,682	35,630
Bank borrowings, bonds and other marketable securities	36,129	31,179
Equity instruments having the substance of a financial liability	576	525
Derivative financial instruments	3,690	1,673
Leases	2,287	2,253
Current financial liabilities	14,094	12,353
Bank borrowings, bonds and other marketable securities	10,458	9,984
Equity instruments having the substance of a financial liability	87	100
Derivative financial instruments	3,398	2,111
Leases	151	158
Liabilities linked to assets held for sale	27	—
Total Liabilities and Equity	**154,667**	**141,752**

9. INTANGIBLE ASSETS

The changes in 2022 and 2021 in intangible assets and the corresponding accumulated amortisation and impairment allowances were as follows:

Millions of euros	Balance at 01.01.2021	Translation differences	Modification of the consolidation scope (Note 7)	Additions and charges/ (reversals)	Capitalised personnel expenses (Note 39)	Transfers	Decreases, disposals or reductions	Balance at 31.12.2021	Translation differences	Modification of the consolidation scope (Note 7)	Additions and charges/ (reversals)	Capitalised personnel expenses (Note 39)	Transfers	Decreases, disposals or reductions	Balance at 31.12.2022
Cost:															
Goodwill	7,613	590	109	—	—	—	—	8,312	(106)	—	—	—	—	(17)	8,189
Concessions, patents, licenses, trademarks and others	6,916	463	305	5	—	56	—	7,745	321	12	3	—	(351)	(54)	7,676
Intangible assets under IFRIC 12 (Notes 3.b and 13)	3,510	(17)	175	—	—	220	(14)	3,874	579	—	—	—	635	(86)	5,002
Computer software	2,400	115	15	235	20	9	(30)	2,764	34	—	261	24	(7)	(6)	3,070
Customer acquisition costs	888	20	—	324	—	—	(42)	1,190	(12)	—	247	—	—	(66)	1,359
Other intangible assets	2,819	223	(4)	32	1	(42)	(2)	3,027	101	—	2	—	(6)	(6)	3,118
Total cost	**24,146**	**1,394**	**600**	**596**	**21**	**243**	**(88)**	**26,912**	**917**	**12**	**513**	**24**	**271**	**(235)**	**28,414**

Millions of euros	Balance at 01.01.2021	Translation differences	Modification of the consolidation scope (Note 7)	Additions and charges/ (reversals)	Capitalised personnel expenses (Note 39)	Transfers	Decreases, disposals or reductions	Balance at 31.12.2021	Translation differences	Modification of the consolidation scope (Note 7)	Additions and charges/ (reversals)	Capitalised personnel expenses (Note 39)	Transfers	Decreases, disposals or reductions	Balance at 31.12.2022
Accumulated depreciation and provisions:															
Concessions, patents, licenses, trademarks and others	822	36	(7)	93	—	3	—	947	32	—	108	—	(19)	(12)	1,056
Intangible assets under IFRIC 12 (Notes 3.b and 13)	2,023	(10)	72	232	—	—	(1)	2,316	317	—	331	—	7	(69)	2,902
Computer software	1,840	85	14	211	—	—	(29)	2,121	19	—	212	—	(7)	(6)	2,339
Customer acquisition costs	425	8	—	255	—	—	(36)	652	(6)	—	298	—	—	(66)	878
Other intangible assets	664	55	—	99	—	(3)	—	815	35	—	109	—	(1)	(6)	952
Total accumulated depreciation	**5,774**	**174**	**79**	**890**	**—**	**—**	**(66)**	**6,851**	**397**	**—**	**1,058**	**—**	**(20)**	**(159)**	**8,127**
Impairment allowance (Notes 8 and 41)	**150**	**12**	**—**	**(10)**	**—**	**—**	**—**	**152**	**9**	**—**	**8**	**—**	**—**	**—**	**169**
Total accumulated depreciation and provisions	**5,924**	**186**	**79**	**880**	**—**	**—**	**(66)**	**7,003**	**406**	**—**	**1,066**	**—**	**(20)**	**(159)**	**8,296**
Total net cost	**18,222**	**1,208**	**521**	**(284)**	**21**	**243**	**(22)**	**19,909**	**511**	**12**	**(553)**	**24**	**291**	**(76)**	**20,118**

The amounts incurred in research and development activities (expenses and investment) in 2022 and 2021 total EUR 363 million and EUR 337 million respectively.

The fully amortised intangible assets still in use at 31 December 2022 and 2021 amounted to EUR 1,747 and 1,247 million, respectively.

At 31 December 2022 and 2021, the IBERDROLA Group had commitments to acquire intangible assets totalling EUR 28 and 33 million, respectively.

In addition, at 31 December 2022 and 2021, 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 2022 and 2021 is as follows:

Millions of euros	31.12.2022	31.12.2021 Restated (Note 2.c)
United Kingdom	5,713	5,981
United States	1,966	1,866
Brazil	371	325
IEI - France	62	62
IEI - Australia	43	43
Rest of IEI y other	34	35
Total	**8,189**	**8,312**

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.

The allocation of indefinite life and in-progress intangible assets at 31 December 2022 and 2021 to the different cash generating units is as follows:

Millions of euros	2022			2021		
	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	756	—	756	791	—	791
Electricity distribution in Wales and England	727	—	727	761	—	761
Electricity transmission in the UK	287	—	287	301	—	301
Electricity and gas distribution in New York (NYSEG)	1,114	—	1,114	1,048	—	1,048
Electricity and gas distribution in New York (RG&E)	1,004	—	1,004	945	—	945
Transmission and distribution of electricity in Maine (CMP)	277	—	277	260	—	260
Transmission and distribution of electricity in Connecticut	1,159	—	1,159	1,092	—	1,092
Gas distribution in Connecticut (CNG)	293	—	293	275	—	275
Gas distribution in Connecticut (SCG)	574	—	574	541	—	541
Gas distribution Massachusetts (BGC)	39	—	39	37	—	37
Other	12	—	12	—	399	399
Total	**6,242**	**—**	**6,242**	**6,051**	**399**	**6,450**

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.

The main change in intangible assets in progress under “Other” relates to the concession of the Tâmega hydroelectric complex, which has entered into operation.

10. INVESTMENT PROPERTY

Changes in 2022 and 2021 in the IBERDROLA Group’s investment property were as follows:

Millions of euros	Balance at 01.01.2021	Additions and (charges)/ reversals	Transfers	Decreases, disposals or reductions	Balance at 31.12.2021	Additions and (charges)/ reversals	Balance at 31.12.2022
Investment property	371	3	84	(75)	383	1	384
Impairment allowance	(9)	—	—	—	(9)	1	(8)
Accumulated depreciation	(61)	(7)	(1)	5	(64)	(5)	(69)
Total net cost	**301**	**(4)**	**83**	**(70)**	**310**	**(3)**	**307**

The investment property owned by the IBERDROLA Group relates primarily to properties used for leasing. Income accrued in 2022 and 2021 from this activity amounted to EUR 21 and 17 million, respectively, and was recognised under the “Revenue” heading of the consolidated Income statement. Operating expenses directly related to investment property in 2022 and 2021 were not significant.

The fair value of investment property in use at 31 December 2022 and 2021 amounted to EUR 350 and 326 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 2020. The valuations at 31 December 2022 and 2021 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.

As at 31 December 2022 and 2021 the amount of fully depreciated investment property amounted to EUR 3 million. 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 2022 and 2021 in Property, plant and equipment and the appropriate accumulated depreciation and provisions were as follows:

Millions of euros	Balance at 01.01.2021	Translation differences	Modification of the consolidation scope (Note 7)	Additions	Charges/ (reversals)	Transfers	Decreases, disposals or reductions	Write-downs	Balance at 31.12.2021	Translation differences	Additions	Charges /(reversals)	Transfers	Decreases, disposals or reductions	Write-downs	Balance at 31.12.2022
Cost:																
Land and buildings	**2,497**	**114**	**(1)**	**71**	**—**	**75**	**(25)**	**—**	**2,731**	**109**	**80**	**—**	**116**	**(6)**	**—**	**3,030**
Electric energy technical facilities:																
Hydroelectric power plants	7,104	15	—	—	—	56	(22)	—	7,153	78	—	—	931	(39)	—	8,123
Thermal power plants	1,227	—	—	—	—	—	—	—	1,227	—	—	—	—	(193)	—	1,034
Combined cycle power plants	8,676	436	—	(2)	—	97	(38)	—	9,169	373	(84)	—	402	(19)	—	9,841
Nuclear power plants	7,879	—	—	(3)	—	154	(63)	—	7,967	—	(127)	—	120	(42)	(8)	7,910
Wind farms and other renewables	28,952	1,635	(172)	163	—	1,780	(110)	(23)	32,225	613	(542)	—	739	(21)	(18)	32,996
Photovoltaic power plants	896	47	—	60	—	412	—	—	1,415	32	(1)	—	900	1	(1)	2,346
Facilities for:																
Gas storage	182	14	—	—	—	(3)	(33)	—	160	3	—	—	—	—	—	163
Electricity transmission	9,245	777	—	(1)	—	421	(18)	—	10,424	134	(21)	—	516	(42)	—	11,011
Electricity distribution	32,608	1,347	(33)	183	—	1,590	(57)	—	35,638	103	203	—	1,795	(111)	—	37,628
Gas distribution	3,177	276	—	—	—	175	(13)	—	3,615	223	—	—	222	(16)	—	4,044
Meters and metering devices	2,054	116	—	93	—	118	(48)	—	2,333	28	116	—	76	(58)	—	2,495
Dispatching centres and other facilities	2,230	49	(2)	36	—	211	(12)	—	2,512	4	40		340	(34)	—	2,862
Total technical facilities in operation	**104,230**	**4,712**	**(207)**	**529**	**—**	**5,011**	**(414)**	**(23)**	**113,838**	**1,591**	**(416)**	**—**	**6,041**	**(574)**	**(27)**	**120,453**
Others in use	**2,163**	**107**	**52**	**208**	**—**	**15**	**(36)**	**—**	**2,509**	**76**	**228**	**—**	**(11)**	**(37)**	**—**	**2,765**
Technical installations under construction	**6,336**	**328**	**21**	**6,519**	**—**	**(4,768)**	**(78)**	**(40)**	**8,318**	**119**	**8,123**	**—**	**(5,815)**	**(27)**	**(4)**	**10,714**
Prepayments and other PP&E under construction (*)	**597**	**29**	**5**	**737**	**—**	**(384)**	**(203)**	**(6)**	**775**	**63**	**539**	**—**	**(504)**	**(21)**	**(3)**	**849**
Total cost	**115,823**	**5,290**	**(130)**	**8,064**	**—**	**(51)**	**756**	**69**	**128,171**	**1,958**	**8,554**	**—**	**(173)**	**(665)**	**(34)**	**137,811**

(*) Prepayments at 31 December 2022 and 2021 amounted to EUR 200 million and EUR 219 million, respectively.

Millions of euros	Balance at 01.01.2021	Translation differences	Modification of the consolidation scope (Note 7)	Additions	Charges /(reversals)	Transfers	Decreases, disposals or reductions	Write-downs	Balance at 31.12.2021	Translation differences	Additions	Charges /(reversals)	Transfers	Decreases, disposals or reductions	Write-downs	Balance at 31.12.2022
Accumulated depreciation and provisions:																
Buildings	**568**	**28**	**—**	**—**	**46**	**(6)**	**(9)**	**—**	**627**	**22**	**—**	**52**	**(1)**	**(1)**	**—**	**699**
Technical facilities in operation:																
Hydroelectric power plants	4,069	5	(1)	—	99	—	(20)	—	4,152	19	—	109	(17)	(32)	—	4,231
Thermal power plants	1,219	—	—	—	1	—	(2)	—	1,218	—	—	1	—	(192)	—	1,027
Combined cycle power plants	3,010	128	—	—	262	—	(34)	—	3,366	118	—	271	(17)	(12)	—	3,726
Nuclear power plants	6,237	—	—	—	202	—	(62)	—	6,377	—	—	211	—	(42)	(4)	6,542
Wind farms and other renewables	10,055	505	(118)	—	1,004	—	(79)	(17)	11,350	200	—	1,105	43	(15)	(19)	12,664
Photovoltaic power plants	52	4	—	—	36	1	—	—	93	4	—	55	—	4	—	156
Facilities for:																
Gas storage	66	5	—	—	4	(5)	(16)	—	54	—	—	4	—	—	—	58
Electricity transmission	2,135	182	—	—	187	(6)	(7)	—	2,491	31	—	227	—	(28)	—	2,721
Electricity distribution	12,042	409	(9)	—	873	(57)	(28)	—	13,230	45	—	923	(133)	(80)	—	13,985
Gas distribution	1,177	90	—	—	55	(245)	(4)	—	1,073	66	—	65	—	(4)	—	1,200
Meters and metering devices	966	52	—	—	131	37	(34)	—	1,152	10	—	137	—	(39)	—	1,260
Dispatching centres and other facilities	909	34	—	—	106	288	(8)	—	1,329	17	—	124	—	(33)	—	1,437
Total technical facilities in operation	**41,937**	**1,414**	**(128)**	**—**	**2,960**	**13**	**(294)**	**(17)**	**45,885**	**510**	**—**	**3,232**	**(124)**	**(473)**	**(23)**	**49,007**
Others in use	**1,284**	**44**	**44**	**—**	**150**	**(38)**	**(34)**	**—**	**1,450**	**30**	**—**	**168**	**(57)**	**(38)**	**—**	**1,553**
Total accumulated depreciation	**43,789**	**1,486**	**(84)**	**—**	**3,156**	**(31)**	**(337)**	**(17)**	**47,962**	**562**	**—**	**3,452**	**(182)**	**(512)**	**(23)**	**51,259**
Impairment allowance (Note 41)	255	1	—	—	(14)	—	(14)	—	228	(1)	—	(16)	15	—	—	226
Total accumulated depreciation and provisions	**44,044**	**1,487**	**(84)**	**—**	**3,142**	**(31)**	**(351)**	**(17)**	**48,190**	**561**	**—**	**3,436**	**(167)**	**(512)**	**(23)**	**51,485**
TOTAL NET COST	**71,779**	**3,803**	**(46)**	**8,064**	**(3,142)**	**(20)**	**(405)**	**(52)**	**79,981**	**1,397**	**8,554**	**(3,436)**	**(6)**	**(153)**	**(11)**	**86,326**

The breakdown by geographic area and business of the main investments in property, plant and equipment made in 2022 and 2021, net of additions for the year under "Other provisions" (Note 27), "Capital grants" (Note 24) and "Facilities assigned and financed by third parties" (Note 25), is as follows:

Millions of euros	31.12.2022	31.12.2021 Restated (Note 2.c)
Spain	2,350	1,860
United Kingdom	1,355	928
United States	3,009	2,742
Mexico	245	231
Brazil	333	451
IEI	1,533	1,206
Corporation and adjustments	38	28
Total	**8,863**	**7,446**

Millions of euros	31.12.2022	31.12.2021 Restated (Note 2.c)
Networks	3,103	3,041
Renewables and Sustainable Generation	5,290	3,988
Customers	432	389
Other business, Corporation and adjustments	38	28
Total	**8,863**	**7,446**

Fully depreciated property, plant and equipment still in use at 31 December 2022 and 2021 amounted to EUR 3,075 million and EUR 3,586 million, respectively.

At 31 December 2022 and 2021, the IBERDROLA Group had commitments to acquire property, plant and equipment totalling EUR 4,992 million and EUR 5,218 million, respectively.

Additional information on litigated assets

- In January 2021, construction began on the New England Clean Energy Connect (NECEC) project, after obtaining all the necessary permits granted by public administrations, and was halted in November 2021 pending a court decision to determine the legality of a citizens' initiative that, among other requirements, called for the approval of Congress for certain transmission lines when they cross or use public land. On 30 August 2022, the Maine Court of Justice handed down a judgment remanding the appeal to the lower court stating that it would be unconstitutional to stop the project without compensation if the project had been started. The litigation is ongoing and is expected to be settled in 2023. The combined investment to date is approximately USD 550 million.

- In 2022, the interconnection agreement to operate the Monterrey and Enertek (Mexico) plants on a self-supply basis came to an end and the corresponding permits to operate on a market basis were applied for. At the date of preparation of this financial information these permits have not been obtained. Despite the fact that the rulings granted an amparo injunction to the plants in question to continue operating, the CRE has not responded to the migration applications submitted to date. The company is hopeful that the delay in obtaining the permits will not affect the plants' viability, in which case it will continue pursuing the pertinent legal claims. The net book value amounts to USD 219 million and USD 77 million, respectively.

– 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 stressed that the company had, at all times, sufficient legal title to build the plant without requiring expropriation and indicated that the expropriation application lacked grounds or justification with an order for the restitution of ownership and possession of the land. IBERDROLA has brought an appeal in cassation against the judgment, which is awaiting admission of the appeal by the Supreme Court at the date of preparation of these financial statements. The combined investment to date is approximately EUR 262 million.

– In addition, the Santiago Eólico plant, operational since January 2021, has had its interconnection contract terminated, which means that the plant is not operating. IBERDROLA will shortly bring the appropriate legal action in defence of its rights. The combined investment to date is approximately USD 200 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 2022 and 2021 in right-of-use assets resulting from contracts in which the IBERDROLA Group is the lessor were as follows:

Millions of euros	Balance at 01.01.2021	Translation differences	Modification of the consolidation scope (Note 7)	Additions and (charges) /reversals	Restatement/ modification of lease liabilities (Note 31)	Transfers	Derecognitions	Balance at 31.12.2021	Translation differences	Additions and (charges) /reversals	Restatement/ modification of lease liabilities (Note 31)	Derecognitions	Balance at 31.12.2022
Cost:													
Land	1,608	87	(21)	123	129	(7)	(16)	1,903	23	128	36	(9)	2,081
Buildings	351	20	—	46	13	7	(3)	434	5	45	24	(8)	500
Equipment	126	6	—	32	5	—	(1)	168	2	30	2	(2)	200
Fleet	86	4	—	16	2	—	(3)	105	(2)	9	4	(2)	114
Other	122	8	—	—	44	—	(45)	129	6	—	(7)	(14)	114
Total cost	**2,293**	**125**	**(21)**	**217**	**193**	**—**	**(68)**	**2,739**	**34**	**212**	**59**	**(35)**	**3,009**
Accumulated depreciation and provisions:													
Land	(120)	(7)	3	(74)	—	—	1	(197)	(1)	(84)	—	2	(280)
Buildings	(92)	(5)	—	(37)	—	(2)	2	(134)	(3)	(45)	—	2	(180)
Equipment	(22)	—	—	(12)	—	2	1	(31)	—	(19)	—	2	(48)
Fleet	(41)	(2)	—	(20)	—	—	2	(61)	1	(19)	—	1	(78)
Other	(43)	(3)	—	(8)	—	—	—	(54)	(2)	(8)	—	13	(51)
Total accumulated depreciation	**(318)**	**(17)**	**3**	**(151)**	**—**	**—**	**6**	**(477)**	**(5)**	**175**	**—**	**20**	**(637)**
Impairment allowance	(1)	—	—	(1)	—	—	—	(2)	—	—	—	—	(2)
Total accumulated depreciation and provisions	**(319)**	**(17)**	**3**	**(152)**	**—**	**—**	**6**	**(479)**	**(5)**	**(175)**	**—**	**20**	**(639)**
Total net cost	**1,974**	**108**	**(18)**	**65**	**193**	**—**	**(62)**	**2,260**	**29**	**37**	**59**	**(15)**	**2,370**

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 municipaliti	Tariff cycle	Last review
Elektro Redes, S.A.	State of São Paulo	27/08/1998	26/08/2028	223	4 years	Aug 19
Elektro Redes, S.A.	State of Mato Grosso do Sul	27/08/1998	26/08/2028	5	4 years	Aug 19
Companhia de Eletricidade do Estado da Bahia, S.A.	State of Bahia	08/08/1997	07/08/2027	415	5 years	Apr 18
Companhia Energética de Pernambuco, S.A.	State of Pernambuco	30/03/2000	29/03/2030	184	4 years	Apr 21
Companhia Energética de Pernambuco, S.A.	District of Fernando de Noronha	30/03/2000	29/03/2030	1	4 years	Apr 21
Companhia Energética de Pernambuco, S.A.	State of Paraíba	30/03/2000	29/03/2030	1	4 years	Apr 21
Companhia Energética do Rio Grande do Norte, S.A.	State of Rio Grande do Norte	31/12/1997	30/12/2027	167	5 years	Apr 18
Neoenergia Distribuição Brasilia S.A.	Federal District	26/08/1999	07/07/2045	1	5 years	Oct 21

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	2018
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	—
Neoenergia Atibaia Transmissão de Energia, S.A.	State of São Paulo	31/07/2017	31/07/2047	5 years	—
Neoenergia Biguaçu Transmissão de Energia, S.A.	State of Santa Catarina	31/07/2017	31/07/2047	5 years	—
Neoenergia Dourados Transmissão de Energia, S.A.	States of Mato Grosso do Sul and São Paulo	31/07/2017	31/07/2047	5 years	—
Neoenergia Santa Luzia Transmissão de Energia, S.A.	States of Paraíba and Ceará	08/03/2018	08/03/2048	5 years	—
Neoenergia Jalapão Transmissão de Energia, S.A.	States of Tocantins, Bahia and Piauí	08/03/2018	08/03/2048	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
Rio Formoso A Serviços de Transmissão de Energia Elétrica SPE S.A.	State of Bahia	20/03/2020	20/03/2050
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 Trasmissora 11	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 37) 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 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.

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.

	2022		2021	
	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	Useful life	-	Useful life	-
United States				
Electricity and gas transmission and distribution	10	1.0 %	10	1.0 %
Renewable energies	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	-	Life of	-
Renewable energies	Useful life	-	Useful life	-
Renewable energies in Australia	Useful life	-	Useful life	-
Renewable energies in France	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 he 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 – 2022	Rates – 2021
United Kingdom		
Electricity and gas retail supply	7.08 %	6.80 %
Transmission and distribution of electricity	4.58 %	3.93 %
Renewable energies onshore/offshore	5.52% - 6.14 %	4.94% - 5.62 %
United States		
Electricity and gas transmission and distribution	5.04 %	4.68 %
Renewable energies onshore/offshore	5.67% - 6.60 %	5.35% - 6.38 %
Brazil		
Electricity retail supply	13.07 %	12.40 %
Transmission and distribution of electricity	10.95 %	10.15 %
Renewable energies	12.50 %	11.73 %
Renewable energies in Australia	6.77 %	6.24 %
Renewable energies in France onshore/offshore	5.10% - 5.60%	4.38% - 5.06%

Impairment and write-offs recognised in 2022 and 2021

Note 41 shows the amounts recognised as write-downs and provisions/(reversals) of provisions for non-financial assets affecting the 2022 and 2021 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 basic points and in Brazil by 100 basic points.

The individual sensitivity analyses performed on the underlying assumptions do not reveal any significant impairment, except in the following case:

- Renewable energies in Australia, whose value in use is EUR 462 million more than its carrying amount, in which a lower market price of 6.5% would bring the value in use to below the carrying amount.

15. FINANCIAL ASSETS

15.a) Equity-accounted investees

Changes in 2022 and 2021 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	Other associates	TELES PIRES	EAPSA	Flat Rock Subgroup	Vineyard Wind LLC	Other joint ventures	Total
Balance at 01.01.2021	**206**	**97**	**124**	**116**	**116**	**189**	**297**	**1,145**
Investment/Additions	—	86	6	—	2	52	57	203
Change in the consolidation perimeter	—	13	—	—	—	—	—	13
Profit for the year from continuing activities	(82)	17	1	12	—	(6)	19	(39)
Other comprehensive income	—	—	—	—	—	(10)	—	(10)
Dividends	—	(3)	—	(8)	(10)	—	(21)	(42)
Translation differences	—	5	(1)	(1)	9	12	15	39
Disposals / Derecognitions	—	—	—	—	—	(128)	—	(128)
Classification as held for sale	(124)	—	—	—	—	—	—	(124)
Other	—	4	—	—	—	—	(3)	1
Balance at 31.12.2021	**—**	**219**	**130**	**119**	**117**	**109**	**364**	**1,058**
Investment/Additions	—	30	9	—	—	2	24	65
Change in the consolidation perimeter	—	(13)	—	—	—	—	—	(13)
Profit for the year from continuing activities	—	6	(100)	7	8	(4)	1	(82)
Other comprehensive income	—	3	—	—	—	24	—	27
Dividends	—	(15)	—	(12)	(12)	(13)	(25)	(77)
Translation differences	—	9	20	17	7	11	8	72
Disposals / Derecognitions (Note 7)	—	—	—	—	—	(129)	(12)	(141)
Classification as held for sale	—	—	(59)	—	—	—	—	(59)
Other	—	6	—	—	—	2	(1)	7
Balance at 31.12.2022	**—**	**245**	**—**	**131**	**120**	**2**	**359**	**857**

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

Main transactions

– In December 2022, NEONERGIA concluded a share swap agreement with Eletronorte, whereby NEONERGIA transferred its 50.56% stake in Teles Pires Participaçoes, 0.9% in Companhia Hidrelétrica Teles Pires and 100% in Baguari I Geraçao de Energia Elétrica to Eletronorte, whose combined fair value amounts to BRL 788 million, while in exchange, Eletronorte transfers its 49% stake 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, together valued at the same amount, to NEONERGIA. The transaction is expected to close within six months, with the possibility of being delayed for a further six months subject to compliance with certain conditions precedent that are typical in such transactions.

  At year-end 2022, the IBERDROLA Group's interest in the companies Teles Pires and Baguari (through its subsidiary NEOENERGIA) meets 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, to the extent that (i) there is a plan to sell at prices that are reasonable in comparison to the fair value of the assets subject to the transaction; and (ii) it is foreseeable that the sale will be completed within 12 months. The IBERDROLA Group presents these interests under the headings "Assets held for sale" and "Liabilities held for sale" in the consolidated Statement of financial position at 31 December 2022 for an amount of EUR 166 million and EUR 27 million, respectively.

  The impairment loss arising from the transaction in the amount of EUR 79 million has been recognised under "Result of equity-accounted investees — net of taxes" and "Other operating income" in the consolidated Income statement for financial year 2022.

– At year-end 2021, the IBERDROLA Group's 10% interest in the Brazilian company NORTE ENERGIA (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, to the extent that (i) there was a plan to sell at prices that are reasonable in comparison to the fair value of the assets subject to the transaction; and (ii) it was foreseeable that the sale would be completed within 12 months. The IBERDROLA Group presents this interest under the headings "Assets held for sale" in the consolidated Statement of financial position at 31 December 2022 and 2021 for an amount of EUR 142 million and EUR 124 million, respectively.

  The impairment loss amounting to EUR 75 million was recognised under "Result of equity-accounted investees — net of tax" of the consolidated Income statement for financial year 2021.

– The IBERDROLA Group, through the company Vineyard Wind, LLC, is continuing to develop a large scale offshore wind farm off the coast of Massachusetts, in the United States. During financial year 2021, the IBERDROLA Group received the repayment of previously made capital contributions, totalling EUR 128 million. In 2022, the IBERDROLA Group took control of the project through the transaction described in Note 7.

Condensed financial information

The condensed financial information at 31 December 2022 and 2021 (at 100% and before intercompany eliminations) for the main subgroups accounted for using the equity method is as follows:

	TELES PIRES		EAPSA		Flat Rock Subgroup		Vineyard Wind LLC	
Millions of euros	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Segment	Renewables and Sustainable Generation-Brazil				Renewables and Sustainable Generation – United States			
Percentage ownership	26.03 %		26.03 %		40.75 %		81.50 %	40.75 %
Current assets	59	32	37	30	18	18	106	14
Non-current assets	981	1,034	192	210	230	229	1,436	473
Total assets	**1,040**	**1,066**	**229**	**240**	**248**	**247**	**1,542**	**487**
Current liabilities	76	46	21	19	6	3	117	12
Non-current liabilities	515	470	53	52	39	1	1,442	83
Total liabilities	**591**	**516**	**74**	**71**	**45**	**4**	**1,559**	**95**
Income from ordinary activities	169	139	58	46	(28)	—	—	21
Depreciation and amortisation	(34)	(27)	(10)	(5)	(17)	(1)	—	(1)
Interest income	(174)	8	3	1	—	—	(40)	—
Interest expenses	(54)	(24)	(3)	(3)	1	—	42	—
Tax (expense)/income	**3**	**(4)**	**(4)**	**(7)**	**—**	**—**	**—**	**—**
Profit for the year from continuing operations	**(207)**	**8**	**20**	**27**	**18**	**(2)**	**(11)**	**3**
Other comprehensive	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(20)**
Total comprehensive	**(207)**	**8**	**20**	**27**	**18**	**(2)**	**(11)**	**(17)**
Other information								
Cash and cash equivalents	**28**	**13**	**25**	**23**	**14**	**17**	**18**	**12**
Current financial liabilities (*)	**43**	**23**	**6**	**6**	**—**	**6**	**—**	**2**
Non-current financial liabilities (*)	**458**	**421**	**19**	**22**	**21**	**—**	**1,442**	**—**

(*) Excluding trade and other payables.

15.b) Other financial assets

The detail of the "Other non-current financial assets" and "Other current financial assets" headings of the IBERDROLA Group's consolidated Statement of financial position is as follows:

Millions of euros	31.12.2022	31.12.2021
Non-current (Note 4)		
Collection rights in Brazil (Notes 3.b and 13)	4,187	2,893
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	—	54
Non-current deposits and guarantees	319	273
Non-current financial deposits (Note 21)	80	65
Other non-current investments	45	53
Assets for pension plans (Note 26)	392	317
Other investments in equity-accounted investees	43	13
Other	892	327
Total	**5,958**	**3,995**
Current (Note 4)		
Current financial assets (between 3 and 12 months) (Note 21)	18	12
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	45	264
Accounts receivable for financing imbalance in revenues in 2021	—	26
Accounts receivable for financing imbalance in revenues in 2022	43	—
Other investments in equity-accounted investees	16	11
CSA derivatives security deposits (Note 21)	107	101
Other current deposits and guarantees (*)	2,447	946
Other	304	189
Bad debt provisions	(16)	(16)
Total	**2,964**	**1,533**

(*) 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 IPCA.

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 32) 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 2021, as estimated in that year, presented a shortfall which was offset by unused surpluses from previous years. In 2022, 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 2022 and 2021 amounts to EUR 53 million and EUR 148 million, respectively.

At 31 December 2022 and 2021 the amounts of EUR 10 and 122 million, respectively, were subject to a factoring contract with the non-recourse assignment of payment rights. Therefore, said amounts have been derecognised from the consolidated Statement of financial position at 31 December 2022 and 2021.

The deficit financed by the IBERDROLA Group at 31 December 2021 was collected in 2022.

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	31.12.2022	31.12.2021
Non-current		
Receivables from equity-accounted investees	1	2
PIS/COFINS Brazil (Notes 32 and 35)	575	694
Other receivables	675	671
Contract assets:		
Concessions in Brazil (Notes 3.u and 13)	2,848	1,945
CFE (Note 37)	508	447
Other	8	8
Valuation changes for impairment	(1)	(3)
Total	**4,614**	**3,764**

Millions of euros	31.12.2022	31.12.2021
Current		
Customers (Note 5)	9,515	7,886
Other receivables	1,425	1,190
Receivables from equity-accounted investees	11	19
Contract assets:		
Construction contracts	61	33
Concessions in Brazil (Notes 3.u and 13)	127	77
CFE (Note 37)	29	15
Valuation changes for impairment	(1,299)	(1,037)
Total	**9,869**	**8,183**

Concessions under IFRIC 12

Activity in contract assets in relation to concessions in Brazil under the scope of IFRIC 12 is as follows:

Millions of euros	2022	2021
Opening balance	**2,022**	**1,393**
Modification of the consolidation scope (Note 7)	—	21
Investment	1,362	941
Amounts allocated to the Income statement	397	332
Transfers	(975)	(618)
Proceeds	(79)	(28)
Translation differences	262	(9)
Other	(14)	(10)
Closing balance	**2,975**	**2,022**

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 recognised 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 32), 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 35).

Valuation changes for impairment

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

Millions of euros	2022	2021
Opening balance	**1,040**	**755**
Modification of the consolidation scope (Note 7)	(4)	26
Charges	842	670
Applications	(325)	(269)
Excess	(288)	(176)
Translation differences	35	34
Closing balance	**1,300**	**1,040**

Most of this provision relates to gas and electricity consumers.

17. MEASUREMENT AND NETTING OF FINANCIAL INSTRUMENTS

With the exception of financial derivative instruments, most of the financial assets and liabilities registered 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 2022 and 2021 amounted to EUR 45,120 million and EUR 43,360 million, with the carrying amount being EUR 46,587 million and EUR 41,163 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	31.12.2022	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 29)	**(1,578)**	**(2)**	**(1,900)**	**324**

Millions of euros	31.12.2021	Level 1	Level 2	Level 3
Derivative financial instruments (financial assets)	4,252	19	4,158	75
Derivative financial instruments (financial liabilities)	(3,784)	(1)	(3,473)	310
Total (Note 29)	**468**	**18**	**685**	**(235)**

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

	Derivative financial instruments	
Millions of euros	2022	2021
Opening balance	**(235)**	**(1)**
Income and expense recognised in the consolidated Income statement	736	11
Income and expense recognised in equity	(222)	(117)
Purchases	10	(99)
Sales and settlements	21	(18)
Translation differences	(12)	(10)
Transfers and other	26	(1)
Closing balance	**324**	**(235)**

The income recorded in the consolidated Income statement for 2022 for derivative financial instruments classified in Level 3 is mainly due to the valuation of commodity derivatives, whose effect has been offset in the consolidated Income statement for 2022 by the valuation derivative financial instruments classified in Level 2.

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 2022 and 2021 is as follows:

	31.12.2022					
				Amounts not netted under netting agreements		
Millions of euros	Gross amount	Amount netted (Note 29)	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

Millions of euros	31.12.2021					
				Amounts not netted under netting agreements		
	Gross amount	Amount netted (Note 29)	Net amount	Financial instruments	Financial guarantees	Net amount
ASSET DERIVATIVES:						
Current						
Commodities	2,905	(1,363)	1,542	(103)	(234)	1,205
Other	2	—	2	—	(2)	—
Non-current						
Commodities	411	(117)	294	(5)	(67)	222
Other	39		39	—	(39)	—
Total	**3,357**	**(1,480)**	**1,877**	**(108)**	**(342)**	**1,427**
OTHER FINANCIAL ASSETS:						
Receivables	460	(237)	223	(33)	—	190
LIABILITIES DERIVATIVES:						
Current						
Commodities	2,045	(1,363)	682	(103)	(23)	556
Other	5	—	5	—	(3)	2
Non-current						
Commodities	435	(117)	318	(5)	(51)	262
Other	168	—	168	—	(168)	—
Total	**2,653**	**(1,480)**	**1,173**	**(108)**	**(245)**	**820**
OTHER FINANCIAL LIABILITIES:						
Payables	954	(237)	717	(33)	—	684

18. NUCLEAR FUEL

The changes in the “Nuclear fuel” heading of the consolidated Statement of financial position in 2022 and 2021, as well as the detail thereof at 31 December 2022 and 2021, are as follows:

Millions of euros	Fuel put in reactor core	Nuclear fuel in progress	Total
Balance at 01.01.2021	**193**	**67**	**260**
Acquisitions	—	115	115
Capitalised finance expenses (Notes 3.g and 42)	—	1	1
Transfers	125	(125)	—
Fuel consumed (Note 3.g)	(109)	—	(109)
Balance at 31.12.2021	**209**	**58**	**267**
Acquisitions	—	96	96
Capitalised finance expenses (Notes 3.g and 42)	—	1	1
Transfers	85	(85)	—
Fuel consumed (Note 3.g)	(105)	—	(105)
Balance at 31.12.2022	**189**	**70**	**259**

The IBERDROLA Group’s nuclear fuel purchase commitments at 31 December 2022 and 2021 amounted to EUR 539 and 487 million, respectively.

19. INVENTORIES

The details of the "Inventories" heading (Note 3.h) of the consolidated Statement of financial position at 31 December 2022 and 2021 are as follows:

Millions of euros	31.12.2022	31.12.2021
Energy resources	330	171
Emission allowances and renewable certificates	720	539
Real estate inventories	1,195	1,191
Land and plots	996	1,018
Developments in construction	197	161
Developments completed	2	12
Other inventories	79	905
Real estate inventories impairment allowance	(165)	(167)
Total	**2,159**	**2,639**

Changes in impairment allowances in 2022 and 2021 are as follows:

Millions of euros	2022	2021
Opening balance	**167**	**167**
Charges	—	8
Reversals	(1)	(7)
Applications and others	(1)	(1)
Closing balance	**165**	**167**

The 2022 and 2021 consolidated Income statement includes EUR 21 million and EUR 108 million, respectively, in sales of real estate inventories.

The heading "Other inventories" mainly included the transmission line built by East Anglia One Limited (EA1) and sold in December 2022 for GBP 693 million (EUR 787 million) to an OFTO (Offshore Transmission Owner), generating a capital gain of EUR 23 million.

20. CASH AND CASH EQUIVALENTS

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

Millions of euros	31.12.2022	31.12.2021
Cash	2,192	959
Other cash equivalents	2,416	3,074
Total (Note 4)	**4,608**	**4,033**

Other 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.

21. EQUITY

Subscribed capital

Changes in 2022 and 2021 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 01.01.2021			**6,350,061,000**	**0.75**	**4,762,545,750**
Scrip issue	5 February 2021	1.072	68,095,000	0.75	51,071,250
Reduction in share capital	6 July 2021	2.776	(178,156,000)	0.75	(133,617,000)
Scrip issue	30 July 2021	2.021	126,088,000	0.75	94,566,000
Balance at 31.12.2021			**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**

The scrip issues carried out in 2022 and 2021 correspond to the different runs of the *Iberdrola Retribución Flexible* optional dividend system approved by the shareholders at the General Meeting.

Additionally, on 1 July 2021 and 1 July 2022, it was resolved to reduce capital through the redemption of treasury shares. These resolutions were approved by the shareholders at their General Meetings held on 18 June 2021 and 17 June 2022, respectively.

The General Shareholders' Meeting held on 17 June 2022 has approved, under item 9 of the agenda, the engagement dividend and its payment to all shareholders entitled to participate in the General Meeting (i.e. with shares registered in their name on 10 June), given that the payment conditions had been met, which were the approval of the dividend itself, item 7 of the agenda, and that the quorum reached 70 % of the share capital. The dividend amounted to EUR 31 million (EUR 0.005 gross per share) and was paid on 20 June 2022.

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´s shares are listed for trading on the Spanish electronic continuous market (Mercado Continuo Español), and included in the IBEX-35, Eurostoxx-50 and European Eurostoxx-50 index.

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 2022 and 2021, 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 (Comisión Nacional del Mercado de Valores, or CNMV) or the company's financial statements or press releases, and it is presented in the IBERDROLA Group´s Annual Corporate Governance Report 2022 (Management report).

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 2022 and 2021 are as follows:

	% of voting rights 2022			% of voting rights 2021		
Holder	**Direct**	**Indirect**	**Total**	**Direct**	**Indirect**	**Total**
Qatar Investment Authority	—	8.69	8.69	—	8.69	8.69
Norges Bank	3.65	—	3.65	3.36	—	3.36
Blackrock, Inc.	—	5.29	5.29	—	5.16	5.16

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 2022 and 2021 were as follows:

Millions of euros	31.12.2022	31.12.2021
Parent	41,119	40,479
Non-controlling interests	16,995	15,647
Equity	**58,114**	**56,126**
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed.	436	241
Adjusted equity	**58,550**	**56,367**
Bank borrowings, bonds and other marketable securities (Note 28)	46,587	41,163
CSA derivatives security deposits (Note 32)	95	—
Derivative financial liabilities	960	760
Leases	2,438	2,411
Gross financial debt (A)	**50,080**	**44,334**
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed (B)	436	241
Adjusted gross financial debt (C=A-B)	**49,644**	**44,093**
Non-current financial deposits (Note 15.b)	80	65
Derivative financial assets	1,082	763
CSA derivatives security deposits (Note 15.b)	107	101
Current financial assets (between 3 and 12 months) (Note 15.b)	18	12
Cash and cash equivalents (Note 20)	4,608	4,033
Total cash assets (D)	**5,895**	**4,974**
Net financial debt (A-D)	**44,185**	**39,360**
Adjusted net financial debt (C-D)	**43,749**	**39,119**
Adjusted net leverage	**42.77 %**	**40.97 %**

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	31.12.2022	31.12.2021
Accumulators (potential shares)	436	241
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed.	**436**	**241**

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 29):

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)**

Millions of euros	2021					
	Asset derivatives			Liability derivatives		
	Current	Non-current	Total	Current	Non-current	Total
Interest rate hedges	55	56	111	(3)	(98)	(101)
Exchange rate hedges	186	287	473	(342)	(140)	(482)
Total hedging derivatives	**241**	**343**	**584**	**(345)**	**(238)**	**(583)**
Exchange rate derivatives	2	1	3	(1)	—	(1)
Treasury shares derivatives	176	—	176	(176)	—	(176)
Total non-hedging derivatives	**178**	**1**	**179**	**(177)**	**—**	**(177)**
Total	**419**	**344**	**763**	**(522)**	**(238)**	**(760)**

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 2022 and 2021 are as follows:

Millions of euros	AVANGRID Subgroup	NEOENERGIA Subgroup	East Anglia	Wikinger	Other	Perpetual subordinated bonds	Total
Balance at 01.01.2021	**2,936**	**2,012**	**1,197**	**—**	**161**	**5,500**	**11,806**
Capital increase/Right issue	611	—	—	—	4	2,750	3,365
Profit for the year from non-controlling interests	73	302	55	—	37	—	467
Other comprehensive	(1)	(29)	(1)	—	(24)	—	(55)
Dividends	(102)	(53)	(65)	—	(9)	—	(229)
Translation differences	289	(11)	96	—	6	—	380
Transactions with non-controlling interests (Note 7)	—	(94)	—	—	—	—	(94)
Other	6	4	—	—	(3)	—	7
Balance at 31.12.2021	**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	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**

In 2021 Avangrid, Inc. carried out a capital increase in the amount of EUR 3,302 million, which was subscribed by the shareholders according to their percentage of ownership. Accordingly, a payment of EUR 611 million was recognised under “Equity — Non-controlling interests” of the consolidated Income statement at 31 December 2021.

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	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Current assets	2,559	2,871	3,847	3,408	1,177	1,179	223	—
Non-current assets	43,306	38,665	13,744	11,039	2,337	2,642	1,193	—
Total assets	**45,865**	**41,536**	**17,591**	**14,447**	**3,514**	**3,821**	**1,416**	**—**
Current liabilities	4,384	3,107	3,156	3,016	130	92	17	—
Non-current liabilities	19,441	18,054	8,932	6,970	455	522	106	—
Total liabilities	**23,825**	**21,161**	**12,088**	**9,986**	**585**	**614**	**123**	**—**
Gross operating profit-EBITDA	2,600	1,967	2,285	1,676	392	360	241	—
Valuation adjustment of trade receivables and other assets	(158)	(86)	(93)	(55)	—	—	—	—
Amortisation, depreciation and provisions	(1,280)	(1,104)	(517)	(384)	(118)	(112)	(61)	—
Result of equity-accounted investees — net of taxes	243	6	(91)	(68)	—	—	—	—
Finance income	(276)	(246)	(711)	(365)	(3)	(4)	35	—
Gains /(losses) from non-current assets	—	—	—	—	—	—	—	—
Income tax	(163)	(154)	(80)	(205)	(59)	(107)	(55)	—
Non-controlling interests	(3)	(3)	—	—	—	—	—	—
Net profit/(loss) for the year	**963**	**380**	**793**	**599**	**212**	**137**	**160**	**—**

Millions of euros	AVANGRID Subgroup		NEOENERGIA Subgroup	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Net cash flows from operating activities	1,242	1,582	850	21
Net cash flows used in investing activities	(2,421)	(2,061)	(1,363)	(1,618)
Net cash flows from/(used in) financing activities	(155)	486	744	1,674
Net increase/(decrease) in cash and cash equivalents	**(1,334)**	**7**	**231**	**77**

Perpetual subordinated bonds

These bonds do not have a contractual maturity date. After analysing the issue conditions, the IBERDROLA Group recognises the cash received with a credit to the “Non-controlling interests” 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 2022 and 2021 amounted to EUR 169 million and EUR 94 million, respectively. Meanwhile, interest accrued in 2022 and 2021 amounted to EUR 169 million and EUR 155 million, respectively, as recognised under “Other reserves” in the consolidated Statement of financial position.

The IBERDROLA Group had outstanding subordinated perpetual bonds worth EUR 8,250 million at 31 December 2022 and 2021.

Valuation adjustments

The change in this reserve arising from valuation adjustments to derivative financial instruments designated as cash flow hedges at 31 December 2022 and 2021 is as follows:

Millions of euros	01.01.2021	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to income	31.12.2021	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to income	31.12.2022
Valuation adjustments of equity-accounted investees (net of tax):	**—**	**(10)**	**—**	**—**	**(10)**	**27**	**—**	**—**	**17**
Cash flow hedges:									
Interest rate swaps	(669)	71	—	134	(464)	765	—	122	423
Collars	(7)	—	—	—	(7)	1	—	6	—
Commodities derivatives	332	2,350	—	(1,388)	1,294	(1,279)	—	(1,297)	(1,282)
Currency forwards	4	(10)	1	12	7	20	(1)	(46)	(20)
Other	—	(165)	—	—	(165)	(180)	—	4	(341)
	(340)	**2,246**	**1**	**(1,242)**	**665**	**(673)**	**(1)**	**(1,211)**	**(1,220)**
Hedging costs	**—**	**(34)**	**—**	**38**	**4**	**(66)**	**—**	**58**	**(4)**
Tax effect:	**98**	**(433)**	**—**	**223**	**(112)**	**170**	**—**	**217**	**275**
Total	**(242)**	**1,769**	**1**	**(981)**	**547**	**(542)**	**(1)**	**(936)**	**(932)**

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 2022 and 2021 the balances of the various instruments are as follows:

	31.12.2022		31.12.2021	
	No. of shares	Millions of euros	No. of shares	Millions of euros
Treasury shares held by IBERDROLA	64,447,436	632	82,915,340	823
Treasury shares held by SCOTTISH POWER	647,085	8	695,770	8
Total return swaps	13,110,816	110	13,547,820	102
Put options sold	11,338,853	115	—	—
Accumulators (exercised shares)	25,716,062	253	45,085,032	465
Accumulators (potential shares)	64,452,306	638	47,036,224	462
Total	**179,712,558**	**1,756**	**189,280,186**	**1,860**

(a) Treasury shares

Changes in 2022 and 2021 in the treasury 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 01.01.2021	**85,222,122**	**888**	**815,645**	**8**
Acquisitions	180,342,768	1,896	221,627	3
Reduction in share capital	(178,156,000)	(1,898)	—	—
Iberdrola Retribución Flexible [1]	1,514,730	—	79,348	—
Disposals [2]	(6,008,280)	(63)	(420,850)	(3)
Balance at 31.12.2021	**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)	—	—
Iberdrola Retribución Flexible [1]	1,403,649	—	85,349	—
Disposals [2]	(8,807,646)	(87)	(346,665)	(2)
Balance at 31.12.2022	**64,447,436**	**632**	**647,085**	**8**

[1] Shares received.

[2] Includes awards to employees.

SCOTTISH POWER's treasury shares correspond to the matching shares held by the trust in the share plan called *Share Incentive Plan* (Note 22.1).

In 2022 and 2021, 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 2022 and 2021 are as follows:

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**

2021	No. of shares at 31.12.2021	Strike price	Expiry date	Interest rate	Millions of euros
Total return swap	4,470,234	6.195	28/7/2022	Euribor 3M + 0.29%	28
Total return swap	2,077,920	9.721	30/8/2022	Euribor 3M + 0.30%	20
Total return swap	6,999,666	7.756	17/11/2022	Euribor 3M + 0.47%	54
Total	**13,547,820**				**102**

– 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.

The characteristics of these contracts at 31 December 2022 and 2021 are 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

2021	No. of shares	Average price in the period	Expiry date	Millions of euros
Exercised	45,085,032	10.3230	16/02/2022 to 18/08/2022	465
Potential maximum (1)	47,036,224	9.8289	16/02/2022 to 18/08/2022	462

(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.

At 31 December 2021 there were no outstanding contracts, while the characteristics of these contracts at 31 December 2022 were as follows:

2022	No. of shares	Average price in the period	Expiry date	Millions of euros (1)
Put options sold	11,338,853	10.2663	10/03/2023 to 24/03/2023	115

(1) The amount is presented net of the premiums collected of EUR 2 million.

Distribution of dividends charged to 2022 profit

The Board of Directors of IBERDROLA has agreed to propose to the General Shareholders' Meeting the payment, out of earnings for 2022 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 235 million that was paid out as an interim dividend for 2022 on 31 January 2023 to the holders of 1,305,893,982 IBERDROLA shares who chose to receive their remuneration in cash under the second application of the optional "*Iberdrola Retribución Flexible"* optional dividend system for 2022 and therefore received EUR 0.18, 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 2022 under the framework of the first-time application of the *Iberdrola Flexible Remuneration* optional dividend system (*Final Dividend*) for 2023; 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 2023.

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 2023, 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 2023, the gross amount of the *Final dividend* is estimated to be at least EUR 0.31 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 2023. Additionally, once the first implementation of the "*Iberdrola Retribución Flexible*" optional dividend system for 2023 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.

22. LONG-TERM COMPENSATION PLANS

22.1 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	100% (1)
AVANGRID 2016-2019	Avangrid	2016-2019	2020-2022	80	2,500,000	17.4% (2)

(1) 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, the third and last of the annual settlements was completed, with the validity of the fundamentals confirmed.

(2) 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, the third and last of the annual settlements was completed, with the validity of the fundamentals confirmed.

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

No. of shares	IBERDROLA 2017-2019	AVANGRID 2016-2019 [3]
Balance at 31.12.2020	**8,052,094**	**137,077**
Cancellations	(33,336)	(1,673)
Deliveries	(3,965,715) [1] [2]	(68,554)
Balance at 31.12.2021	**4,053,043**	**66,850**
Cancellations	(23,334)	(580)
Other	(90,276)	—
Deliveries	(3,939,433) [1] [2]	(66,270)
Balance at 31.12.2022	**—**	**—**

[1] These shares include those delivered to executive directors (Note 46) and to senior management (Note 48).

[2] Taxes charged on shares delivered to senior management: EUR 4.2 million and EUR 3.9 million relating to the second and third delivery of the 2017-2019 Strategic Bonus, respectively.

[3] In addition, under 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 161,920 notional shares (Phantom Share Units) were granted in 2021 and 9,000 notional shares in 2020, with the equivalent value of 51,317 shares settled in cash in 2021 and of 38,598 shares in 2022, thus bringing the outstanding balance at 31 December 2022 to 6,750 notional shares to be settled in 2023 and 2024.

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 Strategic bonus 2017-2019	AVANGRID Strategic bonus 2016-2019 [1]	Restricted stock programme [1]	Total
Balance at 01.01.2021	**52**	**9**	**—**	**61**
Provision charged to "Personnel expenses"	10	1	1	12
Price effect charged to "Other reserves"	16	—	—	16
Payments in shares	(59)	(1)	—	(60)
Balance at 31.12.2021	**19**	**9**	**1**	**29**
Provision charged to "Personnel expenses"	1	—	2	3
Price effect charged to "Other reserves"	23	1	—	24
Payments in shares	(50)	(3)	(1)	(54)
Transfers and other	7	(7)	(1)	(1)
Balance at 31.12.2022	**—**	**—**	**1**	**1**

[1] Submitted for 100%. [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 [3]
IBERDROLA 2020-2022 [1]	IBERDROLA	2020-2022	2023-2025	300	14,000,000 [4]	11,112,037 [4]
NEOENERGIA 2020-2022 [1]	Neoenergia	2020-2022	2023-2025	125	3,650,000	2,960,022
AVANGRID 2020-2022 [2]	AVANGRID	2021-2022	2023-2025	125	1,500,000	917,311

[1] Approval by the shareholders at the General Shareholders' Meeting of IBERDROLA and NEOENERGIA in 2020, respectively.

[2] Approval by AVANGRID's Board of Directors in 2021, under the scope of the Omnibus Plan.

[3] Foreseeable number of shares to be delivered, depending on the level of success in attaining the related targets.

[4] Includes shares for directors.

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

Achievement targets related to	Type of target	Relative weight
Consolidated net profit	Performance	30% - 35 %
Total shareholder return	Market	20% - 35 %
Financial strength	Performance	20%
Sustainable Development Goals	Performance	30%

The "Personnel expenses" heading of the consolidated Income statement for 2022 and 2021 includes EUR 60 million and EUR 59 million under the aforementioned long-term share-based compensation plans in the measurement period, as recognised and credited to "Other reserves" of the consolidated Statement of financial position and broken down as follows:

Millions of euros	2022	2021
IBERDROLA 2020-2022	43	40
NEOENERGIA 2020-2022	4	5
AVANGRID 2020-2022	13	14
Balance at 31.12.2022	**60**	**59**

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

Changes in the plan are as follows:

	Sharesave 2020 (outstanding options)
Balance at 31.12.2020	**3,441,632**
Exercised	(18,768)
Cancelled	(157,604)
Balance at 31.12.2021	**3,265,260**
Exercised	(66,670)
Cancelled	(157,967)
Balance at 31.12.2022	**3,040,623**

– 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 2021	592,948
Total balance of partnership shares at 31.12.2021	**4,854,690**
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 company contribution (matching shares) in 2021	257,627
Shares acquired with company contribution (matching shares) with a term shorter than 3 years in 2021	693,261
Total balance of matching shares at 31.12.2021	**2,353,169**
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	647,085
Total balance of matching shares at 31.12.2022	**2,194,140**

The “Personnel expenses” heading of the consolidated Income statement for 2022 and 2021 includes EUR 3 million and EUR 3 million for these plans, respectively, as credited to the “Other reserves” heading of the consolidated Statement of financial position.

Furthermore, in 2022 and 2021 payments for options and shares were made in the amount of EUR 2 million and EUR 3 million, respectively.

22.2 Cash-based long-term compensation plans

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	Maximum cash amount	Level of achievement
2017-2019 IBERDROLA DISTRIBUCIÓN ELÉCTRICA	2017-2019	2020-2022	12	—	100% (1)
2018-2019 NEOENERGIA	2018-2019	2020-2022	100	BRL 50 million	97.64% (2)

(1) Degree of compliance 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.

The “Personnel expenses” heading of the consolidated Income statement for 2022 and 2021 includes EUR 2 million and EUR 3 million, respectively.

The third and second of the three annual payments resulted in the delivery of EUR 6 million and EUR 6 million in 2022 and 2021, respectively.

23. 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 2022 and 2021, the amount shown in this heading accrued an average interest in USD of 6.88% and 6.58% respectively.

Changes in this heading of the consolidated Statement of financial position for 2022 and 2021 are as follows:

Millions of euros	2022	2021
Opening balance	**625**	**391**
Finance expenses accrued in the year (Note 43)	46	30
Payments	(177)	(110)
Translation differences	39	42
Additions	130	272
Closing balance	**663**	**625**

The IBERDROLA Group signed new contracts in 2022 through its subsidiaries in the United States, for the construction of the Lund Hill solar plant and the expansion of the Aeolus VIII wind farm. The amounts payable under these contracts were not fully disbursed in 2022.

In financial year 2021, it also signed contracts for Aeolus VII and Aeolus VIII through its United States subsidiaries.

24. CAPITAL GRANTS

The change in this heading of the consolidated Statement of financial position for 2022 and 2021 is as follows (Note 3.n):

Millions of euros	Capital grants	Investment Tax Credits	Total
Balance at 01.01.2021	**270**	**970**	**1,240**
Additions	8	—	8
Translation differences	5	80	85
Amounts allocated to the Income statement (Note 3.n)	(17)	(55)	(72)
Balance at 31.12.2021	**266**	**995**	**1,261**
Additions	1	—	1
Transfers	(1)	—	(1)
Translation differences	5	63	68
Amounts allocated to the Income statement (Note 3.n)	(20)	(62)	(82)
Balance at 31.12.2022	**251**	**996**	**1,247**

25. FACILITIES TRANSFERRED OR FINANCED BY THIRD PARTIES

The change in this heading of the consolidated Statement of financial position for 2022 and 2021 is as follows (Note 3.o):

Millions of euros	Facilities transferred by third parties	Facilities financed by third parties	Total
Balance at 01.01.2021	**2,592**	**2,451**	**5,043**
Additions	179	267	446
Derecognitions	—	(2)	(2)
Transfers	—	(2)	(2)
Translation differences	19	130	149
Amounts allocated to the Income statement (Note 3.o)	(130)	(80)	(210)
Balance at 31.12.2021	**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.o)	(136)	(86)	(222)
Balance at 31.12.2022	**2,728**	**2,945**	**5,673**

26. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

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

Millions of euros	31.12.2022	31.12.2021
Defined benefit plans (Spain)	261	378
Long-service bonuses and other long-term benefits (Spain)	38	46
Defined benefit plans (United Kingdom)	116	129
Defined benefit plans (United States)	514	669
Defined benefit plans (Brazil)	162	132
Defined benefit plans and other non-current employee benefits (Spain and other countries)	41	59
Restructuring plans	136	206
Total	**1,268**	**1,619**

Each year the IBERDROLA Group 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.

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

Spain

The 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 2022 and 2021.

  The 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 2022 and 2021 are recognised under "Personnel expenses" in the consolidated Income statement and amounted to EUR 8 million and EUR 10 million, respectively.

- The IBERDROLA Group 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)

SCOTTISH POWER employees residing in the United Kingdom, hired before 1 April 2006, are covered by the following defined benefit retirement pension schemes: *ScottishPower Pension Scheme* (SPPS) and *Manweb Group of Electricity Supply Pension Scheme* (Manweb).

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

United States (AVANGRID)

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 plan mergers have taken place with effect from 1 January 2023, reducing the total number of pension plans from 12 to seven. In addition, effective 31 March 2023, the “CNG Retirement Pension Plan (Hartford Union)” will be frozen.

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.

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 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 (Note 7). CEB Distribuição has been renamed Neoenergia Distribuição Brasília. The distributor Neoenergia Distribuição Brasília operates two defined benefit plans (one of which is frozen).

Defined benefit retirement plans are not available for new incorporations.

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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Present value of the obligation	(299)	(424)	(3,621)	(5,931)	(2,621)	(3,505)	(794)	(692)	(41)	(59)	(7,376)	(10,611)
Fair value of plan assets	—	—	3,893	6,118	2,107	2,836	671	591	—	—	6,671	9,545
Net asset / (Net provision)	**(299)**	**(424)**	**272**	**187**	**(514)**	**(669)**	**(123)**	**(101)**	**(41)**	**(59)**	**(705)**	**(1,066)**
Amounts recognised in the consolidated Statement of financial position:												
Provision for pensions and similar obligations	(299)	(424)	(116)	(129)	(514)	(669)	(162)	(132)	(41)	(59)	(1,132)	(1,413)
Assets for pensions and similar obligations (Note 15.b)	—	—	388	316	—	—	4	1	—	—	392	317
Net asset / (Net provision)	**(299)**	**(424)**	**272**	**187**	**(514)**	**(669)**	**(158)**	**(131)**	**(41)**	**(59)**	**(740)**	**(1,096)**

[1] A surplus of EUR 35 and EUR 30 million was not recognised at 31 December 2022 and 2021, 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	14	7	14	11	11	10	13	9	10

The changes in provisions for the commitments detailed in the previous section in 2022 and 2021 is as follows:

Millions of euros	Spain		United Kingdom	United States	Brazil [1]	Other	Total
	Electricity tariff	Length of service bonus					
Balance at 01.01.2021	**385**	**47**	**6,181**	**3,529**	**679**	**68**	**10,889**
Modification of the consolidation scope (Note 7)	—	—	—	—	71	—	**71**
Normal cost (Note 39)	6	5	66	39	1	3	**120**
Cost for past services rendered (Note 39)	3	—	(90)	2	(3)	—	**(88)**
Finance expense (Note 43)	1	—	90	83	52	1	**227**
Actuarial gains and losses							
To Profit or loss (Note 39)	—	(1)	—	—	—	—	**(1)**
To reserves	3	—	(481)	(161)	(47)	(6)	**(692)**
Member contributions	—	—	6	—	1	—	**7**
Payments	(20)	(5)	(320)	(269)	(57)	(8)	**(679)**
Translation differences	—	—	479	282	(5)	1	**757**
Balance at 31.12.2021	**378**	**46**	**5,931**	**3,505**	**692**	**59**	**10,611**
Normal cost (Note 39)	5	4	56	29	1	5	**100**
Cost for past services rendered (Note 39)	—	—	(6)	(89)	(1)	—	**(96)**
Other costs charged to “Personnel expenses” (Note 39)	—	—	—	—	—	(1)	**(1)**
Finance expense (Note 43)	3	—	113	117	69	1	**303**
Actuarial gains and losses							
To Profit or loss (Note 39)	—	(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**

(1) As the surplus was not recognised, the actuarial differences recognised in reserves were adjusted upwards in 2022 and 2021 by EUR 1 and EUR 20 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 2022 and 2021, and for the same concept, the finance expenses recognised were raised by EUR 2 million and EUR 3 million, respectively.

The changes in the fair value of plan assets in 2022 and 2021 are as follows:

Millions of euros	United Kingdom	United States	Brazil	Total
Fair value at 01.01.2021	**5,566**	**2,658**	**548**	**8,772**
Modification of the consolidation scope (Note 7)	—	—	76	**76**
Revaluation (Note 43)	82	63	43	**188**
Actuarial gains and losses to reserves	162	149	(35)	**276**
Company contributions	175	13	17	**205**
Member contributions	6	—	1	**7**
Proceeds	(320)	(269)	(57)	**(646)**
Translation differences	447	222	(2)	**667**
Fair value at 31.12.2021	**6,118**	**2,836**	**591**	**9,545**
Revaluation (Note 43)	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**

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the aforementioned commitments at 31 December 2022 and 2021 are as follows:

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) decreasing to 4.50% (2029 onwards) /4.50% (2027 onwards)
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) decreasing to 4.50% (2029 onwards) /4.50% (2027 onwards)
Brazil						
ELEKTRO	9.60 %	5.07 %	—	3.25 %	AT - 2000 male - 10%	—

2022	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
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 Plan As. Médica	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%	—

2021	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
Spain						
Electricity tariff	0.86 %	—	2022 0.33021; 2023 0.17508; 2024 0.14088; 2026 0.13511; […]	— %	PER 2020	—
Length of service bonus	0.50 %	1.00 %	—	— %	PER 2020	—
United Kingdom	1.98 %	3.36 %	—	3.36 %	Pre/post-retirement Men: 85% AMC00 / 95%S2PMA CMI2020 M (1.25% improvement rate) Women: 85%AFC00 / 100%S2PFA CMI2020 F (1.25% improvement rate)	—

2021	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
United States						
ARHI	3.00 %	n/a	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	n/a
UIL	2.94 %	Specific flat rates (Union/Non-union)	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	Function year RX: 6.25%(pre-65)/7.00% (post-65) (2022); 6.00%/6,50% (2023); [...] : 4.50%/4.50% (2029 onwards)
AVANGRID NETWORKS	2.77 %	Based on age (Non-Union) and specific flat rates (Union)	—	2.00 %	Pri-2012 Fully Generational Projection using Scale MP 2021	Function year RX: 6.25%(pre-65)/7.00% (post-65) (2022); 6.00%/6,50% (2023); [...] : 4.50%/4.50% (2029 onwards)
Brazil						
ELEKTRO	8.94 %	5.58 %	—	3.00 %	AT - 2000 male - 10%	—
NEOENERGIA						
CELPE BD	8.18 %	4.03 %	—	3.00 %	AT-2000 men & women -10%	—
Coelba BD	8.17 %	— %	—	3.00 %	BR-EMS-sb 2015 men & women -15%	—
COELBA Plan As. Médica	8.54 %	— %	—	3.00 %	AT-2000 Basic	—
Cosern BD	8.16 %	— %	—	3.00 %	AT - 2000 men & women	—
NEOENERGIA BRASILIA						
CEB BD	8.42 %	— %	—	3.00 %	BR-EMSsb-v.2015 men & women	—
CEB Settled	8.26 %	— %	—	3.00 %	BR-EMSsb-v.2015 men & women	—

(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	2022	2021	2020	2019	2018
Spain					
Present value of the obligation	(299)	(424)	(432)	(453)	(413)
Fair value of plan assets	—	—	—	—	—
Net asset / (Net provision)	(299)	(424)	(432)	(453)	(413)
Experience adjustments arising on plan liabilities	27	(8)	—	(9)	5
United Kingdom					
Present value of the obligation	(3,621)	(5,931)	(6,181)	(6,081)	(5,464)
Fair value of plan assets	3,893	6,118	5,566	5,315	4,894
Net asset / (Net provision)	272	187	(615)	(767)	(569)
Experience adjustments arising on plan liabilities	(253)	114	42	13	81
Experience adjustments arising on plan assets	(1,991)	161	633	144	(344)
United States					
Present value of the obligation	(2,621)	(3,505)	(3,529)	(3,723)	(3,373)
Fair value of plan assets	2,107	2,836	2,658	2,692	2,367
Net asset / (Net provision)	(514)	(669)	(871)	(1,031)	(1,007)
Experience adjustments arising on plan liabilities	64	(20)	(5)	(30)	23
Experience adjustments arising on plan assets	(676)	150	284	(336)	(211)
ELEKTRO					
Present value of the obligation	(327)	(285)	(304)	(361)	(300)
Fair value of plan assets	323	278	278	363	331
Net asset / (Net provision)	(4)	(7)	(26)	2	31
Experience adjustments arising on plan liabilities	(10)	(42)	(54)	(8)	(2)
Experience adjustments arising on plan assets	(1)	(1)	14	22	14
NEOENERGIA					
Present value of the obligation	(386)	(329)	(375)	(505)	(482)
Fair value of plan assets	268	240	270	379	332
Net asset / (Net provision)	(118)	(89)	(105)	(126)	(150)
Experience adjustments arising on plan liabilities	(52)	1	(29)	(13)	14
Experience adjustments arising on plan assets	(6)	(30)	(3)	46	(25)
NEOENERGIA BRASILIA					
Present value of the obligation	(81)	(78)	—	—	—
Fair value of plan assets	80	73	—	—	—
Net asset / (Net provision)	(1)	(5)	—	—	—
Experience adjustments arising on plan liabilities	(5)	(8)	—	—	—
Experience adjustments arising on plan assets	(2)	(4)	—	—	—

The sensitivity at 31 December 2022 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	ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA	NEOENERGIA BRASILIA
Discount rate (basis points)									
10	(2.73)	—	(48.70)	(0.49)	(7.71)	(15.44)	(3.13)	(2.97)	(0.69)
(10)	2.79	—	51.56	0.50	7.84	15.69	3.43	3.20	0.75
Inflation (basis points)									
10	—	—	36.91	—	—	—	—	—	—
(10)	—	—	(38.84)	—	—	—	—	—	—
Wage growth (basis points)									
10	—	0.30	—	—	(0.58)	0.47	—	—	—
(10)	—	(0.29)	—	—	0.59	(0.47)	—	—	—
Mortality tables (years)									
1	—	—	133.09	1.35	30.15	69.07	—	—	—
Health cost (basis points)									
25	—	—	—	—	0.45	0.37	—	—	—
(25)	—	—	—	—	(0.44)	(0.36)	—	—	—
Price increase kWh (basis points)									
10	2.86	—	—	—	—	—	—	—	—
(10)	(2.72)	—	—	—	—	—	—	—	—

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:

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%

2021	Equities	Fixed income	Cash and cash equivalents	Other
United Kingdom	7%	30%	13%	50%
United States	40%	47%	2%	11%
ELEKTRO	25%	71%	—%	4%
NEOENERGIA	3%	95%	—%	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 31.12.2022	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**

Thousands of euros	Value at 31.12.2021	Level 1	Level 2	Level 3
United Kingdom	6,118	70	4,837	1,211
AVANGRID	2,836	479	2,203	154
ELEKTRO	278	184	73	21
NEOENERGIA	240	—	232	8
NEOENERGIA BRASILIA	73	—	66	7
Total	**9,545**	**733**	**7,411**	**1,401**

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.

26.b) Defined contribution plans

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 2022 to a contributory system where the Company pays 70% and the employee 30% (from 1 January 2021, 67.5% paid by the Company and 32.5% 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), at which point the same criterion as for employees joining after 9 October 1996 will apply. The Company finances these contributions for all of its current employees.

The IBERDROLA Group's contributions in 2022 and 2021 were EUR 22 and EUR 22 million, respectively, and are recognised under the "Personnel expenses" heading of the consolidated Income statement.

The contribution made on behalf of employees not covered by the Collective Bargaining Agreement in 2022 and 2021, as recognised under the "Personnel expenses" heading of the consolidated Income statement, is shown below.

Defined contribution plans	2022	2021
SCOTTISH POWER	20	17
AVANGRID	82	48
NEOENERGIA	12	8
Other	1	1
Total	**115**	**74**

26.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 2022 and 2021, the existing provisions in this regard pertain to the following restructuring plans:

	31.12.2022		31.12.2021	
Millions of euros	Provisions	No. of individual contracts	Provisions	No. of individual contracts
2012 restructuring plan	—	—	—	1
2014 restructuring plan	3	31	6	57
2015 restructuring plan	1	13	2	23
2016 restructuring plan	—	6	1	11
2017 restructuring plan	20	180	38	262
2019 restructuring plan	11	99	20	126
2020 restructuring plan	31	158	45	168
2021 restructuring plan	59	212	78	211
Total	**125**	**699**	**190**	**859**

In addition, the following provisions had been posted at 31 December 2022 and 2021 to honour these commitments outside Spain and for the subsidiary company Iberdrola Ingeniería y Construcción, S.A.U.(IIC):

Millions of euros	31.12.2022	31.12.2021
SCOTTISH POWER	4	6
IIC	7	10
Total	**11**	**16**

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 2022 and 2021 is as follows:

Millions of euros	2022	2021
Opening balance	**206**	**179**
Charge (Note 39)	6	86
Actuarial gains and losses and other	(11)	(2)
Payments	(65)	(57)
Closing balance	**136**	**206**

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 2022 and 2021 are as follows:

	2022		2021	
	Discount rate	Inflation	Discount rate	Inflation
Restructuring plans	3.13% - 3.26%	1.00% - 0.70%	0% - 0.06%	1.00% - 0.70%

27. OTHER PROVISIONS

The movement and breakdown of "Other provisions" on the liabilities side of the consolidated Statement of financial position in 2022 and 2021 is as follows:

Millions of euros	Provisions for litigation, indemnity payments and similar costs	Provision for CO_2 emissions	Provision for facility closure costs (Notes 3.r y 5)	Other provisions	Total
Balance at 31.12.2020	**693**	**430**	**2,614**	**337**	**4,074**
Charge or reversals for the year with a debit/credit to "Property, plant and equipment" (Note 3.d)	16	—	143	5	164
Charges for discount to present value (Note 43)	44	—	22	1	67
Charges for the year to the Income statement	63	752	6	8	829
Reversal due to excess	(107)	—	(2)	(27)	(136)
Modification of the consolidation scope (Note 7)	29	—	(10)	—	19
Translation differences	10	27	97	24	158
Transfers	(2)	—	—	(6)	(8)
Payments made and other	(53)	—	(10)	(22)	(85)
Delivery of emission allowances and green certificates	—	(582)	—	—	(582)
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 43)	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**

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.

The detail of provision for plants closure costs is as follows:

Millions of euros	31.12.2022	31.12.2021
Nuclear power plants	565	689
Wind-powered farms and other alternative stations	1,181	1,727
Combined cycle power plants	172	244
Thermal power plants	38	52
Other facilities	101	127
Right-of-use assets	15	21
Total	**2,072**	**2,860**

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.y) 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 2022		Discount rate 2021	
		5 years	30 years	5 years	30 years
Spain	Euro	3.00 %	3.75 %	(0.18_ %	1.20 %
United Kingdom	Pound sterling	3.58 %	3.78 %	0.57 %	0.87 %
United States	US dollar	3.80 %	3.72 %	1.25 %	1.88 %

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 2022 are as follows:

Millions of euros	
2023	880
2024	96
2025	50
2026 onwards	2,853
Total	**3,879**

28. BANK BORROWINGS, BONDS AND OTHER MARKETABLE SECURITIES

The detail of bank borrowings, bonds and other marketable securities outstanding at 31 December 2022 and 2021, once foreign exchange hedges are considered, and the repayment schedule are as follows:

	Bank borrowings, bonds and other marketable securities at 31 December 2022 maturing in							
		Current	Non-current					
Millions of euros	Balance at 31.12.2022(*)	2023	2024	2025	2026	2027	2028 and beyond	Total non-current
Euros								
Obligations 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 includes EUR 4,216 million corresponding to domestic commercial paper (USCP) and Euro Commercial Paper (ECP) issues as well as EUR 33 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 4,121 million and EUR 3,313 million, respectively, in 2022 and 2021.

	Bank borrowings, bonds and other marketable securities at 31 December 2021 maturing in							
		Current	Non-current					
Millions of euros	Balance at 31.12.2021(*	2022	2023	2024	2025	2026	2027 and beyond	Total non-current
Euros								
Obligations and bonds	11,028	2,220	1,652	1,896	1,957	1,743	1,560	8,808
Promissory notes	3,566	3,566	—	—	—	—	—	—
Loans and drawdowns of credit facilities	6,178	1,182	342	304	751	813	2,786	4,996
Other financing transactions	1,099	1,096	3	0	—	—	—	3
Unpaid accrued interest	132	132	—	—	—	—	—	—
	22,003	**8,196**	**1,997**	**2,200**	**2,708**	**2,556**	**4,346**	**13,807**
In foreign currency								
US dollars	9,559	340	722	1,255	1,254	593	5,395	9,219
Pounds sterling	3,373	87	521	416	636	458	1,255	3,286
BRL	5,945	1,162	659	892	681	625	1,926	4,783
Other	74	6	7	7	8	8	38	68
Unpaid accrued interest	209	193	4	1	1	1	9	16
	19,160	**1,788**	**1,913**	**2,571**	**2,580**	**1,685**	**8,623**	**17,372**
Total	**41,163**	**9,984**	**3,910**	**4,771**	**5,288**	**4,241**	**12,969**	**31,179**

(*) At 31 December 2021, the balance included EUR 3,566 million of domestic commercial paper (USCP) and Euro Commercial Paper (ECP) issues. At 31 December 2021 there were EUR 156 million of drawdowns under credit lines and facilities.

The structure of bank borrowings, bonds and other marketable securities at 31 December 2022 and 2021, once the corresponding interest rate hedges are considered, is as follows:

Millions of euros	31.12.2022	31.12.2021
Fixed interest rate	26,049	24,352
Floating interest rate	20,538	16,811
Total	**46,587**	**41,163**

At 31 December 2022 and 2021, 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 2022 and 2021 was 4.14% and 3.24%, respectively.

The breakdown by maturity of future unaccrued interest payment commitments at 31 December 2022 and 2021, 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	2023	2024	2025	2026	2027	2028 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**

Thousands of euros	2022	2023	2024	2025	2026	2027 and beyond	Total
Euros	132	113	89	76	51	68	529
US dollars	331	318	299	256	228	1,844	3,276
Pounds sterling	161	149	552	70	69	246	1,247
BRL	251	272	275	231	194	1,420	2,643
Other	5	5	4	4	3	8	29
Total	**880**	**857**	**1,219**	**637**	**545**	**3,586**	**7,724**

Significant transactions carried out by the IBERDROLA Group during 2022 are as follows:

Borrower	Transaction	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
First quarter						
Iberdrola Finanzas	Private Bond	Jan-22	100	EUR	1.00 %	Feb-37
Iberdrola Finanzas	Green public bond	Mar-22	1,000	EUR	1.38 %	Mar-32
Celpe	Public bond (debenture)	Mar-22	470	BRL	CDI+1.55%	Apr-27
Coelba	Public bond (debenture)	Mar-22	470	BRL	CDI+1.55%	Apr-27
Celpe	Public bond (debenture)	Mar-22	330	BRL	CDI+1.68%	Apr-29
Coelba	Public bond (debenture)	Mar-22	330	BRL	CDI+1.68%	Apr-29
Celpe	Public infrastructure bond (debenture)	Mar-22	400	BRL	IPCA+6.28%	Apr-32
Coelba	Public infrastructure bond (debenture)	Mar-22	400	BRL	IPCA+6.28%	Apr-32
Coelba (1)	Loan 4131	Feb-22	20	USD		Feb-27
Neoenergia Itapabona (1)	Loan 4131	Feb-22	39	USD		Feb-27
Neoenergia Lagoa Dos Patos (1)	Loan 4131	Feb-22	16	USD		Feb-23
Coelba (1)	Loan 4131	Mar-22	42	USD		Oct-23
Neoenergia	Loan 4131	Mar-22	550	BRL		Sep-23
Coelba (1)	Loan 4131	Mar.-22	42	USD		Mar.-24
Coelba	Loan 4131	Mar.-22	94	BRL		Mar.-24
Neoenergia Guanabara (2) (3)	BNDES loan	Mar.-22	693	BRL		Apr.-42
Second quarter						
NY State Gas & Corporation	Tax exemption bond	Apr-22	67	USD	4.00 %	Dec-28
Coelba	Commercial notes	Jun-22	190	BRL	CDI+1.39%	Jun-27
Coelba	Commercial notes	Jun-22	310	BRL	CDI+1.54%	Jun-29
Celpe	Green commercial notes	Jun-22	200	BRL	CDI+1.39%	Jun-27

Borrower	Transaction	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
Celpe	Green commercial notes	Jun-22	250	BRL	CDI+1.54%	Jun-29
CEB	Green public bond (debenture)	Jun-22	100	BRL	CDI+1.59%	Jun-27
CEB	Green public bond (debenture)	Jun-22	200	BRL	CDI+1.72%	Jun-29
Neoenergia Guanabara (1)	Loan 4131	May-22	21	USD		May-23
Neoenergia Guanabara (1)	Loan 4131	May-22	39	USD		Jul-23
Neoenergia Lagoa Dos Patos (1)	Loan 4131	Jun-22	34	USD		Jun-23
Iberdrola Financiación	Bilateral loan	Apr-22	30	EUR		Apr-27
Iberdrola Financiación	Sustainable bilateral loan	Jun-22	600	EUR		Jun-27
Iberdrola Financiación (2)	Green loan with EKF guarantee	Apr-22	1,000	EUR		Jul-31
Iberdrola Financiación (2)	Green BEI loan	Apr-22	53	EUR		To be determined
Iberdrola Financiación	Green ICO loan	Apr-22	35	EUR		Apr-29
Coelba	Green IFC loan	Jun-22	550	BRL		Apr-30
Third quarter						
Central Maine Power Company	Green mortgage-backed bond	Jul-22	75	USD	4.37 %	Dec-32
Central Maine Power Company	Green mortgage-backed bond	Jul-22	50	USD	4.76 %	Dec-52
Rochester Gas and Electric Corporation	Mortgage-backed bond	Jul-22	125	USD	4.86 %	Dec-52
NY State Electric & Gas	Private Bond	Jul-22	150	USD	4.62 %	Dec-32
NY State Electric & Gas	Private Bond	Jul-22	125	USD	4.96 %	Dec-52
The United Illuminating Company	Private Bond	Jul-22	50	USD	4.62 %	Dec-32
Cosern	Public bond (debenture)	Jul-22	500	BRL	CDI+1.28%	Jul-27
Cosern	Public bond (debenture)	Jul-22	80	BRL	CDI+1.43%	Jul-29
Elektro	Green public bond (debenture)	Jul-22	104	BRL	CDI+1.28%	Jul-27
Elektro	Green public bond (debenture)	Jul-22	96	BRL	CDI+1.43%	Jul-29
Cosern	Public infrastructure bond (debenture)	Jul-22	220	BRL	IPCA+6.62%	Jul-29
Elektro	Public infrastructure bond (debenture)	Jul-22	300	BRL	IPCA+6.62%	Jul-29
Neoenergia Lagoa Dos Patos (1)	Loan 4131	Jul-22	19	USD		Jul-23
Neoenergia Vale Do Itajai (1)	Loan 4131	Jul-22	7,614	JPY		Jul-23
Neoenergia Lagoa Dos Patos (1)	Loan 4131	Aug-22	7,820	JPY		Aug-23
Neoenergia Vale Do Itajai (1)	Loan 4131	Aug-22	39	USD		Jul-23
Neoenergia Guanabara	Loan 4131	Aug-22	270	BRL		Jan-23
Iberdrola Financiación (3)	Sustainable bilateral loan	Jul-22	120	EUR		Jul-27
Iberdrola Financiación	Sustainable bilateral loan	Aug-22	100	EUR		Aug-29

Borrower	Transaction	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
Iberdrola Financiación [4]	Sustainable syndicated credit	Jul-22	2,500	EUR		Jul-27
Iberdrola Financiación [2]	Green BEI loan	Jul-22	550	EUR		To be determined
Iberdrola Financiación [2]	Green BEI loan	Sep-22	220	EUR		To be determined
Fourth quarter						
Iberdrola Finanzas	Green public bond	Nov-22	750	EUR	3.13 %	Nov-28
Iberdrola Finanzas	Green public bond	Nov-22	750	EUR	3.38 %	Nov-32
Iberdrola Finanzas	Green stock-linked structured bond	Nov-22	450	EUR	0.80 %	Dec-27
Iberdrola Financiación	Sustainable bilateral loan	Dec-22	50	EUR		Dec-27
Iberdrola Financiación	Sustainable bilateral loan	Dec-22	125	EUR		Dec-29
Iberdrola Financiación [2]	Green loan with CESCE guarantee	Oct-22	500	EUR		Oct-37
Neoenergia Itapabona [2]	BNDES loan	Nov-22	195	BRL		Dec-45
Iberdrola Financiación [2]	Green BEI loan	Dec-22	70	EUR		To be determined

[1] Currency swap contracts for the company's functional currency.

[2] Financing expected to be drawn down in 2023.

[3] 1-year extension option.

[4] 1-year + 1-year extension option.

The main extensions arranged by the IBERDROLA Group in 2022 were as follows:

Borrower	Transaction	Maturity	Extension signed in	Millions	Currency	Option to extend
Iberdrola Financiación	Bilateral loan	Oct-23	Feb-22	125	EUR	
Iberdrola Financiación	Sustainable syndicated credit facility	Apr-27	Mar-22	2,500	EUR	1 year
Iberdrola Financiación	Sustainable bilateral credit facility	Jun-27	Apr-22	16,000	JPY	1 year
Iberdrola México	Green syndicated loan	May-24	May-22	400	USD	1 year
Iberdrola Financiación [1]	Bilateral loan	Jul-24	Dec-22	125	EUR	6 months
Iberdrola Financiación	Bilateral loan	Jul-23	Jul-22	300	EUR	

[1] 6 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 45). The outstanding balance of this loan type at 31 December 2022 and 2021 was EUR 1,089 million and EUR 776 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 with the EIB, ICO and EKF at 31 December 2022 and 2021 amounting to EUR 5,000 million and EUR 4,123 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 2022 and 2021, the IBERDROLA Group had also drawn on loans and credits totalling EUR 620 million and EUR 500 million, respectively, 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 2022 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 12,053 million in the European market and USD 350 million (equivalent to EUR 329 million) in the US market.

- EIB and ICO loans for a combined total of EUR 4,476 million.

- Bank and ECA borrowings amounting to EUR 2,430 million and USD 900 million (equivalent to EUR 846 million).

- Lastly, BRL 14,707 million (equivalent to EUR 2,621 million) from issuances and BRL 26,713 million (equivalent to EUR 4,761 million) from loans to Brazilian subsidiary NEOENERGIA and its subsidiaries.

29 DERIVATIVE FINANCIAL INSTRUMENTS

The breakdown of balances at 31 December 2022 and 2021, including valuation of derivative financial instruments at those dates, is as follows:

	2022				2021			
	Assets		Liabilities		Assets		Liabilities	
Millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
INTEREST RATE HEDGES	**10**	**477**	**(71)**	**(258)**	**55**	**56**	**(3)**	**(98)**
Cash flow hedges	**10**	**469**	**(2)**	**(1)**	**29**	**35**	**(11)**	**(64)**
Interest rate swap [1]	10	469	(2)	(1)	29	35	(11)	(64)
Fair value hedges	**—**	**8**	**69**	**(257)**	**26**	**21**	**8**	**(34)**
Interest rate swap	—	8	(69)	(257)	26	21	8	(34)
EXCHANGE RATE HEDGES	**182**	**352**	**(255)**	**(278)**	**186**	**287**	**(342)**	**(140)**
Cash flow hedges	**168**	**250**	**(231)**	**(242)**	**140**	**143**	**(258)**	**(129)**
Currency swaps	3	246	(68)	(240)	108	137	(44)	(128)
Exchange rate insurance	165	4	(163)	(2)	32	6	(214)	(1)
Fair value hedges	**14**	**102**	**(9)**	**(36)**	**38**	**144**	**9**	**(3)**
Currency swap	14	102	(9)	(36)	38	144	9	(3)
Hedging of net investment abroad	**—**	**—**	**(15)**	**—**	**8**	**—**	**(93)**	**(8)**
Currency swap	—	—	(2)	—	—	—	(3)	(8)
Exchange rate insurance	—	—	(13)	—	8	—	(90)	—
COMMODITIES HEDGES	**861**	**330**	**(2,537)**	**(659)**	**2,129**	**401**	**(1,305)**	**(602)**
Fair value hedges	**2**	**—**	**(160)**	**(1)**	**22**	**9**	**(155)**	**(123)**
Exchange rate insurance	—	—	(160)	—	22	9	(155)	(123)
Other	2	—	—	(1)	—	—	—	—
Cash flow hedges	**859**	**330**	**(2,377)**	**(658)**	**2,107**	**392**	**(1,150)**	**(479)**
Futures	845	301	(2,317)	(534)	2,107	392	(1,150)	(479)
Other	14	29	(60)	(124)	—	—	—	—
PRICE INDEX HEDGES	**—**	**—**	**(15)**	**(315)**	**—**	**—**	**(3)**	**(168)**
Swap	—	—	(15)	(315)	—	—	(3)	(168)
NON-HEDGING DERIVATIVES	**1,896**	**2,594**	**(1,630)**	**(2,274)**	**1,824**	**794**	**(1,821)**	**(782)**
Shares derivatives	**—**	**39**	**—**	**(40)**	**176**	**—**	**(176)**	**(2)**
Treasury shares derivatives	—	39	—	(39)	176	—	(176)	(2)
Shares derivatives of Group companies	—	—	—	(1)	—	—	—	—
Exchange rate derivatives	**16**	**6**	**(59)**	**—**	**2**	**1**	**(1)**	**—**
Currency forwards	16	6	(33)	—	2	1	(1)	—
Other	—	—	(26)	—	—	—	—	—
Derivatives on commodity prices	**1,880**	**2,549**	**(1,571)**	**(2,234)**	**1,646**	**793**	**(1,644)**	**(780)**
Futures	1,876	2,531	(1,568)	(2,233)	1,646	793	(1,644)	(780)
Other	4	18	(3)	(1)	—	—	—	—
NETTED OPERATIONS (Note 17)	**(1,100)**	**(92)**	**1,110**	**94**	**(1,363)**	**(117)**	**1,363**	**117**
Total	**1,849**	**3,661**	**(3,398)**	**(3,690)**	**2,831**	**1,421**	**(2,111)**	**(1,673)**

The maturity schedule of the notional underlyings of derivative instruments arranged by the IBERDROLA Group and outstanding at 31 December 2022 is as follows:

Millions of euros	2023	2024	2025	2026	2027 and beyond	Total
INTEREST RATE HEDGES	**273**	**1,003**	**954**	**55**	**5,861**	**8,146**
Cash flow hedges	**270**	**398**	**38**	**41**	**4,362**	**5,109**
Interest rate swap (1)	270	398	38	41	4,362	5,109
Fair value hedges	**3**	**605**	**916**	**14**	**1,499**	**3,037**
Interest rate swap	3	605	916	14	1,499	3,037
EXCHANGE RATE HEDGES	**9,941**	**1,273**	**1,485**	**302**	**2,807**	**15,808**
Cash flow hedges	**9,086**	**677**	**1,168**	**287**	**2,509**	**13,727**
Currency swap	459	625	1,150	281	2,509	5,024
Exchange rate insurance	8,627	52	18	6	—	8,703
Fair value hedges	**40**	**596**	**317**	**15**	**298**	**1,266**
Currency swap	40	596	317	15	298	1,266
Hedging of net investment abroad	**815**	**—**	**—**	**—**	**—**	**815**
Currency swap	167	—	—	—	—	167
Exchange rate insurance	648	—	—	—	—	648
COMMODITIES HEDGES	**6,181**	**1,071**	**271**	**99**	**721**	**8,343**
Fair value hedges	**51**	**3**	**—**	**—**	**—**	**54**
Exchange rate insurance	48	—	—	—	—	48
Other	3	3	—	—	—	6
Cash flow hedges	**6,130**	**1,068**	**271**	**99**	**721**	**8,289**
Futures	6,056	1,001	215	73	622	7,967
Other	74	67	56	26	99	322
PRICE INDEX HEDGES	**—**	**—**	**—**	**—**	**320**	**320**
Swap	—	—	—	—	320	320
NON-HEDGING DERIVATIVES	**9,177**	**2,866**	**169**	**7**	**941**	**13,160**
Shares derivatives	**7**	**—**	**—**	**—**	**900**	**907**
Treasury shares derivatives	—	—	—	—	900	900
Shares derivatives of Group companies	7	—	—	—	—	7
Exchange rate derivatives	**988**	**72**	**—**	**—**	**—**	**1,060**
Exchange rate insurance	657	72	—	—	—	729
Other	331	—	—	—	—	331
Derivatives on commodity prices	**8,182**	**2,794**	**169**	**7**	**41**	**11,193**
Futures	8,163	2,785	162	—	—	11,110
Other	19	9	7	7	41	83
Total	**25,572**	**6,213**	**2,879**	**463**	**10,650**	**45,777**

(1) Includes the derivatives arranged by the IBERDROLA Group at December 2022 to cover the interest rate risk of future financing for a nominal amount of EUR 4,449 million, thus helping to mitigate interest rate risk (EUR 4,216 million at 31 December 2021).

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 2022 and 2021 consolidated Income statements includes EUR 477 million and EUR 152 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, but as explained in Notes 3.l and 43, are partially ineffective. In addition, the “Finance income” heading in the consolidated Income statements for those years includes EUR 238 million and EUR 81 million, respectively, for the items described above (Note 42).

The nominal value of bank borrowings, bonds and other marketable securities subject to exchange rate hedging (Note 4) is as follows:

	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	—

	2021				
Type of hedge	Millions of US dollars	Millions of Japanese yen	Millions of Norwegian kroner	Millions of pounds sterling	Millions of euros
Cash flows	1,425	18,838	2,250	—	158
Fair value	835	13,000	—	700	—

The nominal value of bank borrowings, bonds and other marketable securities subject to interest rate hedging (Note 4) is as follows:

	2022				
Type of hedge	Millions of euros	Millions of US dollars	Millions of Australian dollars	Millions of pounds sterling	Millions of Brazilian reais
Cash flows	2,482	—	—	150	—
Fair value	2,308	750	—	—	155

	2021				
Type of hedge	Millions of euros	Millions of US dollars	Millions of Australian dollars	Millions of pounds sterling	Millions of Brazilian reais
Cash flows	1,570	—	58	150	—
Fair value	2,076	750	—	—	932

30. CHANGES IN FINANCING ACTIVITIES SHOWN ON THE STATEMENT OF CASH FLOWS

In 2022 and 2021 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 23) and “Leases” (Note 31) headings were as follows:

		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 and other	Balance at 31.12.2022
Obligations, 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 21)	1,029	—	(1,374)	—	—	—	—	—	—	1,461	1,116
Total (Note 28)	**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**

Millions of euros	Balance at 01.01.2021	Cash flows			Non-cash exchanges						Balance at 31.12.2021
		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	
Obligations, bonds and	27,078	4,944	(4,729)	—	—	967	(88)	79	27	—	28,278
Loans and other financing transactions	9,517	4,824	(3,009)	—	—	217	(30)	(13)	8	—	11,514
Unpaid accrued interest	338	—	—	(895)	946	(47)	—	—	—	—	342
Derivatives on the company's own shares with physical settlement (Note 21)	1,104	—	(1,194)	—	—	—	—	—	—	1,119	1,029
Total Financial debt - loans and other (Note 28)	**38,037**	**9,768**	**(8,932)**	**(895)**	**946**	**1,137**	**(118)**	**66**	**35**	**1,119**	**41,163**
Derivative financial instruments associated with financing	(463)	(20)	97	9	9	261	44	—	—	—	(63)
Total	**37,574**	**9,748**	**(8,835)**	**(886)**	**955**	**1,398**	**(74)**	**66**	**35**	**1,119**	**41,100**

[1] Issues net of expenses.

[2] Includes translation differences.

31. LEASES

Lessee

Changes in lease liabilities in 2021 and 2022 are as follows:

Millions of euros	2022	2021
Opening balance	**2,411**	**2,058**
Modification of the consolidation scope (Note 7)	—	(19)
Translation differences	26	111
New lease contracts (Note 12)	212	217
Discount to present value (Note 43)	85	73
Payments made from principal	(175)	(154)
Interest paid	(61)	(49)
Restatement/changes of lease liabilities (Note 12)	56	186
Derecognitions and other	(116)	(12)
Closing balance	**2,438**	**2,411**

The breakdown of undiscounted lease liabilities at 31 December 2022 and 2021 is as follow:

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**

Millions of euros	31.12.2021
2022	158
2023	269
2024	192
2025	164
2026	158
2027 and beyond	2,503
Total	**3,444**
Financial cost	1,033
Present value of the payments	2,411
Total	**3,444**

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 2022 and 2021, the IBERDROLA Group accrued an amount of EUR 40 and 31 million for variable lease 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 in leased lands.

Expenses in 2022 related to current leases excluded from the scope of IFRS 16 amounted to EUR 17 million, as recognised under "External services" in the consolidated Income statement (EUR 10 million in 2021).

There was no income from subleasing of the rights of use of assets in 2022 (EUR 1 million in 2021).

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	31.12.2022	31.12.2021
Buildings	253	256
Land	107	106
Other	24	27
Total	**384**	**389**

The "Revenue" and "Other operating income" headings of the consolidated Income statement for 2022 include EUR 23 and 16 million, respectively (EUR 20 and 13 million, respectively, in 2021).

The estimate of non-deducted future minimum payments for contracts in force at 31 December 2022 and 2021 is as follows:

Millions of euros	31.12.2022
2023	33
2024	29
2025	27
2026	23
2027	22
2028 and beyond	135
Total	**269**

Millions of euros	31.12.2021
2022	31
2023	28
2024	24
2025	23
2026	20
2027 and beyond	116
Total	**242**

32. OTHER FINANCIAL LIABILITIES

The detail of the "Other non-current financial assets" and "Other current financial assets" headings of the consolidated Statement of financial position is as follows:

Millions of euros	31.12.2022	31.12.2021
Non-current		
Non-current deposits and guarantees (Note 15.b.)	154	153
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	125	53
Loans with equity-accounted investees	19	—
Financial lease suppliers	44	60
PIS/COFINS Brazil (Notes 16 and 35)	559	708
Other	633	571
Total	**1,534**	**1,545**
Current		
Current deposits and guarantees (*)	1,128	456
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	22	—
Loans with equity-accounted investees	92	84
Financial lease suppliers	2,538	1,363
PIS/COFINS Brazil (Notes 16 and 35)	259	234
Dividend payable on subordinated perpetual bonds (Note 21)	178	164
CSA derivatives security deposits (Note 21)	95	—
Staff pending remuneration	388	314
Other	358	365
Total	**5,058**	**2,980**

(*) This item includes the collateral required for the operation of the business in the markets (see Note 15.b).

The IBERDROLA Group manages a series of loan arrangements for certain 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 arrangements, the IBERDROLA Group has no economic interest in suppliers entering into reverse factoring or in a direct financial relationship with the bank. 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.

In 2022 and 2021, 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 has been extended for approximately 180 days. These suppliers may choose to receive payment from a bank prior to the due date by virtue of the supplier financing arrangements described above.

The IBERDROLA Group has determined suppliers' use of these financing arrangements have not discharged or substantially modified the original liabilities. Accordingly, the balances are still classified as "Other current financial liabilities — Suppliers of fixed assets" and "Trade payables" in the consolidated Statement of financial position. The cash flows associated with these payments are included in the Cash flows from investing and from operating activities, respectively, in the consolidated Statement of cash flows.

As at 31 December 2022 and 2021, the amount under reverse factoring agreements amounted to EUR 586 million and EUR 637 million, mainly recognised under "Other current financial liabilities — Suppliers of fixed assets" in the consolidated Statement of financial position.

33. OTHER LIABILITIES

The detail of the "Other non-current financial liabilities" and "Other current financial liabilities" headings of the consolidated Statement of financial position is as follows:

Millions of euros	31.12.2022	31.12.2021
Non-current		
Contract liabilities		
CFE (Note 37)	53	36
Other	111	116
Adjustments for market price deviations (Vadjm) (Note 2.a)	15	142
Other liabilities	130	124
Total	**309**	**418**
Current		
Contract liabilities		
CFE	13	35
Other	584	163
Other liabilities	796	638
Total	**1,393**	**836**

34. 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 Biscay. Up until 2019, Iberdrola S.A. was part of the former, but became part of the latter in 2020 due to legislative changes affecting the Company at individual level.

The 2/86 group is formed by 98 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 2022, 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 2022 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	2022	2021
Australia	30.0	30.0
Brazil	34.0	34.0
Bulgaria	10.0	10.0
Canada	27.0	27.0
Costa Rica	30.0	30.0
Cyprus	12.5	12.5
France	25.8	27.4
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	31.8
Luxembourg	24.9	24.9
Mexico	30.0	30.0
Netherlands	25.8	25.0
Poland	19.0	19.0
Portugal	26.9	26.9
Qatar	10.0	10.0
Romania	16.0	16.0
South Africa	28.0	28.0
Spain	25-24	25-24
United Kingdom	19.0	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	31.0	31.0

Inome tax expense

Income tax expense for 2022 and 2021 is as follows:

Millions of euros	31.12.2022	31.12.2021
Consolidated profit/(loss) for the year from continuing operations before tax	**6,292**	**6,301**
Consolidated profit/(loss) for the year from discontinued operations before tax	**(96)**	**(45)**
Consolidated Profit/(loss) before tax	**6,196**	**6,256**
Non-deductible expenses and non-computable income [(a)]:		
- from individual companies	(112)	(167)
- from consolidation adjustments	(474)	(357)
Profit of equity-accounted investees	(146)	39
Adjusted accounting profit	**5,464**	**5,771**
Gross tax calculated at the tax rate in force in each country	**1,442**	**1,490**
Tax credits deductions due to reinvestment of extraordinary profits and other tax credits	(168)	(123)
Adjustment of prior years' income tax expense	(22)	(36)
Net movement in provisions for litigation, compensation payments, similar costs and other provisions	50	5
Adjustment of deferred tax assets and liabilities [(b)]	(174)	569
Other	9	(1)
Income tax expense/(income)	**1,136**	**1,904**
Accrued income tax expense/(income) in the consolidated Income statement	**1,161**	**1,914**
Accrued income tax expense/(income) from discontinued operations	**(25)**	**(10)**

(a) Includes, in 2022 and 2021, 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) The most significant impact in 2022 was due to 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 became 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 has been reversed (Note 7). The most relevant impact in financial year 2021 was the tax rate adjustments in the United Kingdom amounting to EUR 508 million.

The breakdown between current and deferred income tax is as follows:

Millions of euros	31.12.2022	31.12.2021
Current taxes	1,082	1,098
Deferred taxes	54	806
Expense/(income) from continuing and discontinued operations	**1,136**	**1,904**

Deferred taxes

The detail of the “Deferred tax assets” and “Deferred tax liabilities” headings of the consolidated Statement of financial position is as follows:

Millions of euros	Balance at 01.01.2021	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”	Other	Balance at 31.12.2021	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
Deferred tax assets:															
Measurement of derivative financial instruments	436	—	16	—	37	—	(2)	487	—	(1)	26	209	—	(65)	656
Balance sheet revaluation 16/2012	1,186	—	—	(74)	—	—	—	1,112	—	—	(62)	—	—	—	1,050
Pensions and similar commitments	555	—	35	65	—	(243)	3	415	—	16	(24)	—	(56)	(3)	348
Allocation of non-deductible negative goodwill arising on consolidation	60	—	—	(2)	—	—	—	58	—	—	(2)	—	—	—	56
Provision for facility closure costs	114	—	5	—	—	—	—	119	—	5	(25)	—	—	—	99
Tax credits for losses and deductions	2,080	18	139	94	—	—	22	2,353	—	114	193	—	—	86	2,746
Other deferred tax assets	1,551	45	(89)	(225)	—	—	91	1,373	17	91	(128)	—	—	13	1,366
Total	**5,982**	**63**	**106**	**(142)**	**37**	**(243)**	**114**	**5,917**	**17**	**225**	**(22)**	**209**	**(56)**	**31**	**6,321**

Millions of euros	Balance at 01.01.2021	Modification of the consolidation scope (Note 7)	Translation differences	Credit (charge) to the consolidated Income statement	Credit (charge) to "Valuation adjustments"	Other	Balance at 31.12.2021	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
Deferred tax liabilities:													
Measurement of derivative financial instruments	343	—	46	—	203	(2)	590	(7)	7	(197)	—	(4)	389
Accelerated depreciation	5,011	(17)	411	634	—	—	6,039	194	(22)	—	—	(1)	6,210
Overprice assigned in business combinations	3,237	118	201	175	—	—	3,731	135	(157)	—	—	—	3,709
Other deferred tax liabilities	1,016	3	33	(145)	—	97	1,004	68	204	(1)	24	75	1,374
Total	**9,607**	**104**	**691**	**664**	**203**	**95**	**11,364**	**390**	**32**	**(198)**	**24**	**70**	**11,682**

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 2022 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 June 2020, the Spanish tax authority (AEAT) instigated a partial tax inspection (for the years 2012 to 2014) and a general tax inspection (for the years 2015 to 2017) for the main corporate taxes applicable to IBERDROLA Group companies in the consolidated tax group for Spain (no. 2/86). The inspections were subsequently extended to financial years 2018 to 2020, also on a partial basis, in order to carry out the full adjustment of certain contested topics from previous financial years.

In 2021, various tax assessments were signed in agreement relating to transfer pricing matters for the period 2012 to 2014, while other assessments were signed in protest relating to other corporate income tax matters (the same as those discussed in the general audit procedure for the years 2008-2011).

In 2022, the verification procedures initiated in June 2020 continued and the remaining settlement proposals and assessments resulting from these procedures were made, some of them settled, some in agreement, and some in protest.

The tax assessments signed in protest in 2022 for Income tax purposes, corresponding to the years 2015 to 2020, have essentially the same adjustments as those disputed in 2021, i.e. those raised in the general inspection procedure for financial years 2008-2011.

With regard to Value Added Tax, the contested tax inspection reports for 2015 to 2017 include disputed adjustments arising from the inclusion in the denominator of the pro rata of the capital gains arising in portfolio transfers or corporate restructuring transactions, and the non-recognition by the tax authorities of the refund of VAT payments relating to unpaid debts mainly by individuals, more than one year old and with a tax base of less than EUR 300, applied for by CURENERGÍA and IBERDROLA CLIENTES, S. A. in relation to those years. This request is based on the view that Spanish rules on VAT due on unpaid invoices are contrary to Community law.

On 17 December 2021 and 29 July 2022, tax claims was filed with the Central Tax Appeals Board against the settlement agreements derived from the assessments signed in protest discussed in the previous paragraph, which do not entail significant equity impacts for the IBERDROLA Group.

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 most significant inspection relates to income tax in the State of New York. Additionally, given its nature of large taxpayer, both at federal level and state level, AVANGRID Group has a number of different ongoing tax inspection processes on other taxes.

- In the United Kingdom, HMRC has classified Scottish Power as a low risk taxpayer. The only significant matter under discussion affects 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 Mexico, income tax inspections were conducted in 2020 and 2021 by the Mexican tax authority (SAT) against Iberdrola Ingeniería y Construcción SA de CV (2017), Iberdrola Energía Monterrey SA de CV (2017), Iberdrola México SA de CV (2018) and Iberdrola Energía Escobedo SA de CV (2018). In relation to the latter company, the inspection was also extended to sales tax (2018).

  As far as the first two procedures are concerned, the corresponding letters of observation were received in the closing months of 2022. At the date of preparation of these financial statements, both companies have applied to the Taxpayer's Ombudsman's Office (Prodecon) to initiate proceedings for a conclusive agreement, which are pending a reply from the SAT.

  In the other two proceedings, the aforementioned conclusive agreement procedure has been exhausted, awaiting the SAT’s notification of the settlement notices, which will be challenged by means of an appeal for reversal at first instance.

Lastly, it should be noted that in November and December 2022 the SAT notified the commencement of income tax audits for financial year 2020 to Iberdrola Energía Noroeste SA de CV, Iberdrola Energía Altamira SA de CV and Iberdrola Energía Tamazunchale SA de CV.

- 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 2022.

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 Central Tax Appeals Board (TEAC) on the appeals lodged in relation to the income tax assessments signed in protest arising from the limited tax inspection of the period 2012 to 2014. The dispute with the public administration focuses on the applicability on 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 (Note 44).

Tax litigation in other countries

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 44).

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 2022.

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 were recognised in "Current tax assets" under non-current assets in the consolidated Statement of financial position at 31 December 2022 and 2021. The assets show the amount recoverable from the tax authorities for corporate income tax and late payment interest, as IBERDROLA believes that the payments effectively made exceeded the current tax the recoverability of which is considered probable, subject to the final outcome of the appeals submitted against the three decisions of the European Commission.

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.

35. 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	31.12.2022	31.12.2021
Taxes receivable		
Public Treasury, corporate income tax receivable	453	367
VAT	519	945
Tax withholdings and prepayments	36	14
Hydroelectric levy (Notes 40 and 42)	—	1,103
Public Treasury, PIS/COFINS Brazil (Notes 16 and 32)	236	234
Public Treasury, other receivables	107	110
Total	**1,351**	**2,773**
Payable to public entities		
Public Treasury, corporate income tax payable	156	227
VAT	217	329
Withholdings	64	51
Other taxes	946	795
Social Security	35	30
Total	**1,418**	**1,432**

36. INFORMATION ON AVERAGE PAYMENT PERIOD TO SUPPLIERS. THIRD ADDITIONAL PROVISION – "REPORTING REQUIREMENT" OF LAW 15/2010 OF 5 JULY

The required information for 2022 and 2021 breaks down as follows:

	Number of days	
	2022	2021
Average payment period to suppliers	13	13
Paid transactions ratio	13	12
Outstanding transactions ratio	20	34

Millions of euros	2022	2021
Total payments made	23,763	15,239
Total payments due	707	334

Information on invoices paid in a period shorter than the maximum period set out in Law 15/2010 is as follows:

	2022	2021
Amount in millions of euros paid within the maximum period established	23,641	15,180
% of the amount of invoices paid	99.49 %	99.61 %
Number of invoices paid within the maximum period established	23,048,484	19,585,959
% of the number of invoices paid	99.85 %	99.88 %

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:

- Paid transactions ratio: 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.

- Outstanding transactions ratio: amount in days of the ratio between the sum of 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 of goods or services with suppliers.

- Property, plant and equipment suppliers and finance lease suppliers are excluded from this information.

- Taxes, levies, indemnities 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.

37. REVENUE

The breakdown of this heading of the consolidated Income statement is as follows:

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								
Electricity	15,443	5,373	1,069	1,498	382	718	(224)	24,259
Gas	2,024	2,038	1	—	—	—	(2)	4,061
Other	672	788	209	—	8	1	8	1,686
Income from construction contracts (Note 13)	**29**	**—**	**—**	**—**	**1,479**	**—**	**—**	**1,508**
Income from lease contracts	**2**	**—**	**1**	**—**	**—**	**—**	**21**	**24**
Valuation and inefficiencies of commodities derivatives	**78**	**235**	**75**	**(23)**	**—**	**83**	**(41)**	**407**
Total	**22,980**	**9,813**	**7,907**	**4,079**	**8,613**	**802**	**(245)**	**53,949**

2021 Restated (Note 2.c)	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Corporation and adjustments	Total
In regulated markets								
Electricity	4,158	1,275	3,277	2,234	5,769	—	(5)	16,708
Gas	—	—	1,258	—	—	—	—	1,258
In liberalised markets								0
Electricity	10,107	3,493	1,012	1,264	278	492	(133)	16,513
Gas	1,246	1,157	—	—	—	—	9	2,412
Other	541	177	156	—	6	1	21	902
Income from construction contracts (Note 13)	**8**	**—**	**—**	**—**	**1,114**	**—**	**—**	**1,122**
Income from lease contracts	**2**	**—**	**1**	**—**	**—**	**—**	**17**	**20**
Valuation and inefficiencies of commodities derivatives	**20**	**70**	**48**	**(9)**	**—**	**64**	**(14)**	**179**
Total	**16,082**	**6,172**	**5,752**	**3,489**	**7,167**	**557**	**(105)**	**39,114**

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	—	7,419	22,128	(5,288)	24,259
Gas	—	—	6,052	(1,991)	4,061
Other	18	1,480	853	(665)	1,686
Income from construction contracts	**1,509**	**—**	**—**	**(1)**	**1,508**
Income from lease contracts	**3**	**—**	**—**	**21**	**24**
Valuation and inefficiencies of commodities derivatives	**—**	**158**	**249**	**—**	**407**
Total	**18,355**	**10,322**	**34,939**	**(9,667)**	**53,949**

2021 Restated (Note 2.c) Millions of euros	Networks	Renewables and Sustainable Generation	Customers	Other businesses, Corporation and adjustments	Total
Supplies in regulated markets					
Electricity	12,487	910	4,653	(1,342)	16,708
Gas	1,258	—	—	—	1,258
In liberalised markets					
Electricity	(1)	7,243	15,048	(5,777)	16,513
Gas	(1)	—	3,319	(906)	2,412
Other	19	658	726	(501)	902
Income from construction contracts	**1,122**	**—**	**—**	**—**	**1,122**
Income from lease contracts	**3**	**—**	**—**	**17**	**20**
Valuation and inefficiencies of commodities derivatives	**—**	**158**	**18**	**3**	**179**
Total	**14,887**	**8,969**	**23,764**	**(8,506)**	**39,114**

The main activities for which IBERDROLA generates ordinary revenue from customer contracts are as follows:

– Electricity and gas transmission and distribution

The 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 consumes simultaneously the benefits from the IBERDROLA Group's performance insofar 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 estimated 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 rates 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 energy 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 (CFE – Comisión Federal de la Energía). The term of these agreements is 25 years from the date on which each combined cycle plant enters into commercial operation.

– 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 renewables obligation certificates

In the sale of renewables obligation certificates from the Renewables business associated to 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 that the IBERDROLA Group has executed in Brazil includes two compliance obligations: (1) construction services and (2) subsequent 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 the length of the construction process, since the control of the asset is transferred to the customer on an ongoing basis.

When income related to construction contracts can be reliably estimated, it is registered in an amount equivalent to the costs incurred to date as a proportion of the total estimated construction costs required until the termination of the contract. 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.

38. SUPPLIES

The breakdown of this heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2022	31.12.2021 Restated (Note 2.c)
Spain	16,217	9,669
United Kingdom	6,787	3,306
United States	2,847	1,837
Mexico	2,922	2,460
Brazil	5,503	4,852
IEI	199	45
Corporation and adjustments	(725)	(117)
Total	**33,750**	**22,052**

Millions of euros	31.12.2022	31.12.2021 Restated (Note 2.c)
Networks	8,447	6,614
Renewables and Sustainable Generation	4,165	1,782
Customers	30,765	22,148
Other business, Corporation and adjustments	(9,627)	(8,492)
Total	**33,750**	**22,052**

39. PERSONNEL EXPENSES

The breakdown of this heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2022	31.12.2021
Wages and salaries	2,563	2,215
Employer social security costs	370	322
Additional provisions for pensions and similar obligations and defined contributions to the external pension plan (Notes 3.p and 26)	134	220
Attendance allowances art. 48.1 (Note 46)	16	17
Remuneration stipulated in Art. 48.4 of the By-Laws	10	12
Other employee expenses	272	216
	3,365	**3,002**
Capitalised personnel expenses		
Intangible assets (Note 9)	(24)	(21)
Property, plant and equipment (Note 3.d)	(822)	(693)
Nuclear fuel and inventories	(1)	(2)
	(847)	**(716)**
Total	**2,518**	**2,286**

The average number of the IBERDROLA Group employees in 2022 and 2021 has increased to 40,090 and 38,702 employees, of which 9,361 and 8,870 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 participation share.

40. TAXES OTHER THAN INCOME TAX

The breakdown of this heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2022	31.12.2021 Restated (Note 2.c)
Spain	855	40
United Kingdom	263	242
United States	600	523
Mexico	7	4
Brazil	6	4
IEI	24	12
Corporation and adjustments	7	4
Total	**1,762**	**829**

Millions of euros	31.12.2022	31.12.2021 Restated (Note 2.c)
Networks	746	672
Renewables and Sustainable Generation	729	(128)
Customers	276	285
Other business, Corporation and adjustments	11	—
Total	**1,762**	**829**

Law 15/2012 was published in Spain on 28 December 2012, on tax measures to ensure the sustainability of the energy sector. It introduced the following tax figures, whose impact, except for the green cent measures, has been recognised under the “Taxes other than income tax” heading of the consolidated Income statement for 2022 and 2021:

- 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. This tax gave rise to an expense of EUR 138 million in financial year 2021; it is suspended in financial year 2022.

  Under Royal Decree-Law 12/2021, this tax was temporarily suspended for the third quarter of 2021 and through several extensions (the last one by Royal Decree-Law 11/2022), it has remained suspended until 31 December 2022.

In addition and in relation to the IVPEE tax base, Section 14 of Royal Decree-Law 11/2022 amended Section 6 (tax base) of Law 15/2012 to determine that, when transactions are carried out 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 purposes of calculating the tax base. To determine the market value, any of the methods set out in the Corporate Income Tax Act must be applied.

– A tax on spent nuclear fuel, whose cost has amounted to EUR 35 million and EUR 129 million in 2022 and 2021, respectively.

  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 have been 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 the inter-community districts (hydroelectric levy) which, as a general rule, involves the payment of a percentage of the economic value of the hydroelectric energy produced.

  Iberdrola Generación, S.A.U. challenged Royal Decree 198/2015, of 23 March, which implements Section 112.bis of Royal Legislative Decree 1/2001, of 20 July, approving the revised text of the Water Act and regulating the levy for the use of inland waters for the production of electricity in inter-community districts. This appeal was partially upheld by the Supreme Court in its ruling of 21 April 2021, declaring the nullity of the second transitional provision and the second paragraph of the first additional provision 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 financial year 2021, the IBERDROLA Group recognised EUR 1,106 million (Note 35) – 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 42), 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 expense recognised for this item in financial year 2022 amounts to EUR 78 million.

– Financing of Social Bonus costs

The Judgment of the Supreme Court of 31 January 2022 on IBERDROLA's appeal against the Social Bonus declares the inapplicability of the financing system charged to the retail suppliers or the parent companies of the groups that include retail suppliers, considering it discriminatory, and orders compensation to 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.

Additionally, the "Taxes other than income tax" heading of the 2022 and 2021 consolidated Income statements includes EUR 204 million and EUR 198 million, respectively, as the best estimate available of the accrued expenses arising under Royal Decree-Law 6/2009 (Note 3.y) on amounts required for the management of radioactive waste and nuclear fuel.

41. AMORTISATION, DEPRECIATION AND PROVISIONS

The breakdown of this heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2022	31.12.2021
Depreciation charges for:		
Intangible assets (Note 9)	1,058	890
Investment property (Note 10)	5	7
Property, plant and equipment (Note 11)	3,452	3,156
Right-of-use assets (Note 12)	167	144
Allowances for impairments and write-offs of non-financial assets (Note 14):		
Provision (reversal) of impairment of intangible assets (Note 9)	8	(10)
Write-offs for property, plant and equipment (Note 11)	11	52
Charge/(reversal) of impairment in PPE (Note 11)	(16)	(14)
Changes in provisions	89	69
Total	**4,774**	**4,294**

42. FINANCE INCOME

The breakdown of this “Finance income” heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2022	31.12.2021
Finance income related to assets at amortised cost	442	209
Finance income associated with the hydroelectric levy (Note 35)	—	155
Finance income at fair value through profit or loss	2	55
Non-hedge derivatives and inefficiencies (Note 29)	238	81
Exchange gains in foreign currency for financing activities	170	235
Other exchange losses in foreign currency	156	384
Capitalised finance costs	189	145
Discount to present value of provisions for pensions and similar obligations (Note 26)	7	1
Total	**1,204**	**1,265**

The average capitalisation rates used in 2022 and 2021 for external financing of property, plant and equipment was 3.63% and 3.74%, respectively (Note 3.d).

43. FINANCE EXPENSE

The breakdown of the “Finance expense” heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2022	31.12.2021
Finance expenses related to liabilities at amortised cost:		
Finance expenses and similar financing expenses	1,810	1,205
Other finance and similar expenses	165	89
Finance expenses from lease liabilities (Note 31)	78	67
Equity instruments having the substance of a financial liability (Note 23)	46	30
Non-hedge derivatives and inefficiencies (Note 29)	477	152
Valuation adjustments of financial assets	2	8
Exchange losses in foreign currency for financing activities	172	228
Other exchange losses in foreign currency	178	380
Discount to present value of other provisions (Note 27)	78	67
Discount to present value of provisions for pensions and similar obligations (Note 26)	36	42
Total	**3,042**	**2,268**

44. 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

- On 16 June 2014, the National Commission on Markets and Competition (CNMC) initiated sanctioning proceedings against Iberdrola Generación, S.A.U. for purported fraudulent manipulation aimed at altering energy prices at the Duero, Tagus and Sil hydroelectric generation plants in December 2013. On 30 November 2015 the Company was notified of the EUR 25 million fine. Iberdrola Generación, S.A.U. lodged an appeal for a judicial review with the Judicial Review Chamber of the National High Court and was granted leave to proceed, whereupon enforcement of the penalty was stayed. The proceedings are currently stayed and pending preliminary proceedings before the Central Investigating Court of the National High Court, which, on 26 May 2022, resolved to finalise the investigation phase and to transfer the case to the parties and the Public Prosecutor's Office so that, where appropriate, they can present their motions for prosecution. On 11 July 2022, Central Investigating Court No. 2 of the National High Court issued an order to open oral proceedings whereby it was agreed, inter alia: (i) to open oral proceedings and charge Iberdrola Generación, S.A.U. for an alleged offence under article 281 of the Criminal Code (ii) to order the posting of sureties in the amount of EUR 193 million, which have been provided through the arrangement of guarantees by Iberdrola Generación, S.A.U. in the amount of EUR 107 million and by the insurance companies in the amount of EUR 85 million.

- Administrative appeals lodged on 7 July 2020 before the National High Court against dismissals by the Central Tax Appeals Board notified to IBERDROLA on contested tax inspection reports signed by the Group 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 Court, with the submissions corresponding to the first of them having been presented during the first quarter of 2022.

– Economic-administrative claim lodged on 29 December 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 disputed adjustments arise from the inclusion in the denominator of the pro rata of the VAT and the capital gains arising in portfolio transfers and/or corporate restructuring transactions, and the non-recognition by the tax authorities of the refund of VAT payments relating to unpaid debts mainly by individuals, more than one year old and with a tax base of less than EUR 300, applied for by CURENERGÍA and Iberdrola Clientes, S.A. in relation to those years. This request is based on the view that Spanish rules on VAT due on unpaid invoices are contrary to Community law.

– 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. In the course of 2021, the corresponding submissions were presented in the proceedings, and the date for voting and ruling is still pending at the present time.

– 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 Central Arbitration Court of Lisbon (the arbitration body provided in the contract) with regard to the construction contract for the Alto Tâmega dam and hydroelectric plant, claiming EUR 30 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. Furthermore, they state that the termination of the works contract is groundless and should be deemed 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 60.2 million. In addition, the guarantees for the contract with ACE have been enforced and the company has paid EUR 8 million in penalties and EUR 5 million in advance payments within the scope of the disputed contract. These amounts will go on to form part of the arbitration dispute.

– 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 presented a corporate guarantee provided by Iberdrola Renovables Energía, S.A.U., unconditionally and irrevocably as a corporate personal guarantee on first demand, based on which the Court agreed in October 2022 to declare the bond provided to guarantee the pecuniary liabilities as sufficient.

– 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 tax claims include violation findings due to the following:

- 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. Several favourable appellate court decisions on this matter were handed down during financial year 2022 in relation to several of the years disputed by the Brazilian tax authorities vis-à-vis the companies Neoenergía Pernambuco and Neoenergía 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 authorities believe that payments for profit sharing, employee benefits, health insurance and life insurance should be recognised as social security expenses;
- offsetting by Neoenergia of receivables due to wrongly applying PIS/COFINS to finance income under a favourable ruling, which has been contested;
- 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.

- Claim by the Public Utilities Commission: 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 have recommended that the case be closed without sanction.

- In relation to the arbitration pursued by Iberdrola Topolobampo, S.A. de C.V., a subsidiary of Iberdrola México, against the Federal Electricity Commission (CFE), the claimant, in addition to opposing IBERDROLA's claims, has filed a counterclaim in the arbitration, claiming damages in the amount of USD 185.5 million and USD 4.7 million in additional penalties for not having reached the coefficient of national integration. The arbitration hearing has been held and the Award is expected to be issued in the first half of 2023.

- Iberdrola México has challenged in court a resolution of the Energy Regulation Commission (CRE) issuing charges by the Electricity Transmission Service to be applied by CFE Intermediación de Contratos Legados, S.A. de C.V. to the holders of Legacy Interconnection Contracts with Electricity Generation Plants with Renewable or Efficient Cogeneration Sources. The resolution substantially increases the charges for this service and, in the judgement of Iberdrola México, hinders and limits a constitutionally significant activity such as electricity generation and it is contrary to a number of rights protected by the Mexican constitution. After the granting of the injunctive measure sought by IBERDROLA, consisting of suspension of the contested resolution, the company had to post a bond in the amount of MXN 3,374 million with the court to secure the measure. The amount is the difference between what Iberdrola México would have to pay under the contested resolution and what it actually will pay pursuant to the injunction granted for tariff charges for electricity transmission services for 31 months; the amount is revised every six months. In the event the trial produces an unfavourable outcome, IBERDROLA would have to pay this amount.

– 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 (approximately USD 467 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 appeal proceeding against this resolution and interim relief has been requested to suspend the payment of the penalty. The amparo application was heard by the Third Specialised District Court and the admission of the suit for amparo and the granting of the provisional suspension of the sanction are pending. On 1 July 2022, IEM was notified of the provisional injunction against enforcement of the penalty and on 11 July 2022, a bond for the amount of the penalty was posted. Finally, we have been granted a definitive suspension so that payment does not have to be made, meaning that the contested act will not have an impact on the company's legal position, nor jeopardise the effectiveness of the permit for self-supply of electricity.

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.

Restatement of contingent assets reported in prior periods

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 interim 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. The Company has recorded the adjusted income in the first half of the year, with the year-end effect for 2022 amounting to EUR 210 million.

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 2021 are described in the IBERDROLA Group's consolidated Financial Statements for that year.

45. 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 2022 the IBERDROLA Group has provided letters of credit to cover the Initial Margin collateral necessary to carry out derivatives transactions in 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 34). 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 2022 and 2021, there were outstanding obligations resulting from bond issues in the United States amounting to EUR 2,709 million and EUR 2,370 million, which were secured by items of property, plant and equipment of the AVANGRID subgroup.

IBERDROLA considers that any further liability at 31 December 2022 and 2021 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 2022 and 2021. A breakdown of the shares pledged is as follows, by company:

Millions of euros	2022			2021		
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						
Desarrollos de Energías Renovables de La Rioja, S.A. (1)	22	63.55 %	14	26	63.55 %	17
Eólica de Campollano, S.A. (1)	—	25.00 %	—	43	25.00 %	11
Iberdrola Renovables de la Rioja, S.A. (1)	126	63.55 %	80	97	63.55 %	62
Molinos de Cidacos, S.A.	55	63.55 %	35	43	63.55 %	27
Molinos de la Rioja, S.A. (1)	26	63.55 %	17	23	63.55 %	15
Parques Eólicos Alto Layna, S.L.U. (1)	76	20.00 %	15	56	20.00 %	11
Sistemas Energéticos Altamira, S.A. (1)	23	20.00 %	5	15	20.00 %	3
Sistemas Energéticos de la Linera, S.A. (1)	10	20.00 %	2	9	20.00 %	2
Sistemas Energéticos Gomera, S.A. (1)	8	20.00 %	2	4	20.00 %	1
Sistemas Energéticos Nacimiento, S.A. (1)	8	20.00 %	2	8	20.00 %	2
Sistemas Energéticos Savallá del Comtat, S.A. (1)	25	20.00 %	5	16	20.00 %	3
Sistemas Energéticos Tacica de Plata, S.A. (1)	9	20.00 %	2	9	20.00 %	2
Renewables business – Brazil						
Arizona 1 Energía Renovável, S.A	9	53.50 %	5	8	52.91 %	4
Baguari Geraçao de Energía Eléctrica, S.A.	28	53.50 %	15	27	52.91 %	14
Belo Monte Participações S.A	—	53.50 %	—	124	52.91 %	66
Caetité 1 Energía Renovável, S.A	14	53.50 %	8	12	52.91 %	6
Caetité 2 Energía Renovável, S.A	17	53.50 %	9	15	52.91 %	8
Caetité 3 Energía Renovável, S.A	13	53.50 %	7	11	52.91 %	6
Calango 1 Energía Renovável, S.A.	11	53.50 %	6	9	52.91 %	5
Calango 2 Energía Renovável, S.A.	10	53.50 %	5	9	52.91 %	5
Calango 3 Energía Renovável, S.A.	10	53.50 %	5	9	52.91 %	5
Calango 4 Energía Renovável, S.A.	9	53.50 %	5	8	52.91 %	4
Calango 5 Energía Renovável, S.A.	10	53.50 %	5	8	52.91 %	4

Millions of euros	2022			2021		
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
Calango 6 Energía Renovável, S.A.	49	53.50 %	26	40	52.91 %	21
Canoas 1 Energía Renovável, S.A.	35	53.50 %	19	31	52.91 %	16
Canoas 2 Energía Renovável, S.A.	9	53.50 %	5	7	52.91 %	4
Canoas 3 Energía Renovável, S.A.	8	53.50 %	4	3	52.91 %	2
Canoas 4 Energía Renovável, S.A.	7	53.50 %	4	4	52.91 %	2
Chafariz 1 Energía Renovável, S.A.	14	53.50 %	8	8	52.91 %	4
Chafariz 2 Energía Renovável, S.A.	8	53.50 %	4	6	52.91 %	3
Chafariz 4 Energía Renovável, S.A.	6	53.50 %	3	3	52.91 %	2
Chafariz 5 Energía Renovável, S.A.	5	53.50 %	3	3	52.91 %	2
Companhia Hidrelétrica Teles Pires, S.A. (1)	335	27.29 %	91	300	26.98 %	81
Energética Águas da Pedra, S.A. (1)	104	27.29 %	28	93	26.98 %	25
Energética Corumbá III (1)	36	13.38 %	5	32	13.23 %	4
FE Participações, S.A.	50	53.50 %	27	48	52.91 %	25
Geração Céu Azul S.A	228	53.50 %	122	197	52.91 %	104
Geraçao CIII, S.A.	69	53.50 %	37	44	52.91 %	23
Lagoa 1 Energía Renovável, S.A.	49	53.50 %	26	42	52.91 %	22
Lagoa 2 Energía Renovável, S.A.	35	53.50 %	19	31	52.91 %	16
Lagoa 3 Energía Renovável, S.A.	7	53.50 %	4	3	52.91 %	2
Lagoa 4 Energía Renovável, S.A.	2	53.50 %	1	2	52.91 %	1
Mel 2 Energía Renovável, S.A.	6	53.50 %	3	6	52.91 %	3
Norte Energia (1)	2,157	5.35 %	115	1,993	5.29 %	105
Santana 1 Energía Renovável, S.A.	31	53.50 %	17	27	52.91 %	14
Santana 2 Energía Renovável, S.A.	25	53.50 %	13	21	52.91 %	11
Teles Pires Participaçoes (1)	283	27.05 %	76	250	26.75 %	67
Ventos de Arapuá 1 Energía Renovável, S.A.	5	53.50 %	3	4	52.91 %	2
Ventos de Arapuá 2 Energía Renovável, S.A.	6	53.50 %	3	5	52.91 %	3
Ventos de Arapuá 3 Energía Renovável, S.A.	2	53.50 %	1	1	52.91 %	1
Renewables business – Mexico						
PIER II Quecholac Felipe Angeles, S.A. de C.V.	18	51.00 %	9	17	51.00 %	9
Parque Industrial de Energías Renovables , S.A. de C.V.	70	51.00 %	36	66	51.00 %	34
Renewables business - ROW						
Aerodis Herbitzheim SAS	—	100.00 %	—	1	100.00 %	1
Aerodis les Chaumes SARL	—	100.00 %	—	1	100.00 %	1
Aerodis Pays de Boussac SARL	(3)	100.00 %	(3)	(2)	100.00 %	(2)
Bodangora Wind Farm Pty Ltd SIN LINK	—	— %	—	26	100.00 %	26
Energies du Champs des Sœurettes SAS	2	100.00 %	2	2	100.00 %	2
La Croix Didier, S.A.R.L.	5	100.00 %	5	5	100.00 %	5
La Pièce du Roi, S.A.R.L.	5	100.00 %	5	5	100.00 %	5
SEPE de Plemy SAS	1	100.00 %	1	—	100.00 %	—

Millions of euros	2022			2021		
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
SEPE le Florembeau, S.A.R. L.	7	100.00 %	7	7	100.00 %	7
SEPE le Fond d'Etre, S.A.R.L.	5	100.00 %	5	5	100.00 %	5
Société d'Exploitation du Parc Eolien les Neufs Champs SAS	2	100.00 %	2	2	100.00 %	2
Société d'Exploitation Eolienne d'Orvilliers SAS	10	100.00 %	10	10	100.00 %	10
Networks Business – Brazil						
Neoenergia Dourados Transmissão de Energía, S.A. (EKTT12)	69	53.50 %	37	55	52.91 %	29
Neoenergia Jalapão Transmissão de Energía, S.A. (EKTT01)	187	53.50 %	100	86	52.91 %	46
Neoenergia Santa Luzia Transmissão de Energía, S.A. (EKTT02)	52	53.50 %	28	40	52.91 %	21
Potiguar Sul Transmissao de Energia, S.A.	56	53.50 %	30	45	52.91 %	24
Renewables business – Spain						
Vineyard Wind 1 Pledgor LLC (1)	2	40.75 %	1	2	40.75 %	1
Total	**4,578**		**1,191**	**4,166**		**1,074**

(1) Companies recognised as equity-accounted investees.

46. REMUNERATION OF THE BOARD OF DIRECTORS

46.1 Application of by-law mandated remuneration for 2022

Article 48 of IBERDROLA's By-Laws provides that the Company shall annually allocate as a by-law mandated expense an amount equal to a maximum of 2% of the profit obtained by the consolidated Group during the financial year.

On the recommendation of the Remuneration Committee, the Board of Directors has decided to assign by-law stipulated remuneration of EUR 16.443 million in 2022, which has been charged to "Personnel expenses" in the Income statement (Note 39). This amount, together with the unused amount of the by-law stipulated remuneration for the year 2021 (EUR 0.557 million) amounts to EUR 17 million, the same amount as in the previous seven financial years.

a) Fixed remuneration and attendance bonuses

The fixed annual remuneration and attendance bonuses payable to Board and committee members in their capacity as such in 2022 and 2021, are as follows:

Millions of euros	Fixed remuneration	Attendance bonus
Chairman of the Board	0.567	0.004
Vice-Chairs of the Board and committee chairs	0.440	0.004
Committee members (*)	0.253	0.002
Board members	0.165	0.002

(*) Remuneration assigned to the chief executive officer since being appointed as a director.

b) Remuneration of the executive directors for their executive duties

The Board of Directors resolved to maintain the fixed remuneration for the executive chairman in 2022 at EUR 2.250 million. It also decided to maintain the existing cap on variable annual remuneration, which may not exceed EUR 3.250 million and which will be paid as agreed upon in 2023. Both amounts have remained unchanged over the last 12 years.

The chief executive officer's fixed remuneration, since being appointed as a director on 25 October 2022, amounted to EUR 0.184 million.

c) Remuneration paid and accrued by the directors of the Company

The fixed remuneration accrued by the members of the Board of Directors, individually counted, was as follows in 2022 and 2021:

Millions of euros	Salaries	Fixed remuneration [1]	Remuneration for seats on committees [1]	Attendance bonus	Short-term variable remuneration [2]	Indemnities	Other remuneration	Total 2022	Total 2021
Chairman of the Board									
José Ignacio Sánchez Galán	2.250	0.567	—	0.092	3.250	—	0.186	6.345	6.266
Chief executive officer									
Armando Martínez Martínez (3)	0.184	0.030	0.016	0.006	—	—	0.014	0.250	—
Vice-Chair of the Board and committee chairs									
Juan Manuel González Serna	—	0.165	0.275	0.108	—	—	0.001	0.549	0.552
Anthony L. Gardner	—	0.165	0.275	0.094	—	—	0.002	0.536	0.331
Xabier Sagredo Ormaza	—	0.165	0.275	0.082	—	—	0.005	0.527	0.508
Sara de la Rica Goiricelaya	—	0.165	0.275	0.062	—	—	0.003	0.505	0.499
Angel Jesús Acebes Paniagua (4)	—	0.165	0.232	0.088	—	—	0.010	0.495	0.323
Committee members									
Iñigo Víctor de Oriol Ibarra	—	0.165	0.088	0.042	—	—	0.006	0.301	0.297
María Helena Antolín Raybaud (5)	—	0.165	0.131	0.058	—	—	0.007	0.361	0.502
Manuel Moreu Munaiz	—	0.165	0.088	0.066	—	—	0.003	0.322	0.326
Nicola Mary Brewer	—	0.165	0.088	0.042	—	—	0.001	0.296	0.290
Regina Helena Jorge Nunes	—	0.165	0.088	0.052	—	—	0.001	0.306	0.294
María Ángeles Alcalá Díaz	—	0.165	0.088	0.052	—	—	0.002	0.307	0.052
Isabel García Tejerina	—	0.165	0.088	0.042	—	—	0.002	0.297	0.011
Outgoing directors									
Francisco Martínez Córcoles (6)	—	0.165	—	0.018	1.000	0.297	0.004	1.484	2.174
Samantha Barber	—	—	—	—	—	—	—	—	0.266
José Walfredo Fernández	—	—	—	—	—	—	—	—	0.556
Total	**2.434**	**2.742**	**2.007**	**0.904**	**4.250**	**0.297**	**0.247**	**12.881**	**13.247**

(1) Remuneration accrued in 2022 in relation to the time effectively spent in office. This amount will not be paid until the approval of 2022 by-law stipulated remuneration at the 2023 General Shareholders' Meeting.

(2) Amount relates to variable remuneration received in 2022, based on achievement of targets and personal performance in 2021.

(3) Total amounts accrued in the year since being appointed as director on 25 October 2022. Remuneration prior to that date, corresponding to the performance as an executive while he was a member of senior management, salary, variable remuneration, strategic bonus 2017-2019 and other remuneration items amounted to EUR 2.516 million during the financial year 2022 and EUR 1.121 million during the financial year 2021.

(4) On 26 March 2022, the Board of Directors approved his appointment as Chairman of the Appointments Committee.

(5) On 26 March 2022, her appointment as chair of the Appointments Committee expired.

(6) Relinquished executive duties with effect from 1 November 2021. In accordance with section 4.3 of the Director Remuneration Policy regarding the non-competition commitment of external non proprietary directors, Mr Francisco Martínez Córcoles, who resigned as director on 25 October 2022, received a severance payment equivalent to 90% of the fixed amount he would have received for the remainder of his term, up to a maximum of twice 90% of this annual fixed amount.

d) Group civil liability insurance

The premium paid to cover directors' civil liability insurance amounted to EUR 0.314 million and EUR 0.402 million in 2022 and 2021, respectively.

e) Others

The expenses of the Board of Directors in relation to external services and other policies in 2022 and 2021 amounted to EUR 3.293 million and EUR 2.984 million, respectively.

In 2022 the amount of the premium for the pension insurance policies relating to the former members of the Board of Directors amounted to EUR 0.510 million, while in 2021, a refund of EUR 0.194 million was received for the adjustment of these policies.

46.2 Remuneration through the delivery of Company shares

At the General Shareholders' Meeting held on 31 March 2017 the shareholders approved the 2017-2019 Strategic Bonus as a long-term incentive tied to the Company's performance in relation to certain key parameters (Note 22).

In the first half of 2022, the third and last of the annual settlements was completed. The executive chairman has received 633,334 IBERDROLA shares and the former director Francisco Martínez Córcoles has received 100,000 shares.

46.3 Remuneration for seats on other boards

Directors who held the position of director in 2022 and 2021 at companies that are not wholly owned, directly or indirectly, by IBERDROLA received the following remuneration:

Millions of euros	2022	2021
Remuneration received by the chairman	0.389	0.325
Remuneration received by María Ángeles Alcalá Díaz [(1)]	0.000	0.067
Remuneration received by Isabel García Tejerina [(1)]	0.000	0.114

[(1)] Amounts received until her appointment as a member of the Board of Directors of Iberdrola S.A.

46.4 Law 11/2018: Non-financial and diversity information

The average remuneration received by directors (excluding remuneration in the form of Company shares) in 2022 and 2021 was as follows, by type and by gender:

	2022		2021	
Millions of euros	Men	Women	Men	Women
Executive	3.985	—	4.759	—
Independent and other external	0.472	0.345	0.432	0.416

46.5 Termination benefit clauses

Severance clauses for executive directors are described in paragraph C.1.39 of the Annual Corporate Governance Report included in the Management Report.

47. 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 Sagredo Ormaza did not take part in the deliberations on the resolutions concerning Kutxabank, S.A., specifically as regards the hiring of Norbolsa Sociedad de Valores, S.A. as agent in relation to the *Iberdrola Retribución Flexible* optional dividend system; and Mr Acebes Paniagua left the room during deliberations on a resolution regarding the arrangement of legal services.

48. REMUNERATION OF SENIOR MANAGEMENT

Senior managers are those who answer directly to the Company's Board of Directors, its chairman & CEO, and in all cases to the director of the Internal Audit area, as well as any other officer directed by the Board of Directors.

At 31 December 2022, the Company had 10 senior managers.

Personnel expenses relating to members of senior management amounted to EUR 11.4 million and EUR 10.8 million 2022 and 2021, respectively, and are recognised under "Personnel expenses" in the consolidated Income statement.

The remuneration and other benefits received by senior management in 2022 and 2021, respectively, are as follows:

Millions of euros	2022	2021 (*)
Remuneration in cash	4.8	4.3
Variable remuneration	3.5	3.8
Remuneration in kind and payments on account not charged	0.4	0.3
Social Security	0.2	0.2
Employer's contribution to pension plan / employee benefits insurance	1.2	1.1
Risk policy (death and permanent disability)	1.3	1.1
Total	**11.4**	**10.8**

(*) For comparison purposes, information has been included for members holding this rating as at 31 December 2022 (one additional member and two members less).

In 2022 and 2021 senior managers who sat on the boards of companies that were not wholly owned by IBERDROLA, whether directly or indirectly, received EUR 0.6 million and EUR 0.5 million, respectively, from those companies.

In the first half of 2022 and 2021, the third and second of the three annual payments under the *2017-2019 Strategic Bonus* was made (Note 22) once the level of achievement of the relevant targets had been calculated. As a result, the members of senior management received a total of 525,010 and 524,995 shares respectively.

The General Shareholders' Meeting held on 2 April 2020 set the *2020-2022 Strategic Bonus* (Note 22), pegged to the Company's financial, business and sustainable development performance over the 2020-2022 horizon and targeting up to 300 beneficiaries. A total of 1,469,600 shares may be delivered to senior officers over a three-year period, based on the degree of attainment of the targets to which the scheme is pegged.

Severance clauses for members of senior management and other executive officers are described in paragraph C.1.39 of the Annual Corporate Governance Report, included within the Management Report.

In 2022 and 2021, there were no further transactions concluded with senior officers.

Fixed and variable remuneration paid to executives and other staff with managerial responsibilities not included in the senior management of IBERDROLA (734 individuals) amounted to EUR 136.3 million in 2022 and EUR 131.9 million in 2021 (767 individuals), affected by the exchange rate.

49. 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 21)

In 2022 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:

Millions of euros	2022						2021					
	Acquisition of assets	Accounts payable	Accounts receivable	Sales and services provided	Supplies	Services received	Acquisition of assets	Accounts payable	Accounts receivable	Sales and services provided	Supplies	Services received
Norte Energia, S.A. (1)	—	—	—	3	203	—	—	19	—	1	156	—
Companhia Hidrelétrica Teles Pires, S.A. (1)	—	7	1	6	70	—	—	6	—	2	57	—
Morecambe Wind, Ltd.	—	2	2	2	23	—	—	3	2	1	18	—
Energética Águas da Pedra, S.A. (1)	—	2	3	2	14	—	—	1	4	2	11	—
Vineyard Wind LLC	—	—	—	4	—	—	—	7	7	12	—	—
Other companies	1	112	66	37	5	—	1	100	31	5	18	1
Total	**1**	**123**	**72**	**54**	**315**	**—**	**1**	**136**	**44**	**23**	**260**	**1**

(1) Supplies relate mainly to purchases of electrical power.

50. EVENTS SUBSEQUENT TO 31 DECEMBER 2022

The main events subsequent to 31 December 2022 were as follows:

Iberdrola Retribución Flexible

On 4 January 2023, the following terms governing the second scrip issue (*Iberdrola Retribución Flexible*) were approved by shareholders at the General Shareholders' Meeting of IBERDROLA held on 17 June 2022, under item nine of the agenda:

- The maximum number of shares to be issued under the capital increase is 106,034,900.
- The number of free-of-charge allocation rights required to receive one new share is 60.
- The maximum nominal value of the capital increase is EUR 79,526,175.
- The gross *Interim Dividend* per share amounts to EUR 0.180.

At the end of the trading period for the free-of-charge allocation rights:

- During the period established for this purpose, the holders of 1,305,893,982 shares in the Company opted to receive the *Interim Dividend*. Thus, the gross amount paid out under the Interim Dividend was EUR 235 million. As a result, those shareholders expressly waived 1,305,893,982 free-of-charge allocation rights and, therefore, the right to receive 21,764,900 new shares.
- Furthermore, the final number of new common shares with a par value of EUR 0.75 issued will be 84,270,000, yielding a nominal capital increase (under this issue) of EUR 63 million and adding 1.325% to IBERDROLA's pre-issue share capital.
- Following this share capital increase, IBERDROLA's share capital amounts to EUR 4,834,773,000, represented by 6,446,364,000 common shares, each with a par value of EUR 0.75 and all fully subscribed for 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 31 January 2023. Regular trading of the new shares commenced on 1 February 2023.

Bank market

The most significant financing arranged by the IBERDROLA Group after 31 December 2022 is as follows:

Borrower	Transaction	Amount (millions)	Currency	Maturity
Main new financing transactions				
Iberdrola Financiación	Green BEI loan	150	EUR	To be determined
Main transactions to extend existing funding				
Iberdrola México	Syndicated loan	500	USD	Dec-25

Perpetual subordinated bonds

In January 2023, Iberdrola Finanzas, S.A. fixed the price and the terms and conditions of an issue of subordinated perpetual bonds with the subordinated guarantee of Iberdrola, S.A. for a total amount of EUR 1,000 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 100% of their nominal value. The funds obtained will be used to buy back another issue of subordinated perpetual bonds, made in 2017 by Iberdrola International B.V. (also with the subordinated guarantee of Iberdrola, S.A.) for the same amount (EUR 1,000 million). The buy-back will take place before 22 May 2023.

The bonds will bear interest at a fixed annual coupon rate of 4.875%, from the issue date (inclusive) up to (but not including) 25 July 2028, payable annually.

From the first review date (inclusive), they will accrue interest at a rate equal to the applicable 5-year swap rate plus a spread 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 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 25 January 2023.

Temporary energy tax

On 28 December, Law 38/2022 of 27 December on the establishment of temporary energy taxes and taxes on credit institutions and financial credit establishments and creating the temporary community service tax on large fortunes, and amending certain tax rules, was published.

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 payment obligation arises on the first day of the calendar year and must be paid within the first 20 calendar days of September of that year, without prejudice to the advance 50% payment to be made in February.

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 estimated amount of the tax payable by the IBERDROLA Group stands at EUR 216 million. A payment of 50% was made on 17 February 2023.

Framework co-investment agreement for the joint development of a portfolio of renewable assets in Spain

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, thus contributing to accelerating the country's decarbonisation efforts.

The agreement envisages the acquisition by NBIM Iberian Reinfra AS (NBIM Iberian), a company belonging to the group of which Norges Bank is the holding company, of a 49% stake in the share capital of several IBERDROLA Group companies operating 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). Once these stakes have been acquired by NBIM Iberian, Iberenova Promociones 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.

Iberdrola Renovables Energía will retain indirect 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 the operation and maintenance services necessary for running them. 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.

The valuation of 100% of this portfolio of renewable projects amounts to approximately EUR 1,225 million, making NBIM Iberian’s total investment in this portfolio, for its 49% stake, approximately EUR 600 million, subject to possible adjustments that are customary in this type of transaction. Of this amount, NBIM Iberian will pay an initial amount upon completion of the transaction as consideration for the stakes acquired in the companies owning the projects already in operation. NBIM Iberian will pay the remaining price as the projects under development reach commercial operation and the corresponding purchases by NBIM Iberian of the minority interests to be acquired in the companies owning these projects are completed. The completion of the Transaction is conditional upon NBIM Iberian obtaining the mandatory authorisations for foreign direct investment.

51. FEES FOR SERVICES PROVIDED BY THE STATUTORY AUDITORS

Fees paid for services provided in 2022 and 2021 by KPMG Auditores, S.L. and the other affiliates of KPMG International are as follows:

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 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.

Millions of euros	2021		
	Services rendered by KPMG Auditores, S.L.	Services provided by other entities affiliated with KPMG International	Total
Auditing services	6.62	16.30	22.92
Other non-audit services	2.04	1.82	3.86
Services required of the statutory auditor under the applicable regulations	—	0.10	0.10
Other services	2.04	1.72	3.76
Total	**8.66**	**18.12**	**26.78**

Other services include the rendering of the following services:

Millions of euros	2021		
	Services rendered by KPMG Auditores, S.L.	Services provided by other entities affiliated with KPMG International	Total
Limited assurances of interim information	1.19	0.10	1.29
Comfort letters for debt issues	0.26	0.67	0.93
Services for the issuance of agreed-upon procedures reports, assurance or other reports required by industry regulators	0.46	0.74	1.20
Other reports on agreed-upon procedures (*)	0.13	0.21	0.34
Total	**2.04**	**1.72**	**3.76**

(*) 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 2022, other auditors provided auditing services amounting to EUR 1.01 million and other services amounting to EUR 0.32 million.

52. EARNINGS PER SHARE

The weighted average number of common shares used to calculate basic and diluted earnings per share at 31 December 2022 and 2021 (Note 3.z) is as follows:

	2022		2021	
	Basic	Diluted	Basic	Diluted
Average number of shares during the year	6,544,874,866	6,559,183,440	6,733,249,050	6,746,894,121
Average number of treasury shares held	(72,005,122)	(72,005,122)	(87,352,952)	(88,156,815)
Number of shares outstanding	**6,472,869,744**	**6,487,178,318**	**6,645,896,098**	**6,658,737,306**

Basic and diluted earnings per share for 2022 and 2021 are as follows:

	2022		2021	
	Basic	Diluted	Basic	Diluted
Net profit from continuing operations at the Parent (*) (millions of euros)	4,410	4,411	3,920	3,919
Accrued interest on subordinated perpetual bonds (millions of euros) (Note 21)	(169)	(169)	(155)	(155)
Adjusted net profit from continuing operations (millions of euros)	**4,241**	**4,242**	**3,765**	**3,764**
Net profit from discontinued operations (millions of euros)	**(71)**	**(71)**	**(35)**	**(35)**
Number of shares outstanding	**6,472,869,744**	**6,487,178,318**	**6,645,896,098**	**6,658,737,306**
Earnings per share (euros) from continuing operations	**0.655**	**0.654**	**0.567**	**0.565**
Earnings per share (euros) from discontinued operations	**(0.011)**	**(0.011)**	**(0.005)**	**(0.005)**

(*) Profit for the year from discontinued operations net of non-controlling interests.

53. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The consolidated Financial Statements for the year ended on 31 December 2022 were authorised for issue by the directors of IBERDROLA on 21 February 2023.

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 2022 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 (*)
			31.12.2022	31.12.2021	
SPAIN					
Cogeneración Gequisa, S.A.	Spain	Energy	50	50	EM
Curenergía Comercializador de Último Recurso, S.A.U.	Spain	Retail supplier	100	100	FC
Enercrisa, S.A.	Spain	Energy	50	50	EM
Energía Portátil Cogeneración, S.A.	Spain	Energy	50	50	EM
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
Fudepor, S.L.	Spain	Energy	50	50	EM
Iberdrola Clientes, S.A.U.	Spain	Retail supplier	100	100	FC
Iberdrola Clientes Internacional, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Cogeneración, S.L.U.	Spain	Holding company	100	100	FC
Iberdrola Energía España, S.A.U. (formerly Iberdrola Clientes España, S.A.U.)	Spain	Energy	100	100	FC
Iberdrola Servicios Energéticos, S.A.U.	Spain	Retail supplier	100	100	FC
Intermalta Energía, S.A.	Spain	Energy	50	50	EM
Ir Redes de Calor y Frío, S.L.	Spain	Services	50	50	EM
Peninsular Cogeneración, S.A.	Spain	Energy	50	50	EM
Productos y Servicios de Confort, S.A.	Spain	Services	100	100	FC
Aixeindar, S.A.	Spain	Energy	60	60	FC
Anselmo León Hidráulica, S.L. (1)	Spain	Energy	100	100	EM
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
Ciener, S.A.U.	Spain	Energy	100	100	FC
Dehesa Solar Sur, S.L.	Spain	Energy	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
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	-	FC
Desarrollos Renovables Escatrón, S.L.	Spain	Energy	100	-	FC
Desarrollos Renovables Fuendetodos, S.L.	Spain	Energy	100	-	FC
Desarrollos Renovables Peñarubia, S.L.	Spain	Energy	100	-	FC
Desarrollos Renovables Tagus, S.L.	Spain	Energy	100	-	FC
Desarrollos Renovables Trinidad, S.L.	Spain	Energy	100	-	FC
Desarrollos Renovables Villamanrique, S.L.	Spain	Energy	100	-	FC
Ecobarcial, S.A. (2)	Spain	Energy	43.78	43.78	EM
Ekienea, S.L.	Spain	Energy	75	75	FC
Electra de Malvana, S.A. (2)	Spain	Energy	48	48	EM
Electra Sierra de los Castillos, S.L.	Spain	Energy	97	97	FC
Eléctricas de la Alcarria, S.L.	Spain	Energy	90	90	FC
Eme Hueneja Cuatro, S.L.	Spain	Energy	100	100	FC
Energía de Castilla y León, S.A.	Spain	Energy	85.5	85.5	FC
Energías Ecológicas de Tenerife, S.A. (3)	Spain	Energy	50	50	FC
Energías Eólicas de Cuenca, S.A.U.	Spain	Energy	100	100	FC
Energías Renovables Caparacena, S.L.	Spain	Energy	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 Tione, S.L.	Spain	Energy	100	100	FC
Energías Renovables de la Región de Murcia, S.A.U.	Spain	Energy	100	100	FC
Energías Renovables Espliego, S.L.	Spain	Energy	100	100	FC
Energías Renovables Ibermap, S.L.	Spain	Energy	20	20	EM
Energías Renovables Jungla Verde, S.L.	Spain	Energy	100	100	FC
Energías Renovables Poleo, S.L.	Spain	Energy	100	100	FC
Energías Verdes de Tenerife, S.L. (3)	Spain	Energy	50	50	FC
Eólica Campollano, S.A. (2)	Spain	Energy	25	25	EM
Eólica 2000, S.L.	Spain	Energy	51	51	FC
Eólicas de Euskadi, S.A.U.	Spain	Energy	100	100	FC
Fincalia Agropecuaria, S.A.	Spain	Energy	100	100	FC
Fincalia Agropecuaria siglo XXI, S.A.	Spain	Energy	100	100	FC
Fotovoltaica Varadero, S.L.	Spain	Energy	100	100	FC
Fuendetodos Promotores 400, S.L	Spain	Energy	12.99	-	0
Gestión de Evacuación de la Serna, S.L.	Spain	Energy	14.79	16.54	EM
Iberdrola Energía Sostenible España, S.L.	Spain	Energy	100	-	FC
Iberdrola Generación, S.A.U.	Spain	Energy	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 Operación y Mantenimiento, S.A.U.	Spain	Services	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

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
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, S.A. (2)	Spain	Energy	63.55	63.55	EM
Iberdrola Renovables La Rioja 2, S.A.	Spain	Energy	63.55	63.55	FC
Iberduero, S.L.U.	Spain	Energy	100.00	100.00	FC
Iberenova Promociones, S.A.U.	Spain	Energy	100.00	100.00	FC
Iberjalón, S.A.	Spain	Energy	80.00	80.00	FC
ICARO Renovables. S.A.	Spain	Energy	100.00	100.00	FC
Infraestructuras de Evacuación Los Arenales, S.L.	Spain	Energy	50.00	50.00	EM
Iniciativas Eólicas Cantabria, S.L.	Spain	Energy	60.00	60.00	FC
Linea Curacavas, S.L.	Spain	Energy	24.05	24.05	EM
Llanos Pelaos Fotovoltaica, S.L.	Spain	Energy	75.00	75.00	FC
Minicentrales del Tajo, S.A.	Spain	Energy	80.00	80.00	FC
Molinos de la Rioja, S.A. (3)	Spain	Energy	63.55	63.55	EM
Molinos del Cidacos, S.A.	Spain	Energy	63.55	63.55	FC
Nuclenor, S.A.	Spain	Energy	50.00	50.00	EM
Parques Eólicos Alto de Layna, S.L.	Spain	Energy	20.00	20.00	EM
Parque Eólico Capiechamartin, S.L.	Spain	Energy	100.00	100.00	FC
Parque Eólico Cordel y Vidural, S.L.	Spain	Energy	100.00	100.00	FC
Parque Eólico Cruz de Carrutero, S.L.	Spain	Energy	76.00	76.00	FC
Parque Eólico Encinillas, S.L.	Spain	Energy	100.00	100.00	FC
Parque Eólico Panondres, S.L.	Spain	Energy	100.00	100.00	FC
Parque Eólico Verdigueiro, S.L.	Spain	Energy	100.00	100.00	FC
Parque Solar Cáceres, S.L.	Spain	Energy	100.00	100.00	FC
Peache Energías Renovables, S.A.	Spain	Energy	95.00	95.00	FC
Producciones Energéticas Asturianas, S.L.	Spain	Energy	80.00	80.00	FC
Producciones Energéticas de Castilla y León, S.A. (2)	Spain	Energy	85.50	85.50	EM
Promotores Renovables Fuentes de la Alcarrria, S.L.	Spain	Energy	39.95	39.95	EM
Proyecto Nuñez de Balboa, S.L.	Spain	Energy	100.00	100.00	FC
Proyecto Solar Francisco Pizarro, S.L.	Spain	Energy	100.00	100.00	FC
Puerto Rosario Solar 2, S.L.	Spain	Energy	75.00	75.00	FC
Puerto Rosario Solar 3, S.L.	Spain	Energy	75.00	75.00	FC
PV I Ataulfo, S.L.	Spain	Energy	100.00	100.00	FC
Renovables de Buniel, S.L.	Spain	Energy	75.00	75.00	FC
Renovables de la Ribera, S.L. (3)	Spain	Energy	50.00	50.00	FC
Sistemas Energéticos Altamira, S.A.U.	Spain	Energy	20.00	20.00	EM
Sistemas Energéticos Chandrexa, S.A.	Spain	Energy	96.07	96.07	FC
Sistemas Energéticos del Moncayo, S.A.	Spain	Energy	75.00	75.00	FC
Sistemas Energéticos La Gomera, S.A.U.	Spain	Energy	20.00	20.00	EM
Sistemas Energéticos La Higuera, S.A.	Spain	Energy	55.00	55.00	FC
Sistemas Energéticos Jaralón, S.A.	Spain	Energy	100.00	100.00	FC
Sistemas Energéticos de la Linera, S.A.U.	Spain	Energy	20.00	20.00	EM
Sistemas Energéticos Loma del Viento, S.A.	Spain	Energy	100.00	100.00	FC
Sistemas Energéticos La Muela, S.A.	Spain	Energy	80.00	80.00	FC
Sistemas Energéticos Mas Garullo, S.A.	Spain	Energy	78.00	78.00	FC
Sistemas Energéticos Nacimiento, S.A.U.	Spain	Energy	20	20	EM
Sistemas Energéticos Serra de Lourenza, S.A.	Spain	Energy	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Sistemas Energéticos Tacica de Plata, S.A.U.	Spain	Energy	20	20	EM
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	20	20	EM
Solar Majada Alta, S.L.	Spain	Energy	50.10	100	FC
Sotavento Galicia, S.A. (4)	Spain	Energy	8	8	EM
Tarragona Power, S.L.U.	Spain	Energy	100	100	FC
Ibertâmega – Sistema Electroprodutor Do Tâmega, S.A.	Portugal	Energy	100	100	FC
Iberdrola Suporte Projecto Tâmega, Unipessoal Lda.	Portugal	Energy	100	100	FC
Anselmo León Distribución, S.L. (1)	Spain	Energy	100	100	EM
Distribuidora de Energía Eléctrica Enrique García Serrano, S.L. (1)	Spain	Energy	100	100	EM
Distribuidora Electrica Navasfrías, S.L. (1)	Spain	Energy	100	100	EM
Eléctrica Conquense Distribución, S.A.	Spain	Energy	53.59	53.59	FC
Eléctrica Conquense, S.A.	Spain	Holding company	53.59	53.59	FC
Electrodistribuidora Castellano-Leonesa, S.A. (1)	Spain	Energy	100	100	EM
Empresa Eléctrica del Cabriel, S.L. (1)	Spain	Energy	100	100	EM
Herederos María Alonso Calzada – Venta de Baños, S.L. (1)	Spain	Energy	100	100	EM
I-DE Redes Eléctricas Inteligentes, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Redes España, S.A.	Spain	Holding company	100	100	FC
San Cipriano de Rueda Distribución, S.L. (1)	Spain	Energy	100	100	EM
Sociedad Distribuidora de Electricidad de Elorrio, S.A. (1)	Spain	Energy	97.95	97.95	EM
UNITED KINGDOM					
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
SP Dataserve, Ltd.	United Kingdom	Debt management	100	100	FC
SP Gas Transportation Cockenzie, Ltd. (5)	United Kingdom	Dormant	100	100	FC
SP Gas Transportation Hatfield, Ltd.	United Kingdom	Dormant	100	100	FC
SP Smart Meter Assets, Ltd.	United Kingdom	Other	100	100	FC
Blaenau Gwent Solar, Ltd. (Formerly EEB14, Ltd.)	United Kingdom	Energy	100	-	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Bryn Henllys SF, Ltd.	United Kingdom	Energy	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	72	72	FC
Douglas West Extension, Ltd.	United Kingdom	Energy	72	72	FC
Down Barn Farm SF, Ltd.	United Kingdom	Energy	100	-	FC
East Anglia Offshore Wind, Ltd.	United Kingdom	Energy	50	50	EM
East Anglia One, Ltd.	United Kingdom	Energy	60	60	FC
East Anglia Three, Ltd.	United Kingdom	Energy	100	100	FC
East Anglia One North Ltd.	United Kingdom	Energy	100	100	FC
East Anglia Two Ltd.	United Kingdom	Energy	100	100	FC
Grafton Underwood Solar, Ltd. (Formerly EEB28, Ltd.)	United Kingdom	Energy	100	-	FC
Hagshaw Hill Repowering, Ltd.	United Kingdom	Energy	100	100	FC
Longney Solar, Ltd. (Formerly EEB18, Ltd.)	United Kingdom	Energy	100	-	FC
MachairWind, Ltd.	United Kingdom	Energy	100	-	FC
Milltown Airfiled Solar PV, Ltd.	United Kingdom	Energy	100	-	FC
Morecambe Wind, Ltd.	United Kingdom	Energy	50	50	EM
Ranksborough Solar, Ltd. (Formerly EEB27, Ltd.)	United Kingdom	Energy	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
ScottishPower Renewables (UK Assets), Ltd	United Kingdom	Energy	100	100	FC
Sparrow Lodge Solar, Ltd. (Formerly EEB33, Ltd.)	United Kingdom	Energy	100	-	FC
Speyslaw Solar, Ltd. (Formerly EEB11, Ltd.)	United Kingdom	Energy	100	-	FC
Tuckey Farm Solar, Ltd. (Formerly EEB24, Ltd.)	United Kingdom	Energy	100	-	FC
Thurlaston Solar, Ltd. (Formerly EEB22, Ltd.)	United Kingdom	Energy	100	-	FC
Wood Lane Solar, Ltd. (Formerly EEB30, Ltd.)	United Kingdom	Energy	100	-	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
NGET/SPT Upgrades, Ltd.	United Kingdom	Energy	50	50	EM
Scottish Power Energy Networks Holdings, Ltd.	United Kingdom	Holding company	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 Manweb, Plc.	United Kingdom	Energy	100	100	FC
UNITED STATES					
12 Mile Solar, LLC	United States	Energy	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	Holding company	81.5	81.5	FC
Avangrid Arizona Renewables, LLC	United States	Energy	81.5	81.5	FC
Avangrid Logistic Services, LLC	United States	Energy	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 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
Bakeoven Solar, LLC	United States	Energy	81.5	81.5	FC
Barton Windpower, LLC	United States	Energy	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	-	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
Chalkley Solar, LLC	United States	Energy	81.5	-	FC
Colorado Green Holdings, LLC	United States	Holding company	81.5	81.5	FC
Commonwealth Wind, LLC	United States	Energy	81.5	-	FC
Coyote Ridge Wind, LLC (4)	United States	Energy	16.3	16.3	EM
Daybreak Solar, LLC	United States	Energy	81.5	81.5	FC
Deerfield Wind, LLC	United States	Energy	81.5	81.5	FC
Deer River 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

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Eagle Solar Energy Center, LLC	United States	Energy	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	-	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
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 (Formerly Great Bear Wind, 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	-	FC
Kalina Solar, LLC	United States	Energy	81.5	-	FC
Karankawa Wind, LLC	United States	Energy	81.5	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	Energy	81.5	81.5	FC
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	Energy	81.5	81.5	FC
Lund Hill Solar, LLC	United States	Energy	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	-	FC
Minndakota Wind, LLC	United States	Energy	81.5	81.5	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
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
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
Northern Iowa WindPower II, LLC	United States	Energy	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	-	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	Holding company	81.5	81.5	FC
Park City Wind, LLC	United States	Energy	81.5	40.75	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
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	-	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
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
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	Other	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	-	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
Start 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
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
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

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Vineyard Wind 1, LLC	United States	Energy	40.75	40.75	EM
Vineyard Wind Management Company, LLC	United States	Energy	40.75	-	EM
Vineyard Wind Shareco, LLC	United States	Energy	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	United States	Gas	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
Avangrid, Inc.	United States	Holding company	81.5	81.5	FC
Avangrid Enterprises, Inc.	United States	Holding company	81.5	81.5	FC
Avangrid Management Company, LLC	United States	Holding company	81.5	81.5	FC
Avangrid Service Company	United States	Services	81.5	81.5	FC
Avangrid New York TransCo, LLC	United States	Holding company	81.5	81.5	FC
Avangrid Networks, Inc.	United States	Holding company	81.5	81.5	FC
Avangrid Solutions, Inc.	United States	Other	81.5	81.5	FC
Berkshire Energy Resources	United States	Holding company	81.5	81.5	FC
Cayuga Energy, Inc.	United States	Holding company	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
Connecticut Energy Corporation	United States	Holding company	81.5	81.5	FC
Connecticut Natural Gas Corporation	United States	Gas	81.5	81.5	FC
CTG Resources, Inc.	United States	Holding company	81.5	81.5	FC
GCE Holding, LLC	United States	Holding company	40.75	40.75	EM
GenConn Devon, LLC (1)	United States	Energy	81.5	40.75	EM
GenConn Energy, LLC (1)	United States	Energy	81.5	40.75	EM
GenConn Middletown, LLC (1)	United States	Energy	81.5	40.75	EM
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
NECEC Transmission, LLC	United States	Holding company	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
NORVARCO	United States	Holding company	81.5	81.5	FC
Nth Power Technologies Fund I, LP. (5)	United States	Other	21.92	21.92	—
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
South Glens Falls Energy, LLC (5)	United States	Energy	69.28	69.28	—
TEN Transmission Company	United States	Holding company	81.5	81.5	FC
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
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

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
United Resources, Inc.	United States	Holding company	81.5	81.5	FC
WGP Acquisition, LLC [5]	United States	Dormant	81.5	81.5	—
MEXICO					
Hidrola I, S.L.U.	Spain	Holding company	100	100	FC
Cinergy, S.A. de C.V. (Formerly Cinergy, S.R.L. de C.V.)	Mexico	Services	100	100	FC
Enertek, S.A. de C.V.	Mexico	Energy	99.99	99.99	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, 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 México, S.A. de C.V.	Mexico	Holding company	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
Servicios Administrativos Tamazunchale, 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
Tamazunchale Energía, S.A.P.I. de C.V.	Mexico	Energy	100	100	FC
BII NEE Stipa Energía Eólica, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC
Corporativo Iberdrola Renovables México, S.A. de C.V.	Mexico	Services	100	100	FC
Energías Renovables Venta III, S.A. de C.V.	Mexico	Energy	100	100	FC
Eólica Dos Arbolitos S.A. de C.V.	Mexico	Energy	100	100	FC
Iberdrola Soporte a Proyectos Renovables, S.A. DE C.V.	Mexico	Services	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
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

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Servicios de Operación Eoloeléctrica de México, S.A. de C.V.	Mexico	Services	100	100	FC
BRAZIL					
Elektro Comercializadora de Energia Ltda.	Brazil	Retail supplier	53.5	52.91	FC
NC Energia, S.A.	Brazil	Retail supplier	53.5	52.91	FC
Neoenergia Operaçao e Manutençao, S.A.	Brazil	Services	53.5	52.91	FC
Neoenergia Servicios, Ltd.	Brazil	Services	53.5	52.91	FC
Termopernambuco, S.A.	Brazil	Energy	53.5	52.91	FC
Arizona 1 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Baguari Geraçao de Energia Eléctrica, S.A.	Brazil	Energy	53.5	52.91	FC
Bahia PCH II, S.A. Bahía Pequeña C. Hidroeléctrica	Brazil	Energy	53.5	52.91	FC
Bahia PCH III, S.A. Bahía Geraçao de Energia	Brazil	Energy	53.5	52.91	FC
Belo Monte Participações S.A	Brazil	Holding company	53.5	52.91	FC
Bonito 1 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Bonito 10 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Bonito 11 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Bonito 2 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Bonito 3 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Bonito 4 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Bonito 5 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Bonito 6 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Bonito 7 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Bonito 8 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Bonito 9 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Caetité 1 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Caetité 2 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Caetité 3 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Calango 1 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Calango 2 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Calango 3 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Calango 4 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Calango 5 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Calango 6 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Calango Solar 1 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Calango Solar 2 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Canoas 1 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Canoas 2 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Canoas 3 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Canoas 4 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Chafariz 1 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Chafariz 2 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Chafariz 3 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Chafariz 4 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Chafariz 5 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Chafariz 6 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Chafariz 7 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Companhia Hidrelétrica Teles Pires, S.A.	Brazil	Energy	27.29	26.98	EM
Elektro Renováveis do Brasil, S.A.	Brazil	Energy	53.5	52.91	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Energias Renováveis do Brasil, S.A.	Brazil	Energy	53.5	52.91	FC
Energética Águas da Pedra, S.A.	Brazil	Energy	27.29	26.98	EM
Energética Corumbá III, S.A. (4)	Brazil	Energy	13.38	13.23	EM
FE Participaçoes, S.A.	Brazil	Energy	53.5	52.91	FC
Força Eolica do Brasil 1, S.A.	Brazil	Energy	53.5	52.91	FC
Força Eolica do Brasil 2, S.A.	Brazil	Energy	53.5	52.91	FC
Geraçao Ceu Azul, S.A.	Brazil	Energy	53.5	52.91	FC
Geraçao CIII, S.A.	Brazil	Holding company	53.5	52.91	FC
Itapebí Geraçao de Energia, S.A.	Brazil	Energy	53.5	52.91	FC
Lagoa 1 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Lagoa 2 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Lagoa 3 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Lagoa 4 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Luzia 1 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Luzia 2 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Luzia 3 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Mel 2 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Renováveis, S.A.	Brazil	Holding company	53.5	52.91	FC
Norte Energia, S.A. (4)	Brazil	Energy	5.35	5.29	EM
Oitis 1 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 10 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 2 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 21 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 22 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 23 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Oitis 24 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	FC
Oitis 25 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 26 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 27 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	FC
Oitis 28 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Oitis 3 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 4 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 5 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 6 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 7 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 8 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Oitis 9 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Riachão 1 Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Riachão 10 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 11 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 12 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 13 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 14 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 15 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 2 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 3 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 4 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 5 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 6 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 7 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 8 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—
Riachão 9 Energia Renovável, S.A. (5)	Brazil	Energy	53.5	52.91	—

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Santana 1, Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Santana 2, Energia Renovável, S.A.	Brazil	Energy	53.5	52.91	FC
Teles Pires Participaçoes, S.A.	Brazil	Holding company	27.05	26.75	EM
Ventos de Arapuá 1 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Ventos de Arapuá 2 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Ventos de Arapuá 3 Energia renovavel, S.A.	Brazil	Energy	53.5	52.91	FC
Afluente Transmissao de Energia Elétrica, S.A.	Brazil	Energy	56.72	56.18	FC
Companhia de Eletricidade do Estado do Bahia, S.A.	Brazil	Energy	52.93	52.34	FC
Companhia Energética de Pernambuco, S.A.	Brazil	Energy	53.5	47.43	FC
Companhia Energetica do Rio Grande do Norte, S.A. (3)	Brazil	Energy	49.78	49.23	FC
EKTT 10 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	53.5	52.91	FC
EKTT 6 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	53.5	52.91	FC
EKTT 7 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	53.5	52.91	FC
EKTT 8 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	53.5	52.91	FC
EKTT 9 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	53.5	52.91	FC
Elektro Operaçao e Manutençao, Ltda.	Brazil	Services	53.5	52.91	FC
Elektro Redes, S.A.	Brazil	Energy	53.33	52.74	FC
Lanmóvil Amara Celular da Bahia, Ltd. (Lanmara) (5)	Brazil	Other	65	65	—
Neoenergia Atibaia Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Biguaçu Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia DistribuiçÃo Brasília, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Dourados Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Guanabara Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Investimentos, S.A.	Brazil	Holding company	53.5	52.91	FC
Neoenergia Itabapoana Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Jalapão Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Lagoa dos Patos Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Santa Luzia Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Sobral Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia Vale do Itajaí Transmissão de Energía, S.A.	Brazil	Energy	53.5	52.91	FC
Neoenergia, S.A.	Brazil	Holding company	53.5	52.91	FC
Potiguar Sul Transmissao de Energia, S.A.	Brazil	Energy	53.5	52.91	FC
S.E. Narandiba, S.A.	Brazil	Energy	53.5	52.91	FC
ROW					
Iberdrola Energy Deutschland, GmbH.	Germany	Retail supplier	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Iberdrola Solutions, LLC	United States	Retail supplier	100	100	FC
Iberdrola Energie France, S.A.S.	France	Retail supplier	100	100	FC
Iberdrola Clienti Italia, S.R.L.	Italy	Retail supplier	100	100	FC
Iberdrola Ireland, Ltd	Ireland	Retail supplier	100	100	FC
Citrobox Telecomunicações e Energías Renováveis, Lda	Portugal	Retail supplier	49	-	EM
Iberdrola Clientes Portugal, Unipessoal Ltda.	Portugal	Retail supplier	100	100	FC
Aalto Power, GmbH.	Germany	Energy	100	100	FC
Baltic Eagle, GmbH.	Germany	Energy	100	100	FC
Iberdrola Renovables Deutschland, GmbH.	Germany	Energy	100	100	FC
Iberdrola Renovables Development Deutschland, GmbH.	Germany	Energy	100	-	FC
Iberdrola Renovables Offshore Deutschland, GmbH.	Germany	Energy	51	100	FC
Windaker, GmbH.	Germany	Energy	100	100	FC
Autonomous Energy PTY, Ltd.	Australia	Energy	100	100	—
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, Ltd.	Australia	Holding company	100	100	FC
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 Holdings PTY, Ltd.	Australia	Holding company	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 (Australia) PTY, Ltd.	Australia	Financial	100	100	FC
Iberdrola Australia Investments PTY, Ltd.	Australia	Services	100	100	FC
Iberdrola Australia Energy Markets PTY, Ltd.	Australia	Retail supplier	100	100	FC
Iberdrola Australia RE, Ltd.	Australia	Services	100	100	FC
Iberdrola Renewables Australia PTY, Ltd.	Australia	Energy	100	100	FC
Iberdrola Australia SAGT PTY, Ltd.	Australia	Gas	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Iberdrola Australia Services Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Iberdrola Australia Services PTY, Ltd.	Australia	Services	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
Iberdrola Australia Wallgrove PTY, Ltd.	Australia	Other	100	100	FC
Infigen Energy Europe 3 PTY, Ltd.	Australia	Dormant	100	100	FC
Infigen Energy NT Solar Holdings PTY, Ltd.	Australia	Holding company	100	100	FC
Infigen Energy NT Solar PTY, Ltd.	Australia	Energy	100	100	FC
Infigen Energy, Trust	Australia	Energy	100	100	FC
Infigen Suntech Australia PTY, Ltd.	Australia	Energy	50	50	EM
Lake Bonney 2 Holdings PTY, Ltd.	Australia	Dormant	100	100	FC
Lake Bonney BESS PTY, Ltd.	Australia	Holding company	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 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	74.82	74.82	FC
Iberdrola Renewables Korea Co, Ltd.	Korea	Energy	100	-	FC
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
Aalto Power, S.A.S.	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 Renouvelables France, S.A.S. (Formerly Iberdrola Renovables France, S.A.S.)	France	Energy	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
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
SEPE de Bougueneuf, S.A.S..	France	Energy	100	100	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	99.76	-	FC
C. Rokas Industrial Commercial Company, S.A.	Greece	Holding company	99.76	99.76	FC
PPC Renewables Rokas, S.A.	Greece	Energy	50.88	50.88	FC
Rokas Aeoliki Thraki III, S.A.	Greece	Energy	99.61	99.61	FC
Rokas Construction, S.A.	Greece	Energy	99.76	99.76	FC
Rokas Hydroelectric, S.A.	Greece	Energy	99.76	99.76	FC
Thaleia Energeiaki Monoprosopi Ikei	Greece	Energy	99.76	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
Inis Ealga Marine Energy Park, Ltd.	Ireland	Energy	90	90	FC
Leeward Offshore Wind Farm, Ltd.	Ireland	Energy	90	90	FC
Iberdrola Renewables Ireland, Ltd.	Ireland	Energy	100	100	FC
Icube Renewables, S.R.L.	Italy	Energy	50	-	EM
Fattoria Solare Sarmato, S.R.L	Italy	Energy	100	-	FC
Green Frogs Montalto, S.R.L.	Italy	Energy	100	100	FC
Iberdrola Renovables Italia, S.p.A.	Italy	Holding company	100	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
Kioi Offshore Wind Power K.K.	Japan	Energy	50	50	EM
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
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
Sea Wind Spinaker, SP Z.O.O. (1)	Poland	Energy	70	70	EM
Southern Windfarm, SP Z.O.O.	Poland	Energy	100	100	FC
Passat Energy, SP Z.O.O.	Poland	Energy	100	100	FC
Wind Field Korytnica SP, Z.O.O.	Poland	Energy	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Eoenergi Energia Eolica, S.A.	Portugal	Energy	100	100	FC
Iberdrola Renewables Portugal, S.A.	Portugal	Holding company	100	100	FC
Parque Eólico 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 (Formerly BolagsrÄtt Sundsvall, AB)	Sweden	Energy	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 State 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
Innovation					
Aquí Tu Reforma Europa, S.L.	Spain	Services	8.35	8.35	EM
Balantia Consultores, S.L. (2)	Spain	Services	20.64	20.64	EM
Barbara IOT, S.L.	Spain	Services	10.49	-	EM
BasqueVolt, S.A.U.	Spain	Services	14.63	-	EM
Carbon2nature, S.A.	Spain	Services	100	-	FC
CO2 Revolution, S.L. (4)	Spain	Services	20	20	EM
Energyloop, S.A.	Spain	Services	45	-	EM
Fondo Seaya Andromeda Sustainable Tech Fund I F.C.R.	Spain	Services	16.63	-	—
Inversiones Financieras Perseo, S.L.	Spain	Holding company	100	100	FC
WallBox, N.V. (4)	Spain	Services	9.95	10.37	EM
Iberdrola QSTP, LLC	Qatar	Services	100	100	FC

Company	Address	Activity	% of direct or indirect stake		Method (*)
			31.12.2022	31.12.2021	
Eheat Networks, Ltd.	United	Services	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					
Energy, Innovation – Research, S.A.U. (5)	Spain	Other	100	100	—
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 Investments, 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 2022, the total asset value and earnings for the period corresponding to these companies amounted to EUR 32 million and EUR 3 million, respectively. At 31 December 2021, the total asset value and earnings for the period corresponding to those companies amounted to EUR 28 million and EUR 4 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 2022 AND 2021

Company	Address	Activity	% of direct or indirect stake	
			31.12.2022	31.12.2021
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	39.69	39.69
Sistema Eléctrico de Conexión Hueneja, S.L.	Spain	Energy	39.75	39.75
CampionWind, Ltd.	United	Energy	50	-
MarramWind, Ltd.	United	Energy	50	-
Torre Iberdrola, A.I.E.	Spain	Real Property	68.1	68.1

Additionally, the IBERDROLA Group takes part in joint operations through joint ownership and other joint agreements.

GROUP COMPANIES AT 31 DECEMBER 2021 THAT LEFT THE CONSOLIDATION SCOPE IN 2022 DUE TO DISPOSAL, MERGER OR LIQUIDATION

Company	Address	Activity	% of direct or indirect stake	
			31.12.2022	31.12.2021
Tecnatom, S.A.	Spain	Other	—	30
Electra Sierra de San Pedro, S.A.	Spain	Energy	—	80
Sociedad Gestora Parques Eólicos de Andalucía, S.A.	Spain	Energy	—	63.91
Batchelor Solar PTY, Ltd.	Australia	Energy	—	100
Infigen Energy Europe 5 PTY, Ltd.	Australia	Dormant	—	100
Lake Bonney Wind Power 2 PTY, Ltd.	Australia	Dormant	—	100
Manton Solar PTY, Ltd.	Australia	Energy	—	100
NPP Walkaway PTY, Ltd.	Australia	Dormant	—	100
Renewable Energy Constructions PTY, Ltd.	Australia	Energy	—	100
Walkaway (BB) PTY, Ltd.	Australia	Dormant	—	100
Walkaway (CS) PTY, Ltd.	Australia	Dormant	—	100
Bahia PCH II, S.A. Bahía Pequeña C. Hidroeléctrica	Brazil	Energy	—	53.5
Maupin Solar, LLC	United States	Energy	—	81.5
OSC-A 0522, LLC	United States	Energy	—	40.75
Vineyard Wind, LLC	United States	Energy	—	40.75
Anselmo León, S.A.U.	Spain	Energy	—	100
Iberdrola Infraestructuras y Servicios de Redes, S.A.	Spain	Services	—	100
Manweb Services, Ltd.	United Kingdom	Energy	—	100
Atten2 Advanced Monitoring Technologies, S.L.	Spain	Other	—	23.27

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 2022. This Appendix addresses the most significant developments.

1. European Union

Throughout 2022 and within the scope of European regulation, work continued on the *Fit-for-55* legislative package, the aim of which is to define objectives for 2030 compatible with climate neutrality in 2050. The package is expected to be approved in the first quarter of 2023. Most notable, however, is the European response to the energy price crisis stemming from the Ukrainian war, which has completely refocused the regulatory debate, and which must be framed in the context of the international gas price developments that accompanied the conflict. On another front, relevant measures have been taken in the area of sustainable finance.

Response to the consequences of the Ukraine Crisis

Since 8 March 2022, European Union (EU) bodies have been very active in response to the exceptional nature of the Crisis, when the European Commission published the Communication COM (2022) 108, REPower EU, analysing possible tools and conditions for government intervention in energy markets and to support consumers. Since then, the Commission has also stressed the need to increase the EU's energy independence, moving away from Russian gas and replacing it mostly with non-fossil options.

On 23 March 2022 and coinciding with an Extraordinary European Council on 24-25 March, the Commission adopted Communication COM (2022) 138 on security of supply and affordable prices, addressing possible avenues for public intervention on markets and their effects.

These proposals were complemented by Communication 2022/C 131 I/01, which sets out a temporary and specific framework for state aid in the context of the current Crisis and a proposal for a reform of the rules on gas supply security. The latter, which set minimum stocks for gas storage (80-90%) on 1 November each year, was quickly adopted and published in the OJEU on 30 June (Regulation (EU) 2022/1032 of 29/6/22 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 in relation to gas storage).

In addition, with the publication of the Communication COM (2022) 230 on the REPower EU Plan on 18 May, the Commission called for accelerating the energy transition, and joining forces across the EU to achieve a more resilient and integrated electricity system. The plan comprises four main lines of action: (a) saving energy, (b) diversifying gas supplies, (c) replacing fossil fuels with renewable energies, and (d) identifying the investments and funds needed to make the plan viable. States will be required to make more ambitious commitments when updating their energy and climate action plans to be adopted in June 2024, according to the Commission's Communication (2022/C 495/02), published on 29 December 2022.

Concurrently with the *EU REPower Plan* and with the aim of countering the effects of high electricity prices in the short term, the Commission recommended, through Communication COM (2022) 236 on Short-term energy market interventions, to prioritise less interventionist measures, which, if implemented, should be temporary and should not extend beyond the next winter season - until 1 May 2023.

On 20 July 2022, in Communication COM (2022) 360, “Save gas for a safe winter”, the Commission proposed a plan for a potential cut-off of Russian gas supplies through gas savings, as well as changes to the Temporary Framework for State Aid to address the crisis brought about by the war in Ukraine. It also made a proposal for a Regulation on coordinated gas demand reduction measures, which entered into force a few weeks later (Council Regulation (EU) 2022/1369 of 5 August 2022). The latter rule provides for a voluntary reduction of gas demand in each State (15%) during the period 1/8/2022-31/3/2023, but which may have binding force in the event of an alert. The demand reduction target could be lowered to 8%, if a state demonstrated weak interconnection, and was mainly export-oriented.

On 20 October 2022, Regulation (EU) 2022/1854, on an emergency intervention to address high energy prices, was published. While cautioning against the risk of uncoordinated measures, the Regulation accords States considerable flexibility in establishing their own measures and benchmarks. Some of the key elements of the measure include:

– Coordinated reduction in electricity demand: An indicative 10% monthly reduction in gross consumption and a binding 5% reduction in consumption during peak hours.
– Price cap for inframarginal technologies: Cap on market revenues of EUR 180 per MWh, applicable until 30 June 2023, for wind, solar, nuclear and hydro, among others.
– Mandatory, solidarity-based contribution for the oil, gas, coal and refining sector: temporary, of at least 33% and applicable on profits in 2022 and/or 2023 that are more than 20% higher than the average profit made in the period 2018-2021.
– Support measures for consumers: allowing (though not obliging) States to introduce regulated prices not only for domestic electricity consumers and micro-enterprises, but also for SMEs.

In December 2022 the European energy crisis response framework was rounded off with three legislative instruments on the following aspects:

– Council Regulation (EU) 2022/2578 of 22 December 2022, which develops a temporary European cap mechanism for forward contracts on organised virtual trading platforms. The mechanism would be triggered in the following situation: 1/ the thresholds of EUR 180 per MWh on the TTF market are exceeded for three consecutive days and, 2/ the one-month forward contract on the TTF market exceeds international liquefied gas prices by EUR 35. The mechanism will be in force from 15 February 2023 and will reviewed in November of the same year. It will not be activated in an emergency situation.
– Council Regulation (EU) 2022/2576 of 19 December 2022, which establishes a voluntary mechanism for the joint purchasing of gas by Member States.

– Council Regulation (EU) 2022/2577 of 22 December 2022 laying down a framework to accelerate the deployment of renewable energy, reducing the lead times for small photovoltaic, self-consumption and heat pump applications, and considering new applications for the development of renewables as being of overriding public interest (with each State having the option of extending the benefits to all applications).

Sustainable finance

The regulation on taxonomy (classification of sustainable activities) for European climate change mitigation and adaptation targets was completed in 2022, specifying the conditions for the inclusion of nuclear and gas-fired generation (Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022, supplementing Regulation (EU) 2019/2088). The transparency of activities is also reinforced, so as to clearly differentiate gas and nuclear generation from other activities considered sustainable (renewables, grids, renewable hydrogen, etc.).

On 14 December 2022, Directive (EU) 2022/2464 was published in the OJEU, setting out the rules and formats for sustainability reporting by large companies and certain SMEs, incorporating environmental, social, human rights and governance factors.

2. Spain

• Spanish electricity sector

The climate of high and volatile gas prices continued throughout 2022, aggravated by the effects of the war in Ukraine, which has increased prices in daily wholesale electricity markets across Europe. In Spain, consumers subject to the regulated price (Voluntary Price for Small Consumers – PVPC), pegged to market and not yet adjusted, and consumers who purchase their energy directly on the wholesale market or at prices referenced to it, were particularly affected by electricity price increases in the first quarter of the year, which led the government to adopt various market intervention measures, in addition to others focused on protecting vulnerable consumers.

Consumer protection and price intervention measures

Several Royal Decree-Laws (RD-Law 2/2022, RD-Law 6/2022, RD-Law 10/2022, RD-Law 11/2022, RD-Law 18/2022 and RD-Law 20/2022) have extended the protection measures of the social shield, which include the prohibition of electricity and natural gas supply cut-offs for vulnerable consumers, VAT reduction (up to 5%) and the special tax on electricity, suspension of the tax on electricity generation, Social Bonus discounts for vulnerable consumers (65%-80%), a 15% increase in subsidised energy and a new category with a 40% discount.

Under Royal Decree-Law 6/2022, a new system for financing the Social Bonus has been established, which is binding on all companies engaged in electricity activities, recognising the cost for all companies engaged in regulated activities.

The mechanism for revenue reduction due to soaring gas prices has also been extended until 31 December 2023, with a price limit for the underlying energy in the contracts set at EUR 67 per MWh.

Moreover, following approval by the European Commission, Royal Decree-Law 10/2022 establishes a temporary mechanism for adjusting production costs to reduce the price of electricity on the wholesale market until 31 May 2023. Through this mechanism, gas, coal and cogeneration plants will receive a subsidy for the difference between the MIBGAS price and a benchmark gas price (EUR 40-70 per MWh), the cost of which will be financed by the demand associated with contracts signed after 26 April 2022, plus demand associated with earlier contracts once they are renewed or extended.

The aforementioned Royal Decree-Law also establishes a mandate to review the formula for calculating the voluntary price for small consumers (PVPC) from 1 January 2023 (pending) so as to revise the indexation of the regulated regime for renewables and cogeneration, including a basket of prices between the spot market and the annual and quarterly futures markets. Indexation to futures markets will be gradual, reaching 75% by 2025.

Other measures have also been prolonged, including the 80% tariff relief for electro-intensive consumers and the possibility of modifying the contracted power without penalty. To offset these and other measures affecting the sector's revenues, various items have been allocated from the State Budget to guarantee the financial sustainability of companies operating within the sector.

Networks remuneration

Throughout 2022, various regulations were published revising the regulated remuneration of the electricity distribution activity for previous years. Order TED/490/2022, of 31 May, enforcing the Supreme Court judgment declaring that Order IET/980/2016, of 10 June, which establishes the remuneration of electricity distribution companies for 2016, is detrimental to the public interest. Order TED/749/2022, of 27 July, was also published, approving the incentive or penalty for the reduction of losses in the electricity distribution network for 2016, modifying the base remuneration for 2016 for several distribution companies, and approving the remuneration of electricity distribution companies for 2017, 2018 and 2019.

In addition, a Resolution was published that establishes the provisional distribution remuneration for 2022 equal to that of 2016, until the definitive remuneration is published.

Remuneration of renewable and cogeneration facilities

Royal Decree-Law 6/2022 establishes the extraordinary revision of renewable and cogeneration premiums in 2022, with no impact on the profitability of these facilities, since they will be offset throughout the rest of the regulatory life.

Royal Decree-Law 17/2022 allows mainland cogeneration plants to temporarily receive the generation market adjustment mechanism (gas cap) in exchange for waiving the regulated remuneration. It applies only to facilities under the specific remuneration regime, from the time they apply for registration under the adjustment mechanism (starting on the first day of the following month) until they apply for de-registration or the mechanism is discontinued. Thereafter, they will return to their previous regulated remuneration.

For cogeneration, Royal Decree-Law 20/2022 establishes that until the new calculation methodology is published, the regulated Operating Remuneration (OR) will be updated based on half-yearly variations in raw material and gas tariffs.

A series of Ministerial Orders updated the remuneration corresponding to the second calendar half-year of 2020 and the first calendar half-year of 2021 (Order TED/989/2022 of 11 October), the values of the operating remuneration corresponding to the first calendar half-year of 2019 (Order TED/990/2022 of 11 October), and the operating remuneration for the second half of 2021 for facilities whose operating costs depend essentially on fuel prices (Order TED/995/2022 of 14 October). As envisaged in Royal Decree Law 6/2022, the values for the extraordinary review of the remuneration parameters as of 1 January 2022 were also published (Order TED/1232/2022, of 2 December). Lastly, the operating remuneration (OR) for cogeneration and waste in the second half of 2022 was published (Order TED/1295/2022 of 22 December).

Promotion of renewable energy, storage and self-consumption

Successive Royal Decree-Laws on energy matters published in 2022 have incorporated measures to promote the development of renewable energies, electricity storage and self-consumption.

Royal Decree-Law 6/2022 sets out measures to expedite processing of projects (up to 150 MW in photovoltaic and up to 75 MW in wind), facilitate access to the grid for self-consumption facilities and authorise floating photovoltaic plants.

Royal Decree-Law 11/2022 amends certain aspects of the simplified processing of renewable projects regulated in Royal Decree-Law 6/2022. In particular, to be eligible, projects must now be located in areas of low sensitivity (previously low or moderate).

Royal Decree-Law 14/2022 classifies hybridisation with storage for metering anregistration purposes under Type 3. Hydroelectric storage is also promoted by permitting modifications to existing hydroelectric facilities by adding electronic power stages, provided the changes allow for reversible operation of the facility, without the generation technology itself being considered modified and therefore without the need to obtain new access permits. For self-consumption, the minimum time for remaining in one modality (with/without surpluses) is reduced from one year to four months and processing is streamlined for facilities ≤100 kW, limiting the time for activation of self-consumption by the distributor to two months.

Under Royal Decree-Law 17/2022, a maximum period of 15 days is established for the CNMC to prepare the mandatory report for the authorisation of facilities, with silence considered as approval and the possibility of a favourable report without detailed analysis if the project developer has already received another favourable report for the same technology in the last two years.

Lastly, Royal Decree-Law 18/2022 and Royal Decree-Law 20/2022 contain a final set of measures:

- Self-consumption via the grid: The distance for photovoltaic installations on roofs or on buildings is extended to 1 km. Subsequently, Royal Decree-Law 20/2022 increased the limit of self-consumption in proximity to 2,000 metres (previously 1,000 metres), for photovoltaic facilities on roofs, industrial land and artificial structures.

- More than one facility may be installed in the same cadastral reference.

- New obligation for grid operators to submit quarterly information to the System Operator on grid-connected self-consumption facilities.

- Direct lines: the obligation to belong to the same business group is waived for renewable production facilities that connect to a consumer.

- Small power facilities: exonerates facilities of up to 500 kW (previously 100 kW in Low Voltage) from the Prior Administrative Authorisation and Construction Authorisation.

- Free depreciation for investments in facilities for self-consumption of electricity, as well as facilities for thermal use for own consumption, provided that they use energy from renewable sources and replace facilities that used energy from non-renewable fossil fuel sources.

- In the nodes reserved for tender, the administrative procedures initiated are suspended for 18 months. Procedures are also simplified for renewable projects that fall within the competence of the State.

Access and connection

Royal Decree-Law 11/2022 abolishes the deadline for holding network capacity tenders (which expired on 29 June), and also provides that failure to comply with commitments under a capacity tender for the injection of energy will not result in the expiry of the permits.

Royal Decree-Law 14/2022 expedites transmission and distribution procedures, so that modifications to transmission and distribution facilities that have obtained prior administrative authorisation are entitled to obtain administrative authorisation for construction without requiring a new prior authorisation when certain conditions are met.

Royal Decree-Law 18/2022 maximises the use of access capacity by allowing promoters with an access permit granted for a capacity lower than the installed capacity to exceptionally inject a higher capacity, provided that it is a node subject to a tender and until the tender is held. In the case of tenders, the reserved capacity will be maintained, even if the initial conditions for calling the tender are no longer fulfilled.

Other regulatory issues

Electric vehicle (EV) charging services: Royal Decree 184/2022, of 8 March, which regulates electric vehicle charging services, implements the regulatory framework for providing public EV charging services.

- It regulates the charging point operator (CPO) as the owner of the rights to operate the charging point (CP) infrastructure and the electric mobility service provider company (EMSP), which is a "virtual operator" that can act as a third party providing mobility services without being the owner or operator of the CP. It establishes the conditions for interoperability between those roles, and includes a series of obligations and rights for both.

- It establishes obligations to submit information (CP specifications, prices and real-time availability), which will be detailed in a Ministerial Order and which derive from the provisions of both the Electricity Sector Act and the Climate Change and Energy Transition Act (real-time information on CPs through the Directorate General of Traffic's "Geoportal" system).

Incentives for renewable hydrogen: The IDAE has launched the first call for proposals for the H2 REN incentive programme for pioneering and unique projects (H2 Pioneers Programme) within the framework of the Recovery Plan. It has a budget of EUR 150 million and the maximum aid per project is set at EUR 15 million.

The IDAE Resolutions have also been published with the H2 REN Development Incentive Programme, with an endowment of EUR 250 million.

FNEE 2022 contributions: The Order establishing the contributions to the National Energy Efficiency Fund for 2022 has been published in the Official Spanish Gazette. As an innovation, it provides for the possibility of complying with the savings obligation on a voluntary basis by means of Energy Saving Certificates (ESC).

Active demand response service in the electricity market: Defined in Royal Decree-Law 17/2022:

- Mainland consumers of more than 1MW can opt to deliver reductions in remunerated demand (or increases in production, if available), in case of system need, for periods of up to three hours with 15 minutes' notice.
- The allocation is carried out through annual auctions managed by the System Operator, with the implementation period running from November to October of the following year. The first auction will be held before 1 November this year.

- The availability of power to be reduced will be remunerated according to the result of the auction, and the actual reductions in demand required by the System Operator, pursuant to the prevailing tertiary regulation price.
- Financing is provided by all consumers, according to their consumption, and by those responsible for the balance, according to their deviations.

New information on utility bills (RD-Law 18/2022):

- Information on average consumption in the same postcode area, and energy saving and efficiency recommendations.
- Information on tax reductions introduced by the government and on the reduction in the Spot cost due to the application of the Iberian adjustment mechanism.
- Free market bills are standardised in terms of how they present the cost of the Iberian adjustment mechanism. If the retail supplier passes on the cost of the adjustment mechanism to the customer on a differentiated basis (not included in the electricity price), the bill must clearly state that the customer has opted for this option and report the average price of the adjustment in the last calendar month.

Main and dominant energy operators: The CNMC Resolutions of 24 November published the lists of main and dominant operators. IBERDROLA remains the dominant operator in electricity and a main operator in electricity and gas. In the LPG fuel sector, Repsol and CEPSA are the dominant operators and are once again main operators together with BP and Naturgy (LPG).

Temporary levy: Law 38/2022 of 27 December, on the establishment of temporary levies on energy companies and credit institutions, was published during the period. For companies in the electricity, gas and oil sectors, the levy is set at 1.2% of their turnover, on a temporary basis for the years 2023 and 2024, applying to companies with main operator status. Companies carrying out regulated remuneration activities are excluded from this tax.

Transfers of funds from the General State Budget to the electricity sector: Under Royal Decree-Law 14/2022, a transfer of EUR 1,360 million is to be made to the Regulated Activities Settlements to offset the loss of revenue due to the suspension of the Tax on the Value of Electricity Production. In Royal Decree-Law 20/2022, EUR 2,000 million are made available for the 2022 settlements to compensate for the reduction in charges and EUR 113 million to compensate for the reduction in tariffs for electro-intensive users. It also provides that any surplus in the 2022 settlements will be carried forward to 2023.

- **Spanish gas sector**

Consumer protection measures: In the gas sector, price containment measures have also been adopted for consumers, materialised in the extension contained in Royal Decree-Law 11/2022 to the limitation of the increase in the last-resort tariff for gas included in Royal Decree Law 17/2021. This same Decree-Law extends the measures to make natural gas supply contracts more flexible, until the price of the daily product with delivery the following day at the Virtual Balancing Point, as published by the Iberian Gas Market (MIBGAS), remains below EUR 60 per MWh for ten consecutive daily trading sessions, and until 31 December 2022 at the latest. It also caps the maximum price of a cylinder of butane at EUR 19.95.

Royal Decree-Law 10/2022 provides aid to gas-intensive companies, which is extended to EUR 250 million under Royal Decree-Law 11/2022, including new sectors.

Royal Decree-Law 18/2022 creates a new transitional reduced tariff for residential communities with communal boilers, and extends the restriction on the increase in the LRT for gas, both until 31 December 2023. The possible deficit is covered by a EUR 3,000 million budget item in the General State Budget. The budget for the thermal bonus is also increased by EUR 225 million. The same Decree-Law also makes it easier to terminate gas contracts and associated additional services.

Other regulations published during the year include:

Biogas Roadmap: The Biogas Roadmap was approved. It identifies the challenges and opportunities for developing this renewable gas source and proposes a 3.8-fold increase in its production by 2030, exceeding 10.4 TWh.

3. United Kingdom

Energy Bill: In Summer 2022 a new Energy Bill was introduced to Parliament and started its progress through the House of Lords after which it will be considered by the House of Commons. The main provisions of the Energy Bill are (i) to promote low carbon hydrogen production by facilitating the introduction of a new business support model, (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 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.

Tariff cap: As required under the Domestic Gas and Electricity (Tariff Cap) Act 2018, Ofgem (Office of Gas and Electricity Markets) implemented a new price cap for default tariffs, including Standard Variable Tariffs (SVTs), on 1 January 2019. Following a review of the methodology for setting the allowance for wholesale energy costs within the cap, to mitigate the impact of market volatility on suppliers, Ofgem published its decision in August 2022. With effect from 1 October 2022, different hedging assumptions apply and the tariff cap is adjusted every quarter, on 1 January, April, July and October (previously every 6 months). The Energy Prices Act which was enacted on 28 October 2022 removed the end date for the cap (previously end 2023) and gave the Secretary of State the power to terminate the tariff cap at any time. Ofgem issued a further consultation in November 2022 on its review of the EBIT margin allowance in the price cap methodology.

Energy bill support: The Government introduced three Government-funded schemes to help households and businesses with exceptionally high energy bills in the winter of 2022/23:

- An ‘Energy Bill Support Scheme’ (EBSS), whereby suppliers offer a £400 credit to domestic electricity customers over a six-month period (October 2022 to March 2023), worth £67 per month.

- An 'Energy Price Guarantee '(EPG) for household customers. This EPG caps a household's energy bill at £2,500 between October 2022 and March 2023 and £3,000 between April 2023 and March 2024. It was complemented by direct government support for low-income households.
- An 'Energy Bill Reduction Scheme' (EBRS) for non-domestic customers. This scheme runs from October 2022 to March 2023 and allows suppliers to offer a discount on energy prices to non-household customers. In January 2023, the Government announced that the EBRS would be replaced by a new Energy Bill Discount Scheme (EBDS) from April 2023 to March 2024 which would offer a lower level of support than the current EBRS.

RIIO-ED2: The next five-year RIIO-ED2 distribution network price control will run from 1 April 2023 to 31 March 2028. Ofgem published its final determinations for RIIO-ED2 on 30 November 2022. Ofgem's approach to the cost of capital was unchanged from the transmission network price control (RIIO-T2); based on latest market indices, this gave a cost of equity of 5.23% and average cost of debt of 3.07%.

Contracts for Difference: The UK Government progressed with its fourth Contracts for Difference (CfD) Allocation Round ('AR4') to support renewable generation, including offshore and onshore wind power and solar photovoltaics. The AR4 auction bid window closed on 15 June and the auction results were announced on 7 July 2022. In total, 93 CfD contracts were awarded, totalling 10.8GW of capacity. ScottishPower Renewables were awarded 16 contracts: East Anglia 3 (1.37GW), 5 onshore wind projects (totalling 396MW) and 10 solar PV projects (totalling 326 MW). The Government also announced a move towards holding future CfD allocation rounds on an annual basis starting with the next CfD auction – Allocation Round 5 – for which it is planning to open the eligibility window in March 2023. This will be based on two auction Pots: Pot 1 for 'established' renewable technologies, including fixed bottom offshore wind, onshore wind and solar PV; and Pot 2 for 'less established' renewable technologies, including floating offshore wind. However, the detailed final auction parameters and Budget Notice are still to be published.

Electricity Generator Levy**:** in November 2022 the UK Government announced the introduction of the infra-marginal Electricity Generation Levy (EGL), with application to renewable and nuclear generation from 1 January 2023 to 31 March 2028. It is a 45% levy on revenues from such generators above an annual benchmark of £75/MWh indexed to CPI inflation. This Levy rate does not apply to power sold under a Contract for Difference (CfD) with the Low Carbon Contracts Company Ltd (LCCC) but does apply to power sold on a merchant basis. The legislation implementing the Levy is expected to be enacted in Spring 2023.

4. US law and regulations

Biden Administration

During his second year in office, President Biden continued efforts to enhance federal investment in clean energy and critical infrastructure through new legislation and regulatory actions. Significant actions include advancing offshore wind leasing across both the Atlantic and Pacific coasts, example lease areas include the coasts of New York, New Jersey, central and northern California, and the Gulf of Mexico.

In September, the Department of Energy (DOE) opened applications for the $7 billion regional clean hydrogen hubs programme (H2Hubs) funded by the IIJA. Following the submission of concept papers in November, DOE sent notices to 33 (of 79) hydrogen hub applicants to formally “encourage” the submission of a full application for funding.

In November, DOE opened applications for the $10.5 billion Grid Resilience and Innovation Partnerships (GRIP) Programme, also funded by the IIJA. GRIP will focus on three areas: Grid Resilience Utility & Industry Grants ($2.5 billion), Smart Grid Grants ($3 billion), and Grid Innovation ($5 billion). Funding will be made available in tranches over the next few years with approximately $3.8B for FY23

Separately, the Treasury Department issued initial guidance on the prevailing wage and apprenticeship requirements contained in the IRA, interim guidance on the new corporate alternative minimum tax (CAMT), and solicited comments on guidance to implement the IRA’s energy tax provisions.

Congress

In August, Congress passed and President Biden signed the $700B Inflation Reduction Act (IRA). The IRA provides new and extended long term tax credits for renewable energy deployment, including onshore/offshore wind, solar, storage, and green hydrogen. It also allows transferability of the tax credits, allowing a taxpayer to sell tax credits to another party for cash, and the direct payment of credits for clean hydrogen production. The IRA makes changes to corporate taxes imposing a 15% Alternative Minimum Tax on adjusted financial statement income for corporations with $1B+ in profits ($100M+ if foreign-parented). Implementation of the IRA tax provisions will require U.S. Treasury guidance, which could take up to one year and is subject to additional analysis and review.

In November, Congressional midterm elections were held. In the Senate, Democrats gained one seat, retaining their narrow majority (51-49). In the House, Republicans were able to secure a narrow majority (222-213). The divided government lowers the likelihood of new major legislation in 2023 and 2024.

Tariffs

In December, the Department of Commerce issued an affirmative preliminary determination in a solar circumvention investigation, in which Auxin Solar claimed that solar cells and modules imported from Cambodia, Malaysia, Thailand and Vietnam were avoiding duties on Chinese goods. The preliminary determination only identified four producers that were deemed to not be circumventing. All other producers in the four countries would be subject to duties after the Presidential Proclamation expires on 6 June, 2024. The final determination is expected in May and may result in additional changes.

On 21 June, the Uyghur Forced Labor Prevention Act went into effect. U.S. Customs and Border Protection (CBP) is now operating under the presumption that imports of all goods manufactured wholly or in part in the Xinjiang region, including solar panels and component parts, are made with forced labour and are prohibited from entry into the United States. Importers must prove otherwise in order to import products from the Xinjiang region.

FERC

In December, FERC Chair Richard Glick departed the Commission after Senate Energy and Natural Resources Committee Chair Joe Manchin (D-W. Virginia) declined to hold a hearing on Glick's renomination. Glick's departure leaves FERC with four Commissioners, evenly split between Democrats and Republicans. President Biden has named Commissioner Willie Phillips as Acting Chairman until the Administration is able to nominate and confirm a permanent chair.

On 15 December, FERC unanimously opened a rulemaking to address its backstop siting authority for transmission networks. The proposal includes requirements for developers to engage with landowners near potential transmission lines before they can acquire a right-of-way. FERC is aiming to revise as needed and finalize the rule in 2023. Additionally, FERC directed the North American Electric Reliability Corporation (NERC) to assess potential new requirements for safeguarding electric transmission stations and substations in light of the recent attack on a substation in North Carolina.

On 30 November, FERC approved 4 – 0 a plan by PJM Interconnection to address a significant backlog of energy projects waiting to connect to the grid. Going forward, PJM will prioritize projects which are ready to enter operation instead of when they were filed.

New York – CLCPA Implementation Targets

In September 2021 the NYPSC published an Order to implement the Accelerated Renewable Energy Growth Act designed to meet the objectives of the New York Climate Leadership and Community Protection Act (CLCPA). Based on this order, in January 2022, NYSEG applied to the NYPSC for approval for 23 projects to improve grid reliability and increase grid capacity by 2.8 GW with a view to facilitating the connection of renewables between 2025 and 2029 for an investment of USD 1,900 million. Subsequently, in March 2022, NYSEG applied to the NYPSC for a second phase, with the aim of increasing grid capacity by 2 GW, with an investment of USD 2,250 million.

At the end of 2022, the NYPSC approved a USD 98 million package for NYSEG to fund the early stages of development of 27 projects aimed at achieving the goals of the CLCPA.

New York – Delinquency relief for vulnerable customers

The Governor of New York signed off on a series of measures to reduce the utility debt of vulnerable customers (estimated at USD 590 million across New York). Approval was granted to include a USD 250 million provision in the state's general budget to finance part of the debt, and the remaining amount was authorised to be pooled among all New York consumers, so that companies can recover it via bill charges.

New York – Rate Case

On 26 May, NYSEGR and RGE submitted their proposed rate review for the period May 2023 – April 2024 to the New York Public Service Commission (NYPSC). The NYPSC Staff replied in September, proposing certain modifications to the requested rate increase.
The final amount of the increase is currently being negotiated with the NYPSC Staff, as well as the possibility of setting 3-year rates (May 2023 – April 2026), which would allow the agreed rate increase to be rolled forward.

Maine – Withdrawal of 100 bp ROE adjustment

On 17 February 2022, the Maine Regulatory Commission withdrew a 100bp ROE adjustment from CMP (effective March 2020) after finding that the company was meeting its quality of supply and quality of service targets.

Maine – New standards of service

A new bill was passed in May 2022 to guarantee the quality of service provided by operators. This bill calls for new metrics to be developed to monitor the reliability of the grid, the quality offered to customers and distributed generation connectivity. It also provides that fines collected for breaches of these standards should be reallocated to vulnerable customers.

Maine – CMP Rate Case

On 11 August 2022, CMP submitted its proposed rates for the July 2023 – June 2026 period to the Maine Regulatory Commission (MPUC). The MPUC Staff held a positive view of the proposal, but was concerned about the lack of mechanisms to monitor compliance with a multi-year agreement (rates approved in recent years had a one-year time horizon). On 7 February, CMP submitted its response to the Staff's assessment, including a proposal for compliance monitoring mechanisms.

Connecticut – EV Charging Program

The Connecticut regulator has launched the first phase of its plan to roll out an electric vehicle charging infrastructure. In this first phase, with a three-year term (2022-2024), distributors will process the granting of subsidies for the installation of charging points. Meanwhile, UI-D will manage an amount of USD 18 million, which will be recovered through tariffs.

Connecticut – Innovative Energy Solutions Program

The Connecticut regulator has announced the launch of the Innovative Energy Solutions (IES) programme, allocating USD 89.6 million over 2023-2026 to developing grid modernisation projects and innovative products and services for customers.

Connecticut – Bill Reduction Plan for vulnerable customers

On 2 December 2022, the Governor of Connecticut unveiled a package of measures to mitigate rising electricity bills as a result of higher energy prices:

- UI will contribute USD 3 million to help pay vulnerable customers' bills and bring forward to 1 January the repayment of a regulatory liability for power purchases under the Power Purchase Agreement (PPA) system (USD 28 million for UI).
- In addition, work will continue on designing a rate aimed at vulnerable customers that can be applied in 2023.

Connecticut – UI Rate Case

On 9 September 2022, UI submitted its proposed rates for the period September 2023 – August 2026 to the Connecticut Regulatory Commission (PURA). UI aims to improve customer service by increasing the reliability, resilience and intelligence of its networks by implementing a number of programmes that require rate increases of 5% per annum. The Office of Consumer Counsel (OCC) raised objections to the UI proposal, requesting certain adjustments thereto. UI has rebutted the OCC's submissions by reiterating its initial proposal.

Berkshire Gas Rate Case 2023-2025

In October 2022 the Connecticut regulator ratified the agreement reached with the Attorney General for BGC's new rates (Rate Case 2023-25). Highlights include an approved ROE of 9.70% and an Equity Factor of 54%.

FERC

On 21 April 2022, FERC passed (with four votes in favour and one against) a proposal for a regulation on transmission planning and cost allocation. The proposal will require transmission grid owners to engage in long-term planning (at least 20 years) that addresses future energy generation mixes, especially renewables.

On 16 June 2022, FERC unanimously approved a proposed bill to accelerate the current grid connection process for new electricity generation facilities, primarily wind and solar. The proposal seeks to address backlogs in interconnection procedures, providing greater certainty and avoiding undue discrimination against new generation.

5. Mexico

Regulatory environment in Mexico

Reform to amend the Electricity Industry Act: This reform, published in March 2021, aims to prioritise the dispatch of CFE's energy over that of the private sector and at the same time restrict the development of new private projects. The measures have a negative impact on renewable energies and distort free competition in the electricity market.

The aggrieved parties have lodged legal appeals, most of which are still pending decisions. Iberdrola México has filed suits to seek protection of its constitutional rights (amparo proceedings), obtaining binding injunctions temporarily suspending its application. A group of senators filed an action of unconstitutionality and the Federal Economic Competition Commission filed a constitutional complaint. The Supreme Court of Justice of the Nation (SCJN) delivered a ruling on both appeals in April 2022, finding that there were no elements to declare the reforms unconstitutional. Until such time as this ruling was issued, the amparo proceedings brought by private parties were stayed. On 17 October 2022, the SCJN lifted the suspension, resuming the proceedings to resolve these lawsuits. On 25 January 2023, the Second Chamber of the SCJN decided to review two amparo actions brought by private parties against the Electricity Industry Act Reform, and the outcome of these court proceedings will be known in the next few months.

The stay granted to Iberdrola Mexico has remained in force and is awaiting resolution of the proceedings in the coming months.

Mexico announces new climate commitments. In the context of COP 27, Mexico pledged to increase its Nationally Determined Contribution (NDC) to reduce its CO_2 emissions by 35% by 2030. This commitment entails adding the 40 GW of new renewable capacity that will be needed to meet this target.

SENER's Natural Gas Strategy. On 13 June 2022, the Energy Secretariat (SENER) issued the Natural Gas Supply Strategy to optimise the capacity of the National Integrated Natural Gas Transport and Storage System (SISTRANGAS). The Strategy aims to compel users of SISTRANGAS or private pipelines that connect to this system to prove that their gas originates from the Federal Electricity Commission or Petróleos Mexicanos.

The Federal Economic Competition Commission filed a constitutional complaint against SENER's strategy before the SCJN, obtaining a provisional suspension on 6 September 2022. As a result of the dispute, the SCJN confirmed the suspension as definitive pending the resolution of the merits of the case.

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, oil and natural gas. Consultations are ongoing and it is expected that an amicable solution will be reached or an arbitration panel will be opened in the course of 2023.

On 10 and 11 January 2022, the tenth North American Leaders' Summit took place, but despite the expectation that the issue would be on the agenda, no formal agreement was reached in this regard. The option of initiating arbitration remains open.

Renewables business and Customers

Regulations of a general nature

- **Conventional transmission tolls.** In May 2020, the regulator approved the increase of the transmission tariffs (energy tolls) for conventional self-supply technologies. IBERDROLA filed an injunction and requested interim measures, which were denied. In December 2021, the first instance judgement dismissing the amparo was published. An appeal for review of this decision has been lodged and is due to be resolved in the coming months.

- **Transmission charges.** On 8 September 2022, IBERDROLA was granted injunctive relief against the increase in transmission charges published in May. This increase affects renewable power plants and efficient cogeneration in self-supply. The CRE appealed the injunction and is awaiting the second instance ruling.

6. Brazil

Legal framework for mini and micro distributed generation On 7 January 2022, Law 14,300 was published, which established the legal framework for mini and micro distributed generation (MMDG). It was established that units that already have MMGD and those that join within 12 months of the publication of this law will retain the current benefit until December 2045. For consumers joining after 12 months, a transition rule has been established with staggered partial charges each year until full collection of the tariff components aimed at compensating the distributors (TUSD Fio B) is reached in 2029. A grant to supplement with resources from the Energy Development Account (EDC) will be made available during the transition.

Water Scarcity Account: On 14 January, Decree 10,939/2022 was published, authorising the creation of the Water Scarcity Account by the Electricity Retail Supply Chamber (CCEE). This account was earmarked to receive resources to cover all or part of the additional costs stemming from water scarcity for distributors, as well as the payment deferrals established in the latest pricing processes associated with macroeconomic issues (inflation, exchange rates and high international fuel prices). On 18 March, ANEEL defined the criteria and procedures for managing the Account and in May (1st transfer) BRL 371.6 million was released to Neoenergia's distributors.

Legal framework for offshore generation: On 25 January, Decree 10,946/2022 was published, regulating the transfer of the use of physical space and the use of natural resources for offshore energy generation. This energy generation will be exploited by means of an assignment of use agreement, which may be for a fee (operation of the power plant) or free of charge (technological R&D activities). On 20 October, Regulatory Ordinance 52/GM/MME was published, establishing the procedures for the transfer for valuable consideration and delegating authority to ANEEL to sign the assignment of use agreement. The Single Portal for the Management of the Use of Offshore Areas for Generation and Energy was also created through Inter-ministerial Ordinance MME/MMA no 3, which will consolidate all the services for offshore energy production permit applications and monitoring.

Updating of the WACC 2022: On 23 February, ANEEL published Order 544 updating the values of the regulatory Weighted Average Cost of Capital (WACC) of the Generation, Transmission and Distribution segments applied to the processes examined from March 2022 to February 2023. The WACC (net after tax) applied to distributors in the period was 7.15%, while in 2021 it was approximately 7.02%. For listed distributors and plants it was 6.93%, while in 2021 it was approximately 6.76%.

Water Scarcity Charge: In April, the Electricity Sector Monitoring Committee (CMSE) established that as of 16 April the Water Scarcity Charge would be lifted. The Chamber for Hydropower Exceptions (CREG) had previously introduced this charge to cover the additional costs of combating water scarcity.

Neoenergia Coelba and Neoenergia Cosern tariff adjustments: In April, ANEEL's Board of Directors published the tariff adjustment for Coelba and Cosern, effective as of 22 April 2022. The average impact for Coelba consumers was 21.13% (20.54% for high and medium voltage and 21.35% for low voltage) and for COSERN it was 20.36% (19.75% for high and medium voltage and 20.55% for low voltage).

Tariff adjustment at Neoenergia Pernambuco: In April, ANEEL's Board of Directors published the tariff adjustment for Neoenergia Pernambuco, effective as of 29 April 2022. The average impact for consumers was 18.98% (19.01% for high and medium voltage and 18.97% for low voltage).

New Energy Auction "A-4": On 27 May, the new energy auction A-4 for 2022 was held for the procurement of energy from hydroelectric, wind, solar photovoltaic and biomass thermoelectric projects, with supply starting in January 2026. This resulted in 29 winning projects, totalling almost 950 MW of installed capacity and 237.5 MW of average contracted power.

ICMS ceiling for essential services: On 23 June, Supplementary Law 194/2022 was published, fixing a ceiling for the ICMS tax on the fuel, gas, electricity, communications and public transport sectors. The text limits taxation to 18% when such services are classified as essential and provides for ICMS to be waived for transmission and distribution services and their respective charges.

ICMS credits under PIS/COFINS: On 28 June, Law 14,385/2022 was published, which regulates the refund of tax amounts collected in excess by electricity distribution public service providers as a result of the ICMS assessment on PIS and Cofins tax bases. On 13 July, Authorisation Resolutions 3055, 3056 and 3057, respectively, were published for Neoenergia Pernambuco, Neoenergia Coelba and Neoenergia Cosern, resulting from the Extraordinary Rate Review triggered by the application of the Law. The average impact for Neoenergia Pernambuco consumers was -4.07%, for Neoenergia Coelba -0.50% and for Neoenergia Cosern -1.54%.

Updates to the additional values of the Rate Flags: Authorisation Resolution 3051/2022, published by ANEEL on 29 June, established the new additional values of the Rate Flags for the period from July 2022 to June 2023. The Yellow Flag was readjusted from BRL 18.74/MWh to BRL 29.89/MWh (up by 59.5%). Red Flag Level 1 was readjusted from BRL 39.71/MWh to BRL 65.00/MWh (up by 63.7%). Lastly, Red Flag Level 2 was readjusted from BRL 94.92/MWh to BRL 97.95/MWh (up by 3.2%).

Transmission Auction no 1/2021: On 30 June, transmission auction no 1/2022 was held, with 13 lots tendered and an average reduction of 46.16%. Neoenergia was awarded two lots: (i) Lot 2: for the implementation of substations and transmission lines in the states of Minas Gerais and São Paulo, with a bid value of BRL 360 million (50% reduction), an estimated investment of BRL 4,940 million and a completion period of 60 months; (ii) Lot 11: substations and transmission lines in the state of Mato Grosso do Sul, with a bid value of BRL 38.2 million (45.74% reduction), an estimated investment of BRL 500 million and a completion period of 48 months. On 30 September 2022, the public power transmission service agreements were signed between the Federal Government and Neoenergia.

Admissibility of the extraordinary tariff review (Covid-19): On 15 July, Communication 1890/2022 (SGT/ANEEL) was published, recognising the admissibility of applications for extraordinary tariff revisions due to the Coronavirus pandemic from seven energy distribution operators, including Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern and Neoenergia Brasília. ANEEL indicated that a process had been opened to analyse the merits of the applications. The next steps will be for the technical area to present the proposal and for the public consultation to be opened.

On-line loan of EDC resources: On 22 July, ANEEL published Order 1,959, which fixed the amounts contributed to the Energy Development Account (CDE) by Eletrobras. This resource was transferred to the CDE in accordance with the mandate contained in Law 14,182/2021 (privatisation of Eletrobras), which made the grant of new concessions conditional upon Eletrobras or its subsidiaries paying the CDE 50% of the value added to the concession under the new contracts. On 27 July 2022, Neoenergia's distribution companies received a total of BRL 829.38 million, which represents approximately 15.72% of the total distributed.

Neoenergia Elektro rate readjustment: In August, the Management of ANEEL published the Neoenergia Electro rate readjustments, applicable as of 27 August 2022. The average impact for consumers was 15.77% (23.72% for high and medium voltage and 11.61% for low voltage).

Changes in the TUST calculation method: Regulatory Resolution 1021/2022 abolished the transition period envisaged for calculating the Transmission System Use Tariff (TUST) for generators whose TUST had previously been established on the basis of Regulatory Resolution 267/2007. Subsequently, Regulatory Resolution 1024/2022 established the end of tariff stabilisation for generators while at the same time creating the Tariff Development Mechanism. This mechanism seeks to avoid excessive volatility in the annual recalculation of the TUST for generators. ANEEL Regulatory Resolution 1041/2022 was published on 23 September 2022, following phase three of Public Consultation 39/2021, aimed at improving the regulation on the Local Signal of Transmission System Use Tariffs (TUST) and Distribution System Use Tariffs for generation plants connected at 88 kV and 138 kV (TUSDg). The decision was taken to progressively intensify the localisation signal over five tariff cycles.

Liberalisation of the high-voltage market: On 28 September, Ministerial Order 50/GM/MME was published, stipulating that, as of 1 January 2024, high-voltage consumers may choose to purchase electricity from any operator, permit holder or authorised energy supplier in the National Interlinked System (SIN). Those with an individual load of less than 500 kW are required to be represented by a retail agent before the CCEE.

Reserve Capacity Auction – Energy: The Reserve Capacity Auction was held on 30 September in the form of energy from natural gas-fired thermoelectric generation companies under the terms of Article 20 of Law 14,182 of 2021. Contracting of 2,000 MW was envisaged, with 1,000 MW destined for the Northern Region, to start supplying on 31 December 2026, and 1,000 MW destined for the Northeast Region, to start supplying on 31 December 2027. This resulted in an average of 669.5 MW contracted in the North Region product alone, through three thermoelectric plants (UTE Manaus, Azulão II and Azulão IV). There was no reduction in relation to the initial price of BRL 444/MWh.

New Energy Auction "A-5" 2022: On 14 October, New Energy Auction "A-5" 2022 was held, which concluded with the contracting of 176.8 MW of average power and an average price of BRL 237.48/MWh (discount of 26.38%). This was the first tender to include the reservation of 50% of the demand for small hydroelectric power plants (PCHs and CGHs), according to Law 14,182 (privatisation of Eletrobras). The source had a discount of 20.46% in relation to the initial price of BRL 352/MWh, contracting 12 plants and providing 101.6 average MW of physical guarantee.

Neoenergia Brasilia rate adjustment: In April, the Board of Directors of ANEEL published the Neoenergia Brasilia rate readjustment, applicable as of 3 November 2022. The average impact for consumers was 22.55% (24.94% for high and medium voltage and 21.58% for low voltage). At the end of October, the Federal District Government published Decree 43,893, regulating the exemption of ICMS in the Distribution System Use Tariff, provided for in Complementary Law 194/2022. Overall, considering the reduction in the ICMS calculation base, the average impact on consumers was 11.17%.

Review of physical guarantees of hydroelectric power plants: On 2 December, the Ministry of Mines and Energy (MME) published Ordinance 709/2022, which contains the new values for the physical guarantee for hydroelectric power plants, effective as of 1 January 2023. The review covered 120 plants dispatched centrally by the National System Operator (ONS). In Neoenergia's case, the following plants were eligible for the new values: Baguari (readjustment from 84.7 to 81.9 average MW), Corumbá III (readjustment from 49.3 to 47.0 average MW), Dardanelos (readjustment from 154.9 to 147.2 average MW), Itapebi (readjustment from 209.1 to 202.1 average MW) and Teles Pires (readjustment from 939.4 to 964.2 average MW).

Pending transmission concessions: On 29 December, Decree 11,314 was published, regulating the rules for tendering and extending transmission concessions at the end of their term. Under the Decree, compensation for the non-depreciated assets of the expiring concession must be paid by the winner of the auction to the former operator as a condition for signing the new contract. The tender notice may provide for a transitional period, after the date of execution of the agreement and at the discretion of the successful bidder, for the transfer of assets and the takeover of the concession service. The Decree also states that it is up to the licensing authority to decide on the possible extension of existing concessions, provided that the bidding process is found to be unworkable or detrimental to the public interest. The Neoenergia group's Afluente T transmitter is on list of concessions that expire on 8 August 2027.

CONSOLIDATED MANAGEMENT REPORT 2022

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

IBERDROLA's corporate purpose, which is aligned with the Sustainable Development Goals of the United Nations 2030 Agenda, reflects the main trends in society and addresses significant economic, social and environmental challenges, while mirroring stakeholder expectations and defining IBERDROLA's role as an agent of social change and transformation in the energy sector. It is articulated in the maxim: "To continue building together each day a healthier, more accessible energy model, based on electricity".

This purpose expresses:

- The IBERDROLA Group's commitment to the well-being of people and the preservation of our planet.
- The IBERDROLA Group's commitment to a real and comprehensive energy transition which, based on the decarbonisation and electrification of the energy sector and of the economy as a whole, contributes to the Sustainable Development Goals (SDGs), in particular, with regard to the fight against climate change and generates new opportunities for economic and social development.
- The realisation that 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 digital transformation is also healthier for people, whose wellbeing depends on the environmental quality of their own surroundings.
- The aspiration that the new energy model will also be more accessible to all and favour inclusiveness, equality, equity and social development.
- The resolve to promote this new model in collaboration with all the players involved and with society as a whole.

To achieve this Purpose, the IBERDROLA Group has consolidated its corporate values into the following concepts:

- **Sustainable energy**: the group aims to inspire by creating economic, social and environmental value for all the communities in which it operates and with the future firmly in mind.
- **Integrating force**: the group works with great strength and a deep sense of responsibility, combining talents towards a Purpose that will benefit everyone involved.
- **Driving force**: the group makes small and large changes a reality with the aim of making people's lives easier, while being efficient and highly self-demanding, always in pursuit of continuous improvement.

IBERDROLA firmly believes that the transition to a carbon neutral economy by 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 is why the group is committed to spearheading the energy transition, a journey it embarked on 20 years ago and which has led it to invest EUR 120,000 million in that period.

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

1. Meeting the expectations of its Stakeholders
2. Investment is focused on regulated businesses or businesses with long-term contracts, which provide consistent and recurring cash flows.
3. Accelerating the growth of renewable activities, mainly offshore wind, photovoltaic and green hydrogen production, to meet established decarbonisation targets.
4. Geographical diversification, with presence in a growing number of countries.
5. The dividend policy is geared towards a reliable and growing dividend in line with the increase in the company's earnings.
6. Maintaining a solid financial position, allowing investment targets to be met.

1.2 Business model

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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 in dozens of countries, has more than 600,000 shareholders and a workforce of more than 40,000 people, and holds more than EUR 155,000 million in assets.

We lead the energy transition towards a sustainable model through investments in renewables, smart grids, large-scale energy storage and digital transformation to offer cutting-edge products and services to our customers.

IBERDROLA and its subsidiaries and affiliates conduct their activities in almost 30 countries. The Group concentrates a substantial part of its activity in Spain, the United Kingdom, the United States, Brazil and Mexico; as well as in Germany, Portugal, Italy, France, Ireland and Australia. It has also signed several agreements to start developing offshore wind projects in new markets: Sweden, Poland, Japan, Taiwan, Vietnam, etc.

The General Corporate Governance Policy contains a summary of the basic principles regulating the corporate governance of the Company and the Group and of its most important components. They are all available on www.iberdrola.com.

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:

- Renewables, wind (onshore and offshore), hydroelectric and photovoltaic.
- Electricity and gas transmission and distribution.
- Storage both at large scale, through reversible hydropower, in grids and generation assets, and at end-user level.
- New technologies, such as Hydrogen from clean energy sources.

- Electricity and gas retail supply.
- Energy services for our customers: with innovative Smart solutions in the following areas:
    - residential, with services including energy storage, heat pumps, self-consumption, electric mobility, solar, 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:

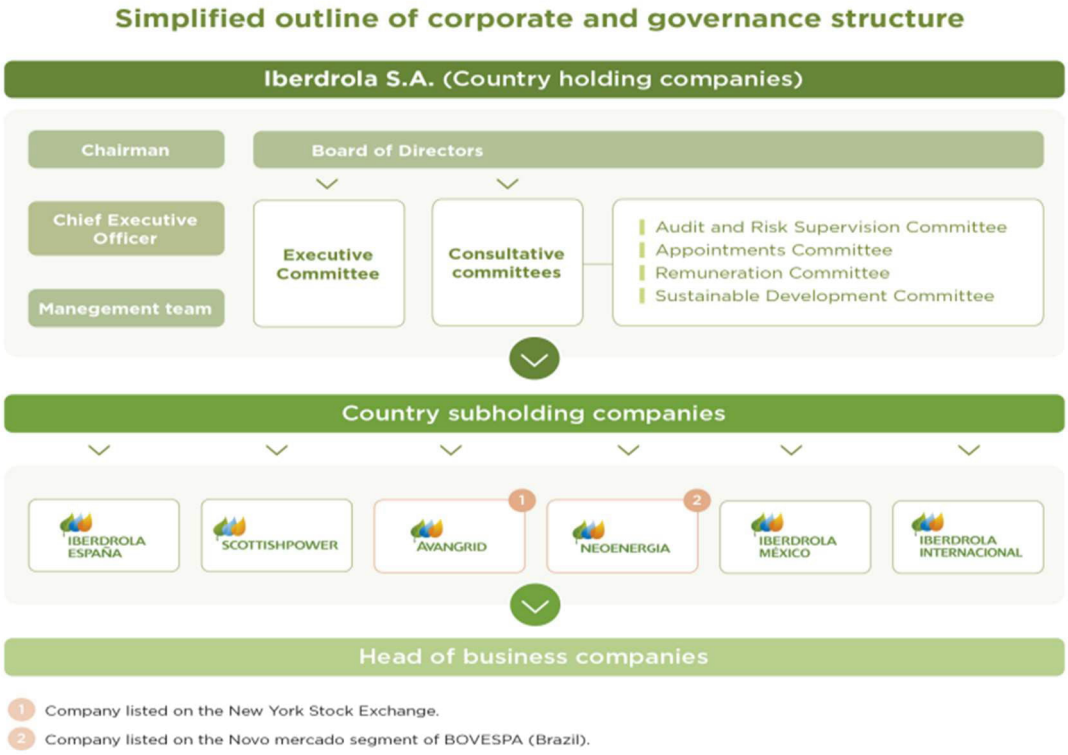
- the Networks business manages distribution activities in Spain and transmission and distribution activities in the United Kingdom, the United States and Brazil, as well as regulated energy retail supply in the United States and Brazil and any other regulated activity that the group carries out in these 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 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.

The corporate and governance structure of the IBERDROLA Group is set out in the following diagram:



1.6 Organisation of the board, or of the bodies to which it delegates its decision-making, including control functions and the policy followed with the group's minority shareholders

A comprehensive description of the governance structure of the Company and of the functions and internal regulations of the committees can be found in section C of the Annual Corporate Governance Report, which forms part of this Management Report.

1.7 Regulatory framework for the activities

A comprehensive description of sector regulations and of the operation of the electricity and gas system in the markets in which the Group operates can be found in Appendix II ("Sector regulation: most significant regulatory developments in the year") to the Financial Statements.

1.8 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. Since then, IBERDROLA has invested more than EUR 140,000 million 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 increasing self-sufficiency in energy.
- Ongoing focus on technological innovation in all its areas of activity.
- Addressing new consumer demands for value-added energy services, delivered through the possibilities afforded by digitalisation.
- Maintaining a sound financial structure.

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 integration of renewables will also require efficient, smart and flexible transmission and distribution networks, as well as energy storage infrastructure.

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 the renewable generation, networks and storage businesses.

2023-2025 Plan

The global crisis triggered in 2022 by the invasion of Ukraine has made it more apparent than ever that electrification needs to be ramped up as the most efficient way to reduce fossil fuel dependence. In the same vein, the revised Strategic Plan for the 2023-2025 period envisages investments of EUR 47,000 million to propel the energy transition. Of this total, EUR 27,000 million will be allocated to the Networks business to reach an asset base of EUR 56,000 million by 2025.

Renewable investments, meanwhile, will attain EUR 17,000 million, with growth targeted at high quality projects offering the best risk/return ratio. Of this total, 46% will go to consolidating our pioneering position in offshore wind, with investments in France, Germany, the United Kingdom and the United States; 25% to onshore wind; 24% to solar PV; and 5% to pumped-hydro and battery storage.

With these investments, the Group's installed renewable capacity will increase by 12,100 MW –3,100 MW onshore wind, 6,300 MW solar PV, 1,800 MW offshore, 700 MW batteries and 200 MW pumped-hydro storage–, reaching 52,000 MW by 2025.

By geographical area, the United States will be the main investment target, with 47% of the total. This amount includes both organic investments and the integration of the New Mexico and Texas power company, PNM Resources. The remaining 53% will be invested in the United Kingdom (16%), Spain (13%), Latin America (11%), other European markets such as Germany and France as well as Australia (13%).

These investments are expected to enable IBERDROLA to achieve an EBITDA of between EUR 16,500 and 17,000 million by 2025 –an average annual growth of between 8% and 9%– and a net profit of between EUR 5,200 and 5,400 million by 2025 –for an average increase of between 8% and 10%.

The Plan combines growth with improvements in financial soundness and steady credit rating levels. To this end, IBERDROLA will continue to diversify its sources of financing, particularly green or sustainable funding, and minimise financial risk (75% of debt is fixed-rate and long-term). In addition, active liquidity management will be reinforced.

Cash generation, financial discipline and asset rotation will enable IBERDROLA to meet the plan by 2025 without the need for capital increases and to achieve a net debt/EBITDA ratio of 3.4x by the end of the period.

And, naturally, IBERDROLA will stand by its policy of increasing shareholder remuneration in line with earnings performance, allocating between 65% and 75% of profits to pay out dividends. According to our estimates, this will allow us to deliver a dividend of between EUR 0.55 and EUR 0.58 per share in 2025. Moreover, the Company has set a minimum dividend level per share of EUR 0.46 in 2023 and 2024 and EUR 0.50 for 2025. Lastly, the *Iberdrola Retribución Flexible* programme, which includes the repurchase of shares in order to maintain a fixed number of shares in circulation, is scheduled to continue.

As a result of its social dividend commitment, this Strategic Plan fully integrates environmental and social factors. We plan to make 12,000 new recruitments over the next three years and continue ramping up procurement of goods and services to support more than 500,000 jobs globally across our supply chain by 2030.

In terms of climate change, the Company aspires 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.

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 2022 the exchange rates of IBERDROLA's main reference currencies the US dollar, the pound sterling and the Brazilian real depreciated against the euro by 12.4%, 0.8% and 17.3%, respectively, which overall resulted in a higher EBITDA of EUR 736 million and a higher Net profit of EUR 87 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 2022 were: an increase in combined cycle (+61%), coal (+56%), solar (+30%), wind (+1%) and nuclear (+4%) production compared to the same period of the previous year, as against a decrease in hydroelectric production (-40%).

Demand in 2022 was down 2.9% on the previous year which, in labour- and temperature-adjusted terms, translates into a drop of 3.9%. The fourth quarter of 2022 ended with a producibility index of 0.7 and hydro reserves at 44%, compared with an index of 0.9 and reserve levels of 36% for the same period in 2021.

- In the United Kingdom, electricity demand was down 4.1% compared to 2021 while conventional gas demand fell by 5.8%.
- In the areas where Avangrid operates on the east coast of the United States, electricity demand was slightly up (+0.1%), while gas demand was up 5.7% compared with 2021.
- The demand in Neoenergia's areas of operation in Brazil was up by 0.4% on 2021.

c) Emissions

By the end of 2022, the IBERDROLA Group's direct emissions totalled 59 gCO_2/kWh in Europe (61 gCO_2/kWh in 2021) and 88 gCO_2/kWh globally (96 gCO_2/kWh in 2021).

2.2 Operating performance in the period

2.2.1 Networks business

During the financial year 2022, total electricity distributed by the Group amounted to 235,507 GWh, down 0.9% compared to the previous year. Only Brazil increased its emissions, following the integration of Neoenergia Brasilia in March 2021, with 2022 being a complete year.

	2022	2021	% chg.
Spain	89,622	90,962	(1.5)
United Kingdom	31,020	32,221	(3.7)
United States	38,757	38,756	—
Brazil	76,108	75,814	0.4
Total electrical distribution (Gwh) [1]	**235,507**	**237,753**	**(0,9)**

[1] At power plant busbars

	2022	2021	% chg.
United States	64,890	61,365	5.7
Total gas distribution (GWh)	**64,890**	**61,365**	**5.7**

Electricity and gas supply points reached 34.30 million, up 1.2% year-on-year, thanks to organic growth in practically all geographies with the following breakdown:

	2022	2021
Electricity		
Spain	11.36	11.28
United Kingdom	3.55	3.55
United States	2.31	2.30
Brazil	16.04	15.74
Total electricity	**33.26**	**32.87**
Gas		
United States	1.04	1.03
Total gas	**1.04**	**1.03**
Total supply points (millions)	**34.30**	**33.90**

2.2.1.1 Spain

The IBERDROLA Group has 11.36 million supply points, slightly above the figure reported at the end of the previous year. Total energy distributed came to 89,622 GWh, down 1.5% on 2021 (90,962 GWh).

The table shows the values of the TIEPI (interruption time in minutes), and NIEPI (number of interruptions) in relation to the previous year (exact details are not published as this is commercially sensitive information):

	2022	2021
Regulatory TIEPI	<38	<39
Accumulated NIEPI	<0,9	<0,9

Thanks to the investments made by the Networks business in Spain in new electricity infrastructure, the maintenance and renewal of existing infrastructure, as well as the plan to digitise electricity grids, the level of quality continues to improve in 2022.

In 2022, i-DE launched the European BeFlexible project, with the aim of addressing the challenge of accelerating the Energy Transition and achieving the goals of the European Green Deal. The project has received funding of EUR 10 million from the European Commission through the Horizon Europe programme. Over its four-year term, BeFlexible will seek to increase the flexibility of the energy system, enhance cooperation between Distribution System Operators (DSOs) and Transmission System Operators (TSOs) and facilitate the engagement of all energy-related stakeholders. To address these challenges, the project consortium brings together 21 partners and three affiliates from seven different European countries (Spain, Italy, Portugal, Belgium, Germany, Sweden and Denmark), including DSOs, TSOs, aggregators, R&D centres and universities with expertise in the technology behind the solutions, industrial suppliers of smart grid technology and ICT developers.

With a view to moving forward in the energy transition towards a more sustainable model based on clean sources, during 2022 i-DE redesigned the grid access and connection process, incorporating more than 2,000 new generation plants into the grid, with a combined installed capacity equivalent to the energy consumed by two million homes. These facilities will avoid emissions of 3.6 million tonnes of CO_2 per year. By streamlining the connection of new renewable plants to the grid, i-DE is also helping to achieve energy independence. The new standard also adds transparency and creates sufficient confidence to attract the necessary investments to develop the infrastructures that will make the decarbonisation process a reality.

In October, the European Investment Bank (EIB) and IBERDROLA agreed to extend the green loan signed in 2021 to fund the development, modernisation and digitisation of the company's electricity distribution networks, a project with an impact spanning 12 regions of Spain. The EUR 220 million increase brings the total EIB financing to around EUR 820 million, which will be used to drive smart grids in Spain and further contribute to the electrification of the economy. The project tied to the loan will allow for an improvement in the efficiency of the distribution network through automation. With this loan, IBERDROLA will boost economic recovery and employment in Spain, supporting an estimated 10,000 jobs a year in Spain during the implementation period, according to EIB estimates.

Global Smart Grids Innovation Hub

In its commitment to smart grids, in 2022 IBERDROLA announced the winners of five new editions of its international challenge programme for start-ups, known as the Global Start-up Challenge. The programme aims to identify innovative solutions to improve operations and minimise environmental impact within the IBERDROLA Group. The winning companies (Drone by Drone, Highline Division, Automa, Minsait and Woza Labs) submitted innovative solutions to improve line maintenance, ensure continuity of supply, identify non-technical losses and predict, plan and quantify weather risks likely to cause damage to network assets.

All these start-ups have signed up for the Global Smart Grids Innovation Hub (GSGIH), the company's pioneering grid innovation centre, which aims to become a benchmark in innovation applied to grids and acts as a driving platform for R&D&I and local and international talent. In this space, promoted by IBERDROLA and the Provincial Council of Bizkaia, and located at the Larraskitu head offices in Bilbao, more than 80 companies, technology centres and universities are already working on 120 projects worth EUR 130 million.

In November, the GSGIH held its first Innovation Week, designed to share the most advanced innovation projects in the realm of smart grids. Topics addressed during the event included the future of the grid in the energy transition, the importance of data and attracting new talent. Innovation Week also included an exhibition of cutting-edge grid management technology, ranging from the use of drones to the use of virtual reality in monitoring electricity infrastructures.

2.2.1.2 United Kingdom

The IBERDROLA Group has more than 3.55 million supply points in the United Kingdom. Total energy distributed in 2022 came to 31,020 GWh (32,221 GWh in 2021), which represents a decrease of 3.7% on 2021.

Energy distributed by licence is as follows:

	2022	2021	% chg
Scottish Power Distribution (SPD)	16,895	17,462	(3.25)
Scottish Power Manweb (SPM)	14,125	14,759	(4.30)
Distribution (B.C.) (GWh)	**31,020**	**32,221**	**(3,73)**

The quality of service indicators are better both for SPD and SPM compared to 2021.

Average interruption time per consumer (Customer Minutes Lost, or CML) was as follows:

CML (mins)	2022	2021
Scottish Power Distribution (SPD)	24.60	28.91
Scottish Power Manweb (SPM)	28.41	40.77

The number of consumers affected by interruptions for every 100 customers (Customer Interruptions, or CI) was as follows:

Number of interruptions (No)	2022	2021
Scottish Power Distribution (SPD)	35.68	39.79
Scottish Power Manweb (SPM)	28.16	34.32

In February, the United Kingdom experienced the worst spate of heavy rainfall in decades with the passage of storms Dudley, Eunice and Franklin. During the last two storms, winds of more than 135 kilometres per hour were recorded. Despite the extreme conditions, the company responded rapidly by mobilising all the necessary personnel to restore power to 100% of the 42,000 affected customers within 24 hours.

SP Energy Networks was recently commended by the UK regulator, Ofgem, for its speed and proactivity in its supply recovery work during Storm Arwen, which affected more than 200,000 customers in late 2021.

2.2.1.3 United States

– **Distribution**

In the United States IBERDROLA has 2.31 million electricity supply points. Total energy distributed in the year came to 38,757 GWh, unchanged with respect to 2021 (38,756 GWh).

	2022	2021	% chg
Central Maine Power (CMP)	9,819	9,900	-0.8
NY State Electric & Gas (NYSEG)	16,397	16,310	0.5
Rochester Gas & Electric (RG&E)	7,412	7,444	-0.4
United Illuminating Company (UI)	5,129	5,102	0.5
Volume of energy distributed (GWh)	**38,757**	**38,756**	**0.0**

In 2021 Avangrid's distribution area was impacted by several storms that affected its Customer Average Interruption Duration Index (CAIDI), especially in distributors in New York State.

The Customer Average Interruption Duration Index (CAIDI) is as follows:

CAIDI (h)	2022	2021
NY State Electric & Gas (NYSEG)	1.87	1.81
Rochester Gas & Electric (RG&E)	1.64	2.02
Central Maine Power (CMP)	1.68	1.81

UI's System Average Interruption Duration Index (SAIDI), which is the regulatory indicator that applies in Connecticut, is as follows:

SAIDI (mins)	2022	2021
United Illuminating Company (UI)	38.68	39.61

Average number of interruptions per customer (System Average Interruption Frequency Index, or SAIFI) is as follows:

SAIFI	2022	2021
NY State Electric & Gas (NYSEG)	1.45	2.02
Rochester Gas & Electric (RG&E)	0.83	1.46
Central Maine Power (CMP)	1.71	1.13
United Illuminating Company (UI)	0.44	0.46

Throughout 2022 numerous storms affected AVANGRID's distribution areas. Specifically in the last quarter, a state of emergency was declared in New York and Connecticut (among other states) due to Storm Elliott in late December. This unprecedented storm affected many utilities in the US, and was classified as a Major Storm in all the impacted districts. Over 600,000 AVANGRID customers were affected. Full service was restored in Connecticut in less than 24 hours and within 72 hours in New York. The work carried out was highly commended by the media and local representatives.

AVANGRID's emergency response was also acknowledged by the Edison Electric Institute (EEI) in the wake of the devastation caused by Hurricane Ida in the state of Louisiana in 2021. The distributors CMP, NYSEG, RG&E and UI each won the prestigious Emergency Response Award, presented each year to utilities for outstanding efforts to quickly restore service following a storm or natural disaster. On this occasion, more than 60 employees from the four distributors travelled to Louisiana to assist in restoring service to the 895,000 hurricane-struck customers, repairing posts and lines downed by the storm. The EEI also recognised RG&E's efforts to restore service to more than 50,000 customers following the December 2021 windstorm, along with the previously noted award for NYSEG's response to the April 2022 snowstorms.

Thermal generation facilities are also managed. Power and production details are as follows. There is no change compared to 2021.

Power (MW)	2022
Gas combined cycles	204

Production (GWh)	2022
Gas combined cycles	7

– **Gas**

AVANGRID supplies gas to more than 1 million supply points. By the end of 2022, it had distributed a total of 64,890 GWh of gas, up 5.7% on the previous year due mainly to the lower temperatures of the first quarter of the year.

	2022	2021	% chg
NY State Electric & Gas (NYSEG)	16,288	15,576	4.6
Rochester Gas & Electric (RG&E)	17,257	16,183	6.6
Maine Natural Gas (MNG)	5,863	4,660	25.8
Berkshire Gas (BGC)	3,023	2,933	3.1
Connecticut Natural Gas (CNG)	11,282	11,153	1.2
Southern Connecticut Gas (SCG)	11,177	10,860	2.9
Total gas distribution (GWh)	**64,890**	**61,365**	**5.7**

2.2.1.4 Brazil

NEOENERGIA supply points amount to 16.04 million. The volume of electricity distributed amounted to 76,108 GWh, up 0.4% compared to the same period of the previous year, including the energy distributed by Neoenergia Brasília, which in 2021 was only integrated from March onwards.

	2022	2021	% chg
Neoenergia Coelba	25,080	24,948	0.5
Neoenergia Cosern	6,366	6,686	(4.8)
Neoenergia Pernambuco	17,135	17,628	(2.8)
Neoenergia Elektro	20,033	20,077	(0.2)
Neoenergia Brasilia	7,494	6,475	—
Total energy distributed (GWh)	**76,108**	**75,814**	**0.4**

The average interruption time per customer (*duração equivalente de interrupção por unidade consumidora*, DEC) was as follows:

DEC (h)	2022	2021
Neoenergia Coelba	11.43	11.40
Neoenergia Cosern	7.93	6.79
Neoenergia Pernambuco	11.90	12.03
Neoenergia Elektro	6.97	7.38
Neoenergia Brasilia	6.65	8.91

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 in the north-east of the country and was on par with the levels reported in 2021 at Elektro and CELPE:

FEC	2022	2021
Neoenergia Coelba	5.02	5.16
Neoenergia Cosern	3.05	2.80
Neoenergia Pernambuco	4.79	5.76
Neoenergia Elektro	3.84	4.21
Neoenergia Brasilia	5.71	7.05

Efforts to improve the quality of supply have led to an increase compared to 2021 in Elektro and Brasilia, while all distributors comply with regulatory requirements in this respect.

Throughout 2022, work on transmission projects awarded in the auctions of the Brazilian regulator (ANEEL) continued to progress as scheduled. Once completed, they will extend the transmission grid by more than 8,300 km. In this respect, at year-end the project corresponding to Lot 9 of the December 2019 auction (Rio Formoso) was powered up. After commercial commissioning, this will bring the number of Neoenergia projects in operation to a total of 10.

In addition, in late June, Neoenergia participated in the auction held by ANEEL, winning Lot 2 (the largest lot in the auction) and Lot 11, for a total of close to 2,000 km. Lot 2 includes the construction and commissioning of the 500 kV Nova Ponte 3 substation and 1,707 km of transmission lines in the states of Minas Gerais and São Paulo. With an estimated 10,000 direct jobs created, these facilities will contribute to the expansion of transmission capacity in the northern region of Minas Gerais. Lot 11 corresponds to the construction and operation of 291 km of transmission lines and 300 MVA of transformation capacity. This lot is intended to integrate small hydropower plants and connect distribution in the Paraíso region of the state of Mato Grosso do Sul. These two projects are in addition to the 4,000 km of lines NEOENERGIA already has under construction and a further 2,300 km in operation.

2.2.2 *Electricity production and retail*

At year-end 2022, IBERDROLA's consolidated installed capacity was up 2,436 MW (net of derecognitions) on 2021 at 57,987 MW consolidated in terms of EBITDA, with 69.9% the total (40,518 MW of renewable and nuclear power) coming from emission-free sources, compared to 69.5% in 2021.

By countries	31.12.2022			31.12.2021			Chg. MW consolidated
	Consolidated at EBITDA level	Managed by investees (*)	Total 2022	Consolidated at EBITDA level	Managed by investees (*)	Total 2021	
Spain	28,697	319	29,016	28,117	311	28,428	580
United Kingdom	2,993	15	3,008	2,993	15	3,008	—
United States	9,293	248	9,541	8,899	248	9,147	394
Mexico	11,197	—	11,197	10,683	—	10,683	514
Brazil	2,906	2,194	5,100	2,353	2,194	4,547	553
IEI	2,901	—	2,901	2,506	—	2,506	395
Total power (MW)	**57,987**	**2,776**	**60,763**	**55,551**	**2,768**	**58,319**	**2,436**

(*) Includes the proportional part of MW.

By technology	31.12.2022 Consolidated at EBITDA level	Managed by investees (*)	Total 2022	31.12.2021 Consolidated at EBITDA level	Managed by investees (*)	Total 2021	Chg. MW consolidated
Renewables	**37,341**	**2,725**	**40,066**	**35,419**	**2,717**	**38,136**	**1,922**
Onshore wind	19,720	509	20,229	18,971	509	19,480	749
Offshore wind	1,258	—	1,258	1,258	—	1,258	—
Hydroelectric (**)	11,654	2,194	13,848	11,654	2,194	13,848	—
Mini hydroelectric	254	2	256	283	2	285	(29)
Solar and other (***)	4,455	20	4,475	3,253	12	3,265	1,202
Nuclear	**3,177**	**—**	**3,177**	**3,177**	**—**	**3,177**	**—**
Gas combined cycles	**16,335**	**—**	**16,335**	**15,821**	**—**	**15,821**	**514**
Cogeneration	**1,134**	**51**	**1,185**	**1,134**	**51**	**1,185**	**—**
Total power (MW)	**57,987**	**2,776**	**60,763**	**55,551**	**2,768**	**58,319**	**2,436**

(*) Includes the proportional part of MW.
(**) Includes 118 MW managed by Networks in the United States.
(***) Solar capacity measured in MWdc.

Consolidated electricity production in 2022 was 153,563 GWh, down 1.0% on 2021, with 58% of the total being emission-free (89,358 GWh in renewable and nuclear production):

By countries	2022 Consolidated at EBITDA level	Managed by investees (*)	Total 2022	2021 Consolidated at EBITDA level	Managed by investees (*)	Total 2021	% chg. Consolidated
Spain	56,012	685	56,697	60,186	782	60,968	(6.9)
United Kingdom	7,814	9	7,823	6,708	9	6,717	16.5
United States	22,111	599	22,710	22,014	570	22,584	0.4
Mexico	55,938	—	55,938	54,296	—	54,296	3.0
Brazil	6,580	8,171	14,751	7,374	7,755	15,129	(10.8)
IEI	5,108	—	5,108	4,572	—	4,572	11.7
Total production (GWh)	**153,563**	**9,464**	**163,027**	**155,150**	**9,116**	**164,266**	**(1.0)**

(*) Includes the proportional part of GWh.

By technology	31.12.2021 Consolidated at EBITDA level	Managed by investees (*)	Total 2022	31.12.2020 Consolidated at EBITDA level	Managed by investees (*)	Total 2021	% chg. Consolidated
Renewables	**65,472**	**9,274**	**74,746**	**65,174**	**8,776**	**73,950**	**0.5**
Onshore wind	44,345	1,072	45,417	40,586	989	41,575	9.3
Offshore wind	4,497	—	4,497	4,617	—	4,617	(2.6)
Hydroelectric (**)	12,331	8,171	20,502	16,619	7,755	24,374	(25.8)
Mini hydroelectric	415	5	420	624	6	630	(33.5)
Solar and other	3,884	26	3,910	2,728	26	2,754	42.4
Nuclear	**23,886**	**—**	**23,886**	**23,193**	**—**	**23,193**	**3.0**
Gas combined cycles	**58,572**	**—**	**58,572**	**59,963**	**—**	**59,963**	**(2.3)**
Cogeneration	**5,633**	**190**	**5,823**	**6,820**	**340**	**7,160**	**(17.4)**
Total production (GWh)	**153,563**	**9,464**	**163,027**	**155,150**	**9,116**	**164,266**	**(1.0)**

(*) Includes the proportional part of GWh.
(**) Includes 188 MW from Hydroelectrical facilities managed by the Networks business in the United States.

2.2.2.1 Spain

Renewable capacity and production

At year-end, IBERDROLA had an installed renewable capacity, consolidated at EBITDA level, of 19,529 MW in Spain, with the following breakdown:

	2022	2021	Change MW
Onshore wind	5,952	5,866	86
Hydroelectric	10,700	10,700	—
Mini hydroelectric under the Ordinary Regime and Special Regime (*)	254	283	(29)
Solar and other (**)	2,604	2,086	518
Batteries	19	14	5
Total power (MW)	**19,529**	**18,949**	**580**

(*) Including the 998 MW of Gouvaes and Daivoes in Portugal.
(**) Solar capacity measured in MWdc

Hydroelectric capacity includes the Tâmega project in Portugal, which will total 998 MW after commissioning of the Gouvães facility (880 MW) and two generators at Daivões (118 MW).

The increase in capacity during the year came from the following facilities:

- Installed capacity in onshore wind power increased by 86 MW, corresponding to: the commissioning of 50 MW at the Valdemoro wind farm and 36 MW at the Martín de la Jara wind farm.

- In addition, following its sale, 23 MW of ordinary regime mini-hydro have been removed along with 6 MW under the special regime.

- In photovoltaic solar capacity: Module installation work has been completed at the facilities of Francisco Pizarro (37 MW), Almaraz I (50 MW), Almaraz II (30 MW); Puertollano (0.2 MW), Los Manantiales I (27 MW), Valbuena (46 MW), Cornicabra (20 MW), Espliego (8.8 MW), Poleo (8 MW), Revilla-Vallejera (47.5 MW), Villarino (50 MW), Virgen de Areños III (34 MW), Llanos Pelaos III (0.5 MW), Tagus I (50 MW), Tagus II (50 MW), Tagus III (9 MW) and Tagus IV (50 MW).

- In battery storage projects, 5 MW have been installed in Urkilla.

In relation to ongoing projects:

- In the last quarter of the year, construction started on the El Escudo wind farm (105 MW) in Cantabria and the Iglesias wind farm (94 MW) in Burgos.

- Work also began at the Ciudad Rodrigo photovoltaic plant (318 MW) in Salamanca, the Fuentes photovoltaic plant (50 MW) in Guadalajara and the Salinas I to III photovoltaic plants (149 MW) in Cuenca.

- In Portugal, work continued at the Alto Tâmega plant (160 MW), where the construction of the main body of the dam has been completed and the assembly of the two power units has begun.

The trend in consolidated production by technology is as follows:

	2022	2021	% chg. Consolidated
Onshore wind	11,254	11,501	(2.1)
Hydroelectric	9,511	14,620	(34.9)
Mini hydroelectric under the Ordinary Regime and Special Regime	415	624	(33.5)
Solar and other	2,150	1,233	74.4
Total production (GWh)	**23,330**	**27,978**	**(16,6)**

– Onshore wind power production reached 11,254 GWh during the period, down by 2.1% compared to 2021, as a result of lower wind resources.

– Hydroelectric production reached 9,511 GWh, down 34.9% compared to the previous year due to the low rainfall recorded during the period. Production at mini-hydro plants was also down for the same reason, with total power generation of 415 GWh, 33.5% less than in the same period of the previous year.

– Solar energy production will reach 2,150 GWh in the period, following the entry into operation of new facilities.

Thermal capacity and production

Installed capacity in Spain, unchanged with respect to financial year 2021, came to 9,168 MW. The breakdown by technology is as follows:

	2022
Nuclear	3,177
Gas combined cycles	5,695
Cogeneration	296
Total power (MW)	**9,168**

In 2022, production amounted to 32,682 GWh. The breakdown by technology is as follows:

	2022	2021	% chg.
Nuclear	23,886	23,193	3.0
Gas combined cycles	7,082	7,023	0.8
Cogeneration	1,714	1,992	(14.0)
Total production (GWh)	**32,682**	**32,208**	**1.5**

IBERDROLA's thermal production in 2022 was up by 1.5% compared to the same period of the previous year. Higher production was recorded at nuclear power plants (+3%), combined cycle (+0.8%) while cogeneration production decreased (-14%).

Supply

The portfolio under management in Spain represented 22 million contracts at the end of 2022. The breakdown is as follows:

Thousands	No. of contracts
Electricity contracts	10,884
National gas contracts	1,351
Contracts for products and services	9,919
Total	**22,154**

By market type, the categories are:

Thousands	No. of contracts
Free market	19,374
Last resort	2,780
Total	**22,154**

IBERDROLA's electricity revenue (in power plant busbars) in 2022 was up 6.4% and was distributed as follows:

GWh	2022	2021	% chg
Free market	66,653	50,594	31.7
PVPC	6,866	8,537	(19.6)
Other markets	19,582	28,350	(30.9)
Electricity sales (GWh)	**93,101**	**87,481**	**6.4**

IBERDROLA managed a gas balance in 2022 of 2.67 bcm, of which 0.04 bcm was sold in wholesale operations, 1.28 bcm was sold to end customers and 1.35 bcm was used for electricity production.

2.2.2.2 United Kingdom

Renewable capacity and production

Consolidated installed capacity in the United Kingdom came to 2,993 MW, unchanged on 2021. The breakdown by technology is as follows:

	2022
Onshore wind	1,971
Offshore wind	908
Solar (*)	10
Batteries	104
Total power (MW)	**2,993**

(*) Solar capacity measured in MWdc.

Meanwhile, several projects continue to be developed:

– In offshore wind, the East Anglia group of projects in the North Sea is currently under development. The East Anglia 1 offshore wind farm continues to supply the national grid through the transmission assets, whose divestment process, led by Ofgem, was completed in December 2022, with the assets being acquired by Transmission Capital Partners.

– East Anglia 3, the second of IBERDROLA's projects in the area, with an installed capacity of 1,400 MW, after being awarded a contract in the United Kingdom's fourth round of auctions, has continued to secure key contracts for the project. In addition, good progress has been made on the engineering and design work of the HDVC submarine transmission lines. Likewise, ground survey work for mine detection has been launched and is expected to be completed in early February 2023. The project is now progressing towards final investment decision (FID), and once such a decision is taken, the contracts will be executed. Permits for East Anglia 1 North and East Anglia 2 were secured on 31 March 2022, with key engineering design work progressing for the remainder of the year.

– Following the successful award of the ScotWind offshore area auction, option contracts were signed in 2022 with Crown Estate Scotland for the development of three offshore wind projects with a total capacity of 7 GW; two large-scale floating projects in partnership with Shell (3 GW MarramWind and 2 GW CampionWind) and one fixed foundation project (2 GW, MachairWind). Activities to obtain the necessary permits are currently under way.

– In solar photovoltaic, work continues on the Coldham hybrid project (9 MW) in England.

The trend in consolidated production, terms of EBITDA, was as follows:

	2022	2021	% chg. Consolidated
Onshore wind	4,415	3,275	34.8
Offshore wind	3,392	3,433	(1.2)
Solar and other	7	—	—
Total production (GWh)	**7,814**	**6,708**	**16.5**

– Onshore wind power production totalled 4,415 GWh, up 34.8% on the same period of the previous year, following normalisation of the wind resource.

– Offshore wind production at the East Anglia 1 wind farm was down 1.2% to 3,392 GWh.

Supply

The portfolio under management in the United Kingdom totalled 7 million contracts at the end of 2022, broken down as follows:

Thousands	No. of contracts
Electricity contracts	2,831
National gas contracts	1,915
Contracts for products and services	316
Smart meters	2,194
Total	**7,256**

In 2022, 18,484 GWh of electricity and 22,919 GWh of gas was supplied to customers, 4.8%* and 11.6%** less than in 2021, respectively.

* Sales measured in power plant busbars.

** Without deducting shrinkage.

2.2.2.3 United States

Renewable capacity and production

Consolidated installed capacity in the United States comes to 8,453 MW. The breakdown by technology is as follows:

	2022	2021	Change MW
Onshore wind	7,825	7,708	117
Hydroelectric	118	118	—
Solar PV (*)	497	220	277
Batteries	13	13	—
Total power (MW)	**8,453**	**8,059**	**394**

(*) Solar capacity measured in MWdc.

The following capacity was incorporated during the period:

- Onshore wind power of 117 MW: Golden Hills wind farm (11 MW) and Midland wind farm (106 MW), where assembly of the 25 wind turbines has finalised.

- In solar photovoltaic, the modules for the Lund Hill plant (92 MW) and Montague Solar plant (185 MW of the total 211 MW the plant will ultimately have) have been installed.

In relation to ongoing projects:

- Construction continues at the Bakeoven (80 MW) and Daybreak (189 MW) photovoltaic plants.

- Offshore wind:

    - Construction at Vineyard Wind 1 is progressing on schedule, with the drilling of the connection site for the export cable completed and construction of the onshore substation now ongoing.

    - Elsewhere, Park City Wind, Commonwealth Wind and Kitty Hawk Wind are currently in the process of obtaining their federal government permits.

    - In the case of Commonwealth Wind, on account of the major challenges facing the offshore wind industry in terms of the supply chain, rising inflation and rising interest rates, AVANGRID filed a motion with the Massachusetts Department of Public Utilities (DPU) on 12 December 2022 requesting the dismissal of the review of the Power Purchase Agreements signed with state distributors and electricity distribution companies. AVANGRID remains committed to submitting the Commonwealth Wind project to the next Massachusetts auction, scheduled for 2023, and is highly confident, given the advanced status of the projects and their inherent benefits, that it can meet the existing economic challenges facing the project by offering the most competitive price, an appropriate timeline to help Massachusetts meet its ambitious 2030 climate goals, and the creation of thousands of jobs and opportunities for development.

Consolidated production by technology and its trend during the year was as follows:

	2022	2021	% chg. Consolidated
Onshore wind	19,039	18,399	3.5
Solar PV	288	299	(3.7)
Hydroelectric (networks business in the United States)	188	132	42.4
Batteries	73	83	(12.0)
Total production (GWh)	**19,588**	**18,913**	**3.6**

- Onshore wind power production totalled 19,039 GWh, up 3.5% on the same period of 2021, due to higher average power in that period.
- Production with solar technologies came to 288 GWh.
- Fuel cells produced 73 GWh.

In the United States, the renewable business manages the Klamath power plant. Power and production in 2022 were as follows:

Power (MW)	2022	2021	Chg. MW
Cogeneration	636	636	—

Production (GWh)	2022	2021	% chg. Consolidated
Cogeneration	2,516	3,184	(21.0)

2.2.2.4 Mexico

Renewable capacity and production

At year-end, installed renewable capacity in Mexico was 1,335 MW.

	2022	2021	Change MW
Onshore wind	693	693	—
Own use	590	590	—
For third parties	103	103	—
Solar photovoltaic (*)	642	642	—
Total power (MW)	**1,335**	**1,335**	**—**

(*) Solar capacity measured in MWdc.

Consolidated production by technology and its trend during the year was as follows:

	2022	2021	% chg. Consolidated
Onshore wind	1,884	1,759	7.1
Own use	1,662	1,528	8.8
For third parties	222	231	(3.9)
Solar	1,237	1,188	4
Total production (GWh)	**3,121**	**2,947**	**5.9**

Thanks to the increased wind and photovoltaic resources in the year, onshore wind production totalled 1,884 GWh, up 7.1% compared to the end of 2021, and solar technology generated 1,237 GWh.

Thermal capacity and production

In Mexico, thermal capacity at year-end 2022 was 9,862 MW, up 514 MW following the entry into production of Tamazunchale II in early May.

	2022	2021	Change MW
Gas combined cycles	9,660	9,146	514
Own use	2,617	2,103	514
For third parties	7,043	7,043	—
Cogeneration	202	202	—
Total power (MW)	**9,862**	**9,348**	**514**

Thermal production in 2022 totalled 52,817 GWh, up 2.9% on the same period of the previous year:

	2022	2021	% chg.
Gas combined cycles	51,414	49,705	3.4
Own use	14,145	15,001	(5.7)
For third parties	37,269	34,704	7.4
Own cogeneration	1,403	1,644	(14.7)
Total production (GWh)	**52,817**	**51,349**	**2.9**

Supply

Electricity sales in 2022 amounted to 56,304 GWh, up 2.3% on 2021, broken down as follows:

	2022	2021	% chg.
CFE	37,253	34,903	6.7
Private	19,051	20,143	(5.4)
Retail sales (GWh)	**56,304**	**55,046**	**2.3**

2.2.2.5 Brazil

Renewable capacity and production

	2022	2021	Change MW
Onshore wind	1,394	984	410
Hydroelectric	836	836	—
Solar	143	—	143
Total power (MW)	**2,373**	**1,820**	**553**

In onshore wind, 407 MW of the 12 wind farms comprising the Oitis wind farm complex, which will have a total of 566 MW, in the state of Piauí, entered commercial operation. In the state of Paraiba, at the Chafariz complex (472 MW), installation of the last 3 MW was completed.

In solar photovoltaic technology, also in the state of Paraiba, the construction and commissioning continues at Luzia II and III (149 MW), of which 143 MW had been installed at year-end. The facilities have already begun to produce electricity and are the first photovoltaic plants to be built in the country.

In hydroelectric power, an asset swap agreement was signed in 2023, whereby NEOENERGIA will increase its stake in the Dardanelos plant to 100% but will no longer have a stake in the Baguarí and Telespires plants, thus optimising its generation portfolio with this technology.

Consolidated production by technology and its trend during the year was as follows:

	2022	2021	% chg. Consolidated
Onshore wind	3,843	2,313	66.1
Hydroelectric	2,632	1,867	41.0
Solar	91	—	—
Total production (GWh)	**6,566**	**4,180**	**57.1**

- With the introduction of the new wind farms, onshore wind production totalled 3,843 GWh, up 66.1% compared to 2021.
- Meanwhile, hydroelectric production came to 2,632 GWh 41.0% higher than in 2021.
- Solar photovoltaic production came to 91 GWh with the entry into operation of the new Luzia II and III plants.

Thermal capacity and production

Generation power in Brazil, which comes from the Termopernambuco gas combined cycle facility, is 533 MW. Production in 2022 totalled 14 GWh.

2.2.2.6 Iberdrola Energía Internacional (IEI)

Renewable capacity and production

Iberdrola Energía Internacional's installed renewable capacity came to 2,658 MW, 395 MW more than in 2021.

By technology, installed capacity is as follows:

	2022	2021	Change MW
Onshore wind	1,885	1,749	136
Offshore wind	350	350	—
Solar PV (*)	348	89	259
Batteries	75	75	—
Total power (MW)	**2,658**	**2,263**	**395**

(*) Solar capacity measured in MWdc.

The increase in capacity corresponds to the following facilities:

– In wind power capacity, 136 MW of onshore wind power was added. Commercial operation of 21 MW at the Mikronoros wind farm and 18 MW at Rokani began, and the assembly of 76 MW at the Askio II and Askio III wind farms in Greece and 21 MW at the Korytnica II wind farm in Poland was completed.

– In photovoltaic solar technology, Portugal's first photovoltaic plant, Algeruz 2, was commissioned with the installation of 18 MW. Also in Portugal, work continued on the Alcochete I and II photovoltaic plants, with the installation of 46 MW of modules during the year, and 14 MW at the Conde plant. In Australia, further progress was made towards the Avonlie project, where 125 MW was installed, and at the Port Augusta wind-solar hybrid project, where 53 MW of photovoltaic power has already been installed. In Italy, 3 MW were installed at the Montalto di Castro wind farm.

Installed wind power capacity by country is as follows:

Onshore wind	2022	2021	Change MW
Greece and Cyprus	423	308	115
Australia	880	880	—
France	118	118	—
Portugal	92	92	—
Poland	134	113	21
Hungary	158	158	—
Romania	80	80	—
Total power (MW)	**1,885**	**1,749**	**136**

Installed photovoltaic capacity by country is as follows:

Onshore wind	2022	2021	Change (MW)
Greece	6	6	—
Australia	232	54	178
Portugal	87	9	78
Italy	23	20	3
Total power (MW)	**348**	**89**	**259**

As for ongoing projects, development continues on offshore wind projects:

– In France, the Saint Brieuc project (496 MW) began in 2023 by installing the subsurface cable and is continuing with the installation of the foundations, which will allow the wind turbines to be deployed progressively, leading to the commissioning of the offshore wind farm before the end of 2023.

  IBERDROLA continues to work on the three offshore wind auctions in France it has been prequalified for: the 1 GW auction off the coast of Normandy, submitted last November and expected to be awarded during February; the 250 MW floating offshore wind auction in Brittany, France, whose bid submission date has been delayed to June; and the auction of two 250 MW areas of floating technology in the Mediterranean, with a submission date pending definition for the second half of 2023.

  Lastly, in France, the company was awarded its first floating solar power project with a total capacity of 25 MW.

– At the Baltic Eagle project (476 MW) in Germany, the deep foundations and jacket of the substation are already installed and the substation installation is expected to be completed during the first quarter of 2023. Fabrication work on the foundations is in its final phase, with the monopiles completed, while the transition pieces will be completed during the first quarter of 2023, with installation beginning around mid-2023. Cable manufacturing has begun and will be completed during the first quarter of the year while, in the case of the turbines, many of the subcomponents are already in production. Nacelle manufacturing will also begin in early 2023, followed by blades and towers during the first half of the year.

– To further its commitment to Sweden and strengthen its presence there, IBERDROLA has established a subsidiary (Iberdrola Förnybar Sverige) and is continuing to develop the Utposten 2 project alongside Svea Vind Offshore. The project was filed with the administrative court in late 2022, and the court has requested additional clarifications in the process before issuing the environmental permit, delaying the granting of the permit by a few months. Likewise, efforts continue to obtain the environmental permit for Gretas Klackar 1 (1,632 MW) and Gretas Klackar 2 (795 MW).

– In Ireland, IBERDROLA is working with DP Energy to draw up and submit the applications for MAC (Maritime Area Consent) for the three selected projects: Clarus, Shelmalere and Inis, with a total maximum capacity of 2,600 MW. From a regulatory standpoint, MAC for Phase 1 has already been awarded to seven fixed foundation projects with a maximum capacity of 4.5 GW and the conditions for the rate auction involving these projects have been published (ORESS1). For Phase 2 projects, where IBERDROLA has its portfolio, the publication of the procedure to apply for MAC is currently pending.

– In Poland, where different areas are expected to be awarded during 2023, IBERDROLA is taking part in one of them, alongside its partner Sea Wind. The award of seabed permits for the projects will allow them to take part in the auctions to be held in the country from 2025 onwards.

– In Norway, IBERDROLA and its partners TotalEnergies and Norsk Havvind continue to work to bid in the auctions held by the Norwegian authorities for the development of floating and fixed foundation wind projects, with a cumulative capacity of 4,500 MW at two sites announced by the government (Utsira Nord-floating and Soerlige Nordsjoe-fixed). The auction dates are still to be defined, although it is initially estimated that the bidding process will take place throughout the year.

– In Japan, the auction for Round 2, which envisages a total of four different sites with an expected total capacity of 1.8 GW, has resumed; proposals are due by 30 June 2023 and successful bidders will be announced by year-end. Changes have been incorporated in this new auction with respect to Round 1, such as the type of remuneration scheme, favouring proposals with an earlier start-up and restricting the award to 1 GW per round for the same consortium, to avoid a reoccurrence of what happened during Round 1. IBERDROLA remains focused on developing the projects in its portfolio for Round 3 with its Japanese partners (auction for 2024), and is analysing different opportunities to increase its presence in the country, both for Round 2 and other successive rounds.

– In Taiwan, environmental impact studies have been delivered for projects under development to participate in the 2023 auction. Similarly, the geophysical and geotechnical studies phase has concluded, thus completing all the work planned to date. The presence of the local team has improved relations with local players, both government bodies and suppliers, and the possibility of incorporating a partner in the country remains an option under consideration.

– In Australia, the Federal Government has launched the first phase for awarding feasibility licences in Gipsland (Victoria state), with a deadline for applications set for 27 April 2023. IBERDROLA is making headway in drawing up the documentation required for a number of projects.

Renewable energy production totalled 5,053 GWh at year-end, up 11.5% on 2021, mainly in onshore wind (up 17.1%), due to the additional power gained from acquisitions in Greece and Poland and solar photovoltaic also due to the incorporation of new capacity, while offshore wind was down 6.7% due to the lower wind resource in the year.

	2022	2021	% chg. Consolidated
Onshore wind	3,910	3,339	17.1
Offshore wind	1,105	1,184	(6.7)
Solar PV	38	8	375.0
Batteries	—	—	—
Total Renewable production (GWh)	**5,053**	**4,531**	**11.5**
Gas combined cycles (GWh)(*)	**55**	**41**	**34.1**

(*) Included with the acquisition of Infigen in Australia.

2.3 Business performance

2.3.1 *Analysis of the Income statement*

Key figures for 2022 are as follows:

Millions of euros	2022	2021	Change (%)
Revenue	53,949	39,114	37.9
Gross income [(1)]	20,199	17,062	18.4
EBITDA [(2)]	13,228	12,006	10.2
EBIT [(3)]	7,984	7,343	8.7
Net profit for the period attributable to the parent	4,339	3,885	11.7

(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 2022, the IBERDROLA Group reported EBITDA of EUR 13,228 million, up 10.2%. Without considering the positive exchange rate effect of EUR 736 million, it would have risen by 4.0%.

This positive performance was achieved in an environment of historically high energy prices in Europe and strong inflationary pressures worldwide.

- In Spain, the commercial policy partially offset the negative impacts of the low renewable production and the outage at the Cofrentes nuclear power plant, without the effects of the lower positive impact of court rulings and asset rotation in 2021.
- In the United Kingdom, the improvement in renewable production offset the negative effect caused by the energy price cap calculation method. The negative impact of the tax rate change in 2021 improved the year-on-year trend in net profit.
- The United States performed very positively, spurred by non-recurring results, mainly from the recognition of regulatory assets in New York, as well as the agreement with CIP and pension-related adjustments following the freezing of certain benefit schemes.
- In Mexico, regulatory actions are penalising growth, mainly permits being denied and the shortfall in the CFE tariff.
- Brazil posted solid growth in an environment of persistent double-digit inflation in the country thanks to tariff hikes, offsetting the rising cost of debt.
- At IEI, the higher prices were offset by tax measures imposed in certain countries, including Greece and Romania.

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 454 million, up 11.7% on 2021; 9.4% not considering the positive effect of the exchange rate of EUR 87 million, to reach EUR 4,339 million.

2.3.1.1 Gross Income

Gross income came to EUR 20,199 million, up EUR 3,137 million, or 18.4%, compared to the figure reported in 2021. Stripping out the exchange rate effect of EUR 1.173 million, it would be EUR 1,964 million (11.5%) up on the figure reported in 2021.

Gross income by country subholding is as follows:

Millions of euros	2022	2021	Change (%)
Spain	6,763	6,413	5.5
United Kingdom	3,025	2,866	5.5
United States	5,060	3,915	29.2
Mexico	1,158	1,030	12.4
Brazil	3,111	2,315	34.4
IEI	602	511	17.8
Corporation and adjustments	480	12	3,900.0
Total gross income:	**20,199**	**17,062**	**18.4**

– In Spain, gross income increased by EUR 350 million, 5.5% higher than in 2021. Market volatility experienced throughout the year meant that the increase in sales of EUR 6,898 million was largely offset by an increase in procurement costs of EUR 6,548 million. The contribution of the Networks business decreased by approximately EUR 74 million due to the one-off effect of an adjustment of incentives from previous years. Meanwhile, the combined contribution of the Renewables and Sustainable Generation and Customers businesses increased due to the aforementioned volatility.

– In the United Kingdom, gross income increased its contribution by 5.5% to EUR 159 million, driven by the Networks business, as a result of a larger asset base in the business stemming from investments and the Renewables and Sustainable Generation business, which in the country is solely renewable, with increased contributions from wind power assets. These improvements offset the negative effects of the Customers business, which continues to bear higher provisioning costs, not yet recognised in the standard variable tariffs (SVTs), and the higher number of customers who have switched from fixed tariffs to SVTs.

– In the United States, gross income was up EUR 1,145 million on financial year 2021. The increase is primarily due to the contribution from the Networks business due to the exceptional positive effect of the new wording on the recognition of regulatory assets in the state of New York. Other factors include the higher average operating capacity during the year and the improvement in the wind power load factor, with a 3.5% increase in production.

– In Brazil, gross income improved by 34.4% year-on-year compared to 2021, up by EUR 796 million. There is improvement in all businesses. In the Networks business, due to the positive effects of tariff adjustments and inflation and the fact that Neoenergia Brasilia contributed an additional quarter. In the Renewables and Sustainable Generation business, due to the entry into operation of the Chafariz and Oitis wind farms and part of the Luzia solar plants, which increased the level of renewable production, and due to the contribution of the Termopernambuco combined cycle plant, which was shut down owing to gas supply restrictions during the year, and which buys energy at lower market prices to honour its contractual commitments with the distributors.

– Gross income in Mexico grew by 12.4%, EUR 128 million higher than in 2021, thanks to the positive comparative effect of the cold snap at the beginning of 2021 in Texas and the higher wind power production driven by a higher wind power load factor, offsetting lower thermal output.

– The other IEI countries increased their contribution by 17.8%, up by EUR 91 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 1,222 million (+10.2%) to EUR 13,228 million, compared to EUR 12,006 million in 2021. The net effect of exchange rates fluctuations had a positive impact EUR 736 million. Without this effect, it would have grown by 4.0%.

Contributions by country subholding were as follows:

Millions of euros	2022	2021	Change (%)
Spain	4,612	5,246	(12.1)
United Kingdom	1,959	1,875	4.5
United States	2,600	1,967	32.2
Mexico	863	784	10.1
Brazil	2,286	1,676	36.4
IEI	442	371	19.1
Corporation and adjustments	466	87	435.6
GROSS OPERATING PROFIT (EBITDA)	**13,228**	**12,006**	**10.2**

EBITDA in 2022 grew in all regions except Spain, which, due to an adverse environment, fell by 12.1%.

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	2022	2021	Change (%)
Spain	1,296	1,126	15.1
United Kingdom	803	748	7.4
United States	1,859	1,426	30.4
Mexico	288	241	19.5
Brazil	820	635	29.1
IEI	136	129	5.4
Corporation and adjustments	7	(78)	(109.0)
Net operating expenses	**5,209**	**4,227**	**23.2**

The heading Net operating expenses increased by EUR 982 million to EUR 5,209 million (EUR 4,227 million in 2021). The exchange rate effect had a negative impact of EUR 367 million in the comparison. The change, without the exchange rate effect, EUR 615 million, would be 14.5%.

The main impacts are the result of the Group's growth, with the consequent increase in outsourced services affected by inflation and the 3.9% growth in the workforce mainly due to the acquisition of Neoenergia Distribução Brasília in March 2021. In addition, storm-related costs in the United States increased this heading by EUR 192 million, although they will be recoverable in the future via tariffs. Lastly, the comparison is affected by the positive impact of the asset rotation plan in 2021.

These effects are partially offset by the reversal of a provision for pensions in the United States Networks business, leading to a positive impact on net operating expense of EUR 74 million.

– **Taxes other than income tax**

Taxes other than income tax by country subholding are as follows:

Millions of euros	2022	2021	Change (%)
Spain	855	41	1,985.4
United Kingdom	263	242	8.7
United States	600	522	14.9
Mexico	7	4	75.0
Brazil	6	4	50.0
IEI	24	11	118.2
Corporation and adjustments	7	5	40.0
Taxes other than income tax	**1,762**	**829**	**112.5**

Taxes other than income tax increased by EUR 933 million, to EUR 1,762 million (EUR 829 million in 2021). The exchange rate effect has a negative impact of EUR 70 million in the comparison. The change, excluding the exchange rate effect, was EUR 863 million, mainly due to the extraordinary positive effect in 2021 of the hydroelectric tax ruling, which brought in EUR 951 million in revenue in Spain.

2.3.1.3 *Net operating profit – EBIT*

EBIT totalled EUR 7,984 million, 8.7% up on 2021 (EUR 7,343 million). Without considering the positive exchange rate effect of EUR 451 million, the increase would have been 2.6%.

Breakdown by country subholding:

Millions of euros	2022	2021	Change (%)
Spain	3,213	3,700	(13.2)
United Kingdom	921	850	8.4
United States	1,162	776	49.7
Mexico	621	551	12.7
Brazil	1,676	1,237	35.5
IEI	282	204	38.2
Corporation and adjustments	109	25	336.0
Operating profit – EBIT	**7,984**	**7,343**	**8.7**

– **Valuation adjustments, trade receivables and contract assets**

Trade receivable and contract asset provisions totalled EUR 470 million, up EUR 101 million on 2021 (EUR 369 million).

– **Amortisation, depreciation and provisions**

Amortisation and depreciation was up EUR 485 million (11.6%) to reach EUR 4,682 million, due to a wider asset base and business growth within the Group.

Provisions for impairment and write-downs of non-financial assets decreased by EUR 25 million and the change in Provisions increased by EUR 20 million compared to 2021.

2.3.1.4 *Finance income*

Financial losses were up by EUR 835 million to EUR 1,838 million (EUR 1,003 million in 2021). The breakdown of this change by item is as follows:

Millions of euros	2022	2021	Change
Gains/(losses) on debt	(1,822)	(1,312)	(510)
Other non-debt finance income	(16)	309	(325)
Total	**(1,838)**	**(1,003)**	**(835)**

The change can be largely explained by:

- Gains/(losses) on debt were up EUR 510 million; EUR 163 million due to the appreciation of currencies against the euro, EUR 145 million due to the increase in the average balance and EUR 202 million due to the higher cost, mainly in Brazil.

- Other items represented a deterioration of EUR 325 million due to worse results from exchange rate hedges and the inclusion in 2021 of extraordinary income related to the collection of past-due interest and the marking to market of equity investments.

At 31 December 2022, the Group's average borrowing costs stood at 4.14%, compared to 3.24% in the same period of the previous year (Note 28).

In turn, the average cost of adjusted net financial debt rose 67 basis points to 4.27%, compared to 3.60% in the same period of the previous year, due to higher interest rates, mainly the CDI in Brazil. Without considering Brazil, the cost of adjusted net financial debt increased by 10 basis points from 2.89% in 2021 to 2.99% in 2022. The exchange rate impact on gains/(losses) on debt is managed at net profit level through derivatives, while the inflation impact is offset by the operating profit of the distributors.

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	2022	2021
Finance expenses and similar financing expenses [1]	(1,810)	(1,205)
Finance expenses from lease liabilities [1]	(78)	(67)
Hedging cost of financing derivatives [2]	(52)	(28)
Finance income from hedging derivatives [3]	(51)	(43)
Income from placement of surpluses [3]	171	33
Net exchange differences in foreign currency for financing activities [4]	(2)	7
Other	—	(9)
Total (section 2.4.1.4 of the Management report)	**(1,822)**	**(1,312)**

[1] Note 43 of the consolidated Financial Statements.

[2] Notes 42 and 43 to the consolidated Financial Statements, included in the lines "Non-hedging derivatives and inefficiencies".

[3] Note 42 of the consolidated Financial Statements, included in the line "Finance income related to assets at amortised cost".

[4] Notes 42 and 43 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 21 to the Financial Statements, broken down as follows:

Average balance	2022	2021
Adjusted gross financial debt	46,282	39,387
Cash assets	(3,572)	(2,988)
Adjusted net financial debt	**42,710**	**36,399**

2.3.1.5 *Profit/(loss) of equity-accounted investees*

Profit/(loss) at equity-accounted investees was a positive EUR 146 million, mainly due to the one-off effect resulting from the restructuring agreement reached with CIP on the offshore wind assets in the United States (EUR 228 million, as described in Note 7).

The negative result of this item in 2021 is a result of the EUR 75 million impairment loss on Norte Energía following its classification as held-for-sale. The remaining effects on the results of companies accounted for using the equity method amounted to EUR 36 million.

2.3.1.6 *Net profit for the period attributable to the parent*

Net profit/(loss) for the year amounted to EUR 4,339 million, up EUR 454 million (11.7%) on the previous year's total of EUR 3,885 million. The exchange rate effect was positive to the tune of EUR 87 million.

Corporate income tax expense was down by EUR 753 million to EUR 1,161 million, compared to 2021 (EUR 1,914 million).

The corporate income tax comparison is affected by the one-off negative effect of EUR 471 million recorded in 2021 in deferred taxes due to the increase in the UK tax rate from 19% to 25% and by the non-recurring effect in 2022 of EUR 125 million due to the incorporation of Neoenergia Brasília.

Meanwhile, other non-controlling interests increased by EUR 254 million to EUR 721 million, mainly due to higher earnings in the United States, Brazil and East Anglia 1.

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 22,380 million at the end of 2022 (Note 4 to the consolidated Financial Statements). Counting the financing operations signed after 31 December, this figure rises to EUR 23,530 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 operations have been arranged on the main markets in which the IBERDROLA Group is present (Europe, United States and Brazil), in both the banking and capital markets.

This liquidity position covers 26 months of financing needs in the base case and 15 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:

		31.12.2022	31.12.2021
Adjusted FFO / Adjusted net financial debt [1]	%	25.4	23.0
Adjusted RCF / Adjusted net financial debt [1]	%	22	20.6
Adjusted net financial debt/Adjusted EBITDA	Times	3.3	3.2

[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.

These measures are calculated as follows:

Millions of euros	31.12.2022	31.12.2021
Net profit for the period attributable to the parent	4,339	3,885
Net profit for the year from discontinued operations	71	35
Impairment losses, trade and other receivables	470	369
Amortisation, depreciation and provisions	4,774	4,294
Result of equity-accounted investees	(146)	39
Discounting to present value of provisions	109	116
Non-controlling interests	721	467
Dividends received	67	49
Amounts allocated to the Income statement – capital grants	(86)	(81)
Adjustment for tax-deductible items	—	471
Tax deductibility of goodwill	71	71
Undue payments Hydroelectric levy	—	(830)
Gas deduction RDL 17-18/2021	—	29
Undue payments relating to the hydroelectric levy ruling	826	—
Social Bonus ruling	(93)	—
Funds from operations (FFO)	**11,123**	**8,914**
Exit plan	—	72
Contribution of new hires pro-forma, 1 year	—	7
Adjusted funds from operations (FFO)	**11,123**	**8,993**
Dividends paid	(1,478)	(953)
Adjusted retained cash flow (RCF)	**9,645**	**8,040**

Millions of euros	31.12.2022	31.12.2021
EBITDA	13,228	10,038
Exit plan	—	60
Contribution of new hires pro-forma, 1 year	—	51
Adjusted EBITDA	**13,228**	**10,149**

3.3 Capital funds

3.3.1 Leverage

Adjusted net financial debt at 31 December 2022 increased by EUR 4,630 million to EUR 43,749 million, compared to EUR 39,119 million at 31 December 2021, due to the substantial investments made in the period and the significant appreciation of currencies.

Additionally, adjusted net leverage improved by (1.80)% to 42.8%, compared to 41.0% for the previous year (see Note 21).

3.3.2 Debt structure

Note 21 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 28.

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:

	31.12.2022	31.12.2021
Bond market – EUR	23.10 %	26.20 %
Bond market – USD	19.60 %	19.20 %
Bond market – GBP	6.80 %	7.10 %
Other capital markets	5.40 %	5.00 %
Promissory notes	8.80 %	8.30 %
Multilateral banking and development	15.60 %	15.20 %
Structured financing	— %	1.20 %
Leases	6.50 %	5.60 %
Bank loans and credits	14.20 %	12.20 %
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 over six years. The maturity profile of the IBERDROLA Group’s debt classified under “Bank borrowings, bonds or other marketable securities” at year-end 2022 is shown in Note 28.

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 28:

- Issues of domestic commercial paper (USCP) and Euro Commercial Paper (ECP) (Note 28).
- Drawdowns on credit lines and facilities (Note 28).
- Unpaid accrued interest (Note 28).
- Derivatives on treasury shares: swaps on treasury shares, put options sold and accumulators (Note 21).

Furthermore, during the first year, surplus cash is considered to be used to repay maturities.

3.4 Working capital

Working capital decreased by EUR 3,562 million compared with December 2021.

The change was mainly due to favourable court rulings in Spain, together with the change in commodity derivatives and the proceeds from the East Anglia 1 OFTO, partially offset by the increase in customer accounts receivable and the impact of collateral in organised markets.

Millions of euros	31.12.2022	31.12.2021	Change
Assets held for sale	308	124	184
Nuclear fuel	259	267	(8)
Inventories	2,159	2,639	(480)
Trade and other current receivables	9,870	8,184	1,686
Other current financial investments	2,839	1,420	1,419
Derivative financial instruments – assets [1]	1,640	2,411	(771)
Taxes receivable	1,351	2,773	(1,422)
CURRENT ASSETS	**18,426**	**17,818**	**608**
Liabilities linked to assets held for sale	27	—	27
Provisions	922	789	133
Derivative financial instruments – liabilities [2]	3,013	1,588	1,425
Trade payables, other current financial liabilities and other current liabilities	12,379	9,780	2,599
Taxes receivable	1,418	1,432	(14)
CURRENT LIABILITIES	**17,759**	**13,589**	**4,170**
NET WORKING CAPITAL	**667**	**4,229**	**(3,562)**

[1] Not including cash and cash equivalents or debt derivative assets related to financial transactions (Note 21).

[2] Not including financial debt or debt derivative liabilities related to financial transactions (Note 21).

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 Risk Management and Internal Assurance 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 Risk 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) participation of dissenting shareholders at the General Shareholders' Meeting; (iii) sanctions or requirements imposed by the CNMV; and (iv) divestment or lack of interest among investors in acquiring IBERDROLA 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 (among others 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, including the following:

- Technological failures, human error and technological obsolescence.
- Operation and construction of facilities.
- Supply and the supply chain.
- Cybersecurity and information systems
- The health and safety of people.
- Climate change, extreme natural phenomena and pandemics.
- Regulatory compliance.
- The reliability of financial and non-financial information.
- Fraud and corruption
- Litigation, arbitration and tax matters.

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 into Structural, Hot Topics and Emerging Risks, the latter in the sense of 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.

– 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 Risk Officer & Head of Internal Assurance.

- It also coordinates and reviews the risk reports sent at least on a semi-annual basis by the audit and compliance committees of the main subsidiaries, including the country subholding companies of the main countries or regions in which the Group operates and which, along with the appearances made by the Group's Chief Risk Officer & Head of Internal Assurance, are used to draw up a risk report for the Board of Directors at least semi-annually.

For further details, see section E. "Risk control and management systems" of the Corporate Governance Report for financial year 2022, the section "Long-term risks and opportunities. Comprehensive risk control system" of the 2022 Sustainability Report and the Risks section of the Integrated Report – February 2023.

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 UK, no energy is supplied, and in the Networks businesses in the United States and Brazil, in general, 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 rates and cash placements of the IBERDROLA Group are largely pegged to market rates (mainly Euribor, SONIA, Libor-dollar or 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 2022 is described in Note 29 to the consolidated Financial Statements.

The Group's debt structure at 31 December 2022, after considering the hedge provided by the derivatives and the exposure to fluctuations in interest rates, is included in Note 28 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 or equipment acquisition 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 functional 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 28 to the Financial Statements.

4.3.3 *Liquidity risk*

The exposure to adverse situations in the debt or capital markets or to events resulting from the IBERDROLA Group's economic and financial situation 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.

4.4 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 2022 or expected to be implemented in 2023.

It is important to highlight the exceptional situation of the energy markets as a consequence of Russia's invasion of Ukraine in 2022, which has led to the adoption of various extraordinary and temporary regulatory measures in Europe designed to prevent high energy prices in the wholesale markets from being passed on to customers and also to cap any extraordinary profits that electricity generators and retail suppliers might make. The duration of this situation is uncertain.

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.
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.
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 2022 were as follows:

Country	Moody´s	S&P	Fitch
Spain	Baa1	A	A-
United Kingdom	Aa3	AA	AA-
United States	Aaa	AA+	AAA
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 sustainable 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.

Lastly, 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.

The operating details provided in this section show the situation at 31 December 2022, unless stated otherwise. Sensitivities are shown in annual terms (following 12 months).

4.5.1 *Networks business*

The regulations of each country in which the IBERDROLA Group's network businesses operate establish frameworks, which are regularly revised, thus meaning that these businesses will receive reasonable and predictable returns. These frameworks include incentives and penalties for efficiency, service quality and, where applicable, for default management. Any structural and significant changes to the aforementioned regulations may represent a risk for said businesses.

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 flows 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, described in section 4.6.

a. Spain

The business manages 11.36 million supply points. The current regulatory model is based on Electricity Industry Law 24/2013 of 26 December, as further developed by various royal decrees and ministry orders. The model is based on recognised historical investment (at 31 December 2014) remunerating capital for depreciation and certain operation and maintenance costs. 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., apart from distribution itself.

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%). On 19 December 2019 the applicable methodology 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.

b. United Kingdom

The Group operates in the United Kingdom through its subsidiary Scottish Power, Ltd., which manages the following licences, comprising 3.55 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 UK is in accordance with a price control model based on the recognised cost of capital (WACC), the depreciation of assets, and operating and maintenance costs, plus an incentive which is obtained if management is better than the regulatory standard, and which the companies retain (in part) in the following tariff revision.

The current regulatory model for SPD and SPM is based on the RIIO ED1 framework, and on the RIIO T2 framework in the case of SPT. Recognised ROE after tax (in real terms) is 6% for SPD and SPM and 4.25% for SPT. The SPT revision (RIIO T2) is valid from April 2021 to April 2026. The latest tariff revision for electricity distributors (RIIO ED1), including SPD and SPM, is valid from April 2015 to March 2023, whereupon the five-year RIIO ED2 period will begin (until March 2028), with an ROE of 5.23%.

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 2.31 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 April 2020 (base ROE of 8.80% for electricity distribution). Remuneration rate in the process of updating.

- Rochester Gas and Electric (RG&E), New York, with a 3-year rate case in force since April 2020 (base ROE of 8.80% for electricity distribution). Remuneration rate in the process of updating.

- Central Maine Power (CMP), Maine, whose annual rates are in force since 1 July 2014. They may be extended for its electricity distribution business (base ROE of 9.25%) and transmission business (base ROE of 10.57%). The ROE calculation method for the transmission business is being revised by the FERC. Remuneration rate in the process of updating.

- United Illuminating (UI), Connecticut, with rates in force since 1 January 2017 for its electricity distribution business (base ROE of 9.1%) and transmission business (base ROE of 10.57%). The ROE calculation method for the transmission business is being revised by the FERC. Remuneration rate in the process of updating.

- 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
  - Southern Connecticut Gas (SCG), ROE of 9.25% and rates for three years effective since 2018 and
  - 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 (76 TWh in energy distributed in 2022), managing approximately 16.04 million supply points:

- Elektro Redes, S.A. (ELEKTRO), operating in the states of São Paulo and Mato Grosso do Sul, with 2.9 million points of supply. Rates in force until August 2023 and WACC of 7.15%;
- Companhia de Eletricidade do Estado do Bahia (Coelba), operating in the state of Bahía, with 6.4 million supply points. Rates in force until April 2023 and WACC of 7.15%;
- Companhia Energetica de Pernambuco S.A. (Celpe), operating in the state of Pernambuco, with 3.9 million supply points. Rates in force until April 2025 and WACC of 7.15%;
- Companhia Energética do Rio Grande do Norte (Cosern), operating in the state of Rio Grande do Norte, with 1.5 million supply points. Rates in force until April 2023 and WACC of 7.15%;
- Neoenergia Brasilia, operating in the Federal District, with 1.2 million supply points. Rates in force until October 2026 and WACC of 7.15%;
- Several transmission assets with their own specific regulation.

The Brazilian regulatory framework 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. Coelba, Cosern and Neoenergia Brasilia have a five-year revision term and Celpe and Elektro have a four-year revision term.

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.

In line with the liberalisation process, the minimum demand has gradually reduced for a consumer to be classified as free. The figure has been set at 1,000 kW since 1 January 2022.

4.5.2 *Production and commercial 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. 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 sustainable thermal production plants in Spain and Mexico, and a single thermal 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), has regulatory support mechanisms (ROCs in the United Kingdom, Rinv in Spain, CELs in Mexico, etc.), or has been established from the outset through long-term sales agreements (e.g. most of the thermal plants in Mexico, through contracts with Comisión Federal de Electricidad, CFE).

- 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 retail supply 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 on retail supply 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 entail other risks such as long construction deadlines, operating difficulties and technological risks. Commodity price risk (aluminium, steel, polysilicon, etc.) is closed at the time the decision is made.

- 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. The risks associated with nuclear power plants in Spain stand out.

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. In December 2022, the notional value of derivatives used in speculative trading (calculated in accordance with the criteria set forth in the European Market Infrastructure Regulation (EMIR)) was EUR 27 million for commodity derivatives. This value is much lower than the EUR 4,000 million threshold currently set for non-financial companies in the European regulation (EMIR).

The exceptional situation in energy markets as a result of Russia's invasion of Ukraine has prompted a number of regulatory measures to curb inflation. These measures aim to avoid passing on high energy prices on wholesale markets to customers and also to limiting the profits made by producers who sell energy directly on wholesale markets. Particularly noteworthy are the measures adopted in a number of European countries, including Spain and the United Kingdom.

a. Spain

The Group currently has an installed capacity of renewable energy in Spain of 5,952 MW of wind power, 9,702 MW of hydroelectric power, 2,604 MWdc of photovoltaic power and 254 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 66.7 TWh of electricity and 15 TWh of gas in 2022. Additionally, the last resort tariff retail supply subsidiary supplied 6.9 TWh of electricity.

Hydroelectric production risk

The lesser or greater availability of hydroelectric resources has an impact on the marginal hour prices of the Spanish electricity system. 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 -196 million and EUR +245 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 Government-driven auctions launched in 2021 to achieve the NECP targets have continued in 2022, guaranteeing fixed prices with the system for a period of time. The production of hydroelectric power plants is not regulated by Royal Decree 413/2014.

Commodity 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 75/MWh, a 5% change in prices could give rise to an impact of EUR ±42 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 84 per tonne, a 5% change in prices could give rise to an impact of EUR ±8 million on operating results.

In 2022, 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 23% 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 1,971 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 the East Anglia 1 offshore wind farm (714 MW).

Sales of the retail supply business in 2022 amounted to 18.5 TWh of electricity and 22.92 TWh of gas, both lower than in 2021, 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 opted for the “Contract for Difference” (CfD) remuneration scheme, which eliminates market risk for 15 years. Such is the case of the East Anglia 1 offshore wind farm and the recently awarded East Anglia 3 facility.

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 TW).

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. Since October 2022, these price caps have been updated quarterly and, also since October 2022, they have been capped under the Energy Price Guarantee scheme, which will run until the end of March 2024. While the new rules in place allow retail suppliers to reasonably recover all their costs, 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 1.5% lower for electricity and 10.9% 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 7,825 MW in onshore wind farms and 497 MWdc in operational photovoltaic plants, plus a further 636 MW in thermal power.

AVANGRID aims to secure between 85% and 95% of its capacity through long-term PPAs and financial transactions to reduce volatility. At year-end 2022, approximately 72% of its capacity was sold through PPAs with an average term of 10 years, and a further 11% was secured by hedges.

With electricity prices around USD 40MWh, a 5% change in prices could give rise to an impact of EUR ±8 million on operating results.

AVANGRID has a significant portfolio of offshore wind energy projects, including the 800 MW Vineyard wind farm under construction, which is scheduled for commercial operation in 2024.

d. Brazil

In Brazil, the Group, through NEOENERGIA, currently has 11 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 3,031 MW in hydroelectric plants (consolidated power and equity-accounted interests), of which approximately 55% is sold to electricity distribution companies under long-term contracts (PPAs).

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 and thermal generation surpluses are traded through the Group's retail company in the free market. In 2023 the impact of price decreases is negligible thanks to the sales already agreed upon and good hydro power prospects for 2023.

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 three sales models: a) to the CFE through long-term contracts that remunerate the capacity with a fixed payment and cover the variable cost of production (fuel, mainly in thermal power plants), b) to third parties on a self-supply basis and c) 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. Of the Group's total installed capacity in the country, 7,143 MW is dedicated for sale to the CFE under long-term supply agreements.

Commodity price risk

The Group's thermal generation in México is gas-intensive. Gas prices are therefore an essential component of this risk. In 2023, approximately 85% of the electricity generated in Mexico will be sold under long-term sales agreements (to the CFE and, to a lesser extent, to other major industrial customers and partners), whereby the risk associated with the purchase price of gas used in generating this electricity is passed on.

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 only amount to EUR 6 million in the 95th percentile.

Demand risk

The structure of the agreements IBERDROLA has entered into in Mexico largely shields business results from electricity demand fluctuations. Revenues under contracts with the CFE come mainly from plant availability, and only the sales indexed to the official Mexican tariff are exposed to a certain extent to fluctuations in demand. Furthermore, 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. For this reason, changes in electricity demand in Mexico are not expected to have a material impact on results.

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 12 million.

f. International

In Germany, the Group owns 51% of and operates the Wikinger offshore wind farm with a capacity of 350 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.

In other countries, the Group currently has an onshore installed capacity of 1,885 MW in wind farms and 348 MWdc in photovoltaic facilities and batteries. In Portugal, Greece, Cyprus, France and Hungary the revenue schemes are regulated, with variations, while in Australia, Romania, Poland and part of Greece PPAs and revenue with market exposure are combined. This exposure is partially mitigated through contracts of varying term with industrial and commercial customers (mainly in Australia), and transactions in the wholesale markets.

The Group has been awarded, and is indeed already building, several significant offshore wind farm projects in Europe, which are expected to be brought into operation throughout 2023-2024:

- Germany: Baltic Eagle (476 MW) project.
- France: Saint Brieuc project (496 MW).

In addition, the Group has a significant portfolio of potential offshore wind projects, having taken stakes in developments in Sweden, Poland, Ireland, Taiwan, Vietnam, the Philippines and Japan, and it has secured the construction and future operation of the 309 MW Windanker wind project in Germany.

IBERDROLA engages in commercial and retail activities in Portugal, Italy, France and Germany, although the scale of this activity is not material at Group level.

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 operational risks, among others:

- technological failures, human error and technological obsolescence;
- operation and construction of facilities;
- supply and the supply chain;
- operational risk of market transactions.
- cybersecurity and information systems.
- the health and safety of people;
- climate change, extreme natural events and pandemics;
- sabotage and/or terrorism;
- regulatory compliance;
- reliability of financial and non-financial information;
- fraud and corruption; and
- litigation, arbitration and tax issues.

Any 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 be noted that nuclear power plants are exposed to specific risks derived from the operation thereof and from the storage and handling of radioactive materials. The entry into force on 1/01/2022 of Law 12/2011 of 27 May on civil liability for nuclear damage or damage caused by radioactive materials sets 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. The IBERDROLA Group secures this liability by taking out a Nuclear Liability insurance policy for each facility. It was adapted on 1/01/2022 to the new legal requirements.

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.

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 physical safety systems (fire protection, CCTV, alarm reception centres).

– Risks related to administration or customer interfaces (IT), in particular violation of information in them, under the umbrella of the General Data Protection Regulation (GDPR) in Europe and other countries.

– 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 climate change (rising temperatures, rising sea level, variations in rainfall, increase in both the frequency and intensity of extreme weather events, etc.). 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.

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 2022. Note 6 to the consolidated Financial Statements of the Annual Financial Report 2022 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 transition risks include the potential large-scale development of distributed generation, a drop in wholesale marginal market prices due to a higher renewable production at a reduced variable cost and the evolution of demand.

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.

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.
- 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.
- Diversification of assets (by geography, technology, age, etc.).
- Insurance coverage.
- Many of the physical risks affect normal business variables and, consequently, variables that are already managed, to a greater or lesser extent, through standard operational processes (e.g. equipment redundancy, emergency plans, meshing and making lines underground, smart grids, etc.).

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 in its definition: robustness (based on design and construction procedures), recovery (based on early detection tools and action protocols) and adaptability.

Throughout 2022, IBERDROLA applied its approach for identifying and assessing physical impacts derived from climate change in line with the requirements set out in the European Taxonomy of Sustainable Activities. IBERDROLA has analysed the evolution of the main

climate threats based on regionalised forecasts provided by benchmark climate tools in the various regions in which it operates, under a conservative RCP 8.5 scenario.

In terms of impact, extreme temperature and associated fires, high winds and extreme precipitation, along with water scarcity, are some of the variables with the greatest impact on IBERDROLA's different assets. With a focus on continuous improvement, IBERDROLA continues to make progress in analysing the impact and materiality of the associated risks for the Group as a whole, taking into account the asset base and how it might be affected.

In term of businesses, it is worth noting:

a. Networks business: given the geographical spread of our networks assets in Spain, the United Kingdom, the United States and Brazil, and in accordance with already existing studies, the potential increase in sea level in coastal areas would have no material impact on the regulatory conditions of the Group's assets. Increases in temperature and greater frequency of extreme climatic events may entail increased technical losses, worse levels of services and an increase in O&M 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: the main 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 27 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 28 million, based on average prices over the coming decade and current exchange rates.

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 onshore wind and photovoltaic facilities. Building on the experience gained, the model will be extended to offshore wind farms in the future.

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.

For more information, see the Statement of Non-Financial Information – Sustainability Report 2022, which provides detailed information according to the TCFD taxonomy on climate change risks (physical and transition), the monitoring and management tools available to the Group, as well as the scenario-based analysis, with three time horizons: up to 2025, up to 2030 and up to 2050.

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 *ESG*

The Group has policies and procedures to monitor and mitigate other risks to which it is subject, under the supervision of the Board of Directors, with the support of its different 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.

While most of the risks with an ESG impact have already been described above, the risks of fraud and corruption are highlighted below. The IBERDROLA Group has a Compliance System consisting of a set of substantive rules, formal procedures and material actions aimed at guaranteeing its conduct in compliance with ethical principles and applicable legal provisions, preventing, avoiding and mitigating the risk of irregular, unethical or illegal behaviour on the part of IBERDROLA Group professionals within the organisation. The bodies and divisions to which the implementation and development thereof has been directly entrusted are also part of said system.

As part of the Compliance System, particularly noteworthy are the Code of Ethics (applicable to all Group professionals, directors and suppliers) and the Compliance Unit, an internal permanent collective body, linked to the Sustainable Development Committee within IBERDROLA's Board of Directors, which, among other tasks, disseminates a preventive culture based on the principle of zero tolerance for the commission of illegal acts or irregular behaviour. The system has been developed following the best domestic and international practices in the area of compliance, fraud prevention and fight against corruption.

Among the Policies approved by the Board, the following are especially noteworthy:

Environmental, social and corporate governance risks ("ESG")

- Environmental Policy, General Sustainable Development Policy, Climate Change Policy.
- Human Resources Framework Policy, Occupational Health and Safety Risks Policy and Equal Opportunity and Reconciliation Policy.
- General Corporate Governance Policy, Board of Directors Diversity and Member Selection Policy, and Senior Management Remuneration Policy.
- Stakeholder Engagement Policy and Policy on Respect for Human Rights.

Fraud and corruption risks

- Anti-Corruption and Anti-Fraud Policy.
- Crime Prevention Policy.
- Code of Ethics.
- Ethics Mailboxes.

Reputational risk

- Reputational Risk Framework Policy

For further information on these ESG risks, see the 2022 Sustainability Report, as well as the Integrated Report – February 2023 and the 2022 Annual Corporate Governance Report.

4.7 Other sources of uncertainty

- 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.

  The friendly AVANGRID-PNM Resources merger, recommended by PNM Resources' board of directors, was approved by several state and federal agencies during the clearance process throughout 2021, but rejected by the New Mexico Public Regulation Commission. The two companies have filed an appeal against the ruling with the New Mexico Supreme Court, and are confident that they will be able to complete the transaction in 2023. PNM Resources is active in the networks and regulated generation segments.

- Other

  The risks associated with pension plans are analysed in Note 27 to these Financial Statements. Note 44 provides a detailed description of contingent liabilities.

4.8 Risks materialised during the year

See section E.5 of the 2022 Corporate Governance Report.

5. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

Events subsequent to the close of the financial year are described in Note 50 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 is the most innovative Spanish utility, the second at European level and the third at worldwide level, in accordance with the European Commission's classification. This position was reached thanks to the talent, experience and effort of 34,000 people in more than 40 countries.

In 2022, IBERDROLA invested EUR 363 million in R+D+i activities, up 7% from 2021. 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. Green hydrogen, innovative renewables, sustainable mobility, energy storage, smart grids, electrification of heat and recycling of clean technology components will all contribute to the country's industrial transformation, with a focus on sustainability, green and affordable energy and jobs.

- **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 by means of knowledge transfer and by attracting talent and promoting the entrepreneurial spirit. Within the Universities Programme, several initiatives are developed in the academic world, such as lectures, R&D projects, training of students, in-house training and young entrepreneurs. It is a network that promotes training, entrepreneurship and research and connects 490,000 members including students, researchers, professors, etc.

A highlight this year was the inauguration of the IBERDROLA Campus, a global centre for knowledge, innovation and employability that has about 13,000 people receiving training in its classrooms every year. It represents IBERDROLA's commitment to technology, R&D and collaboration with technology centres as levers to lead the energy transition. The inauguration also occurred of the Global Smart Grids Innovation Hub in Bilbao, with the main aim of promoting and speeding up the development of innovation in smart grids, which will be key to accelerating the energy transition and boosting the development of the related industry.

Some of the innovative initiatives, classified by broad area, are:

6.1 Renewable energies

In 2022, innovation activities at Renewables focused primarily on:

- Efficiency improvements in wind farms, photovoltaic plants and hydroelectric facilities. Big data technologies have been used to obtain weather forecasts for wind or photovoltaic farms, as in the ENERPREDIC project, and to contemplate climate variability, including solar variability, which allows the viewing and processing of information using the CHINOOK tool, as well as data analysis and decision-making in the CARTERAREN project. Work has been carried out on metrics associated with the maintenance and operation of the wind farms in a very graphic and visual way, in addition to the development of new solutions to improve the efficiency of the DOMINA system tools within the REN-EFIC project. Work continued on the ASPA project to develop new models and tools for the early detection of faults based on artificial intelligence/big data techniques; and the AEROEXTENS project focused on understanding the performance of wind turbines in terms of machine control strategies. In the DIAGNOSGRE and GRIDFORMIN projects, digital twin methodologies have been incorporated to verify the operating parameters of a wind farm so as to calibrating the sensitivity and stability of the wind farm, and to analyse the configuration of equipment needed to stabilise the grid.

- In the realm of hydropower, an analysis has been made of the potential to increase pumping capacity at hydroelectric power plants. The analysis addresses the needs for future power, the best location for this increase and the technological improvements that will make it possible, such as variable speed reversible turbines or lower cost penstocks (such as the developments of the project, NEWPUMPING and CONDUCCIONES). In this respect, reference should be made to two projects financed by CDTI, namely HYDROSMART and HYDRODEMAND, which supplement these lines of work.

- With regard to innovation in offshore wind projects, several projects are continuing at the East Anglia One offshore wind farm in the United Kingdom. These include CROWN2, which is studying different types of anti-corrosion solutions and lidar trials that are carrying out a series of studies related to the wind resource. IBERDROLA will build the East Anglia Hub over the coming few years to combine the following three projects with a total installed capacity of 3,100 MW: East Anglia One North, East Anglia Two and East Anglia Three. A novel design has already been initiated for the foundations of the latter farm and studies are continuing for the export of energy using HVDC technology. In the Baltic Sea, a key highlight is the construction of the Baltic Eagle offshore wind farm, where a new design is being produced that is suitable for sea bed conditions and to the size of the new 9.5 MW wind turbines. Last but not least, we have the FLAGSHIP project, an initiative under the H2020 programme for the design, manufacture and operation of a new semi-submerged concrete floating platform and a 10 MW turbine in the Metcentre waters of Norway.

- When it comes to promoting a culture of innovation, the YO SOY INNOVADOR (I INNOVATE) initiatives have continued, with the launch of internal and external challenges and the Renewables Digital Evolution Plan (2018-2022), which seeks ways to standardise, globalise and improve the efficiency of processes in the quest for operational excellence through a global and multidisciplinary team.

6.2 Clean generation technologies

In 2022, efforts in the area of generation focused on digitalisation, operating flexibility and efficiency, reducing the environmental impact and improving plant safety, as follows:

- In nuclear power, the COATI project has continued 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 like ENRESA. In addition, 3D models are being used to simulate critical processes such as container loading, as well as the use of augmented reality and virtual reality.

- In the realm of thermal generation and industrial heat, further progress has been made on the pioneering REDEMIS project, which has achieved exceptional results in reducing emissions and start-up times of combined cycle power plants. In the digital sphere, highlights include the FLAGSHIP project, which, through the creation of digital twins, makes it possible to simulate operating environments different to those of the plant's basic design, thus showing us the results of these operations and allowing us to improve in terms of operational flexibility, reliability and efficiency. In addition, work began in 2021 on the SIRO project on technological development based on artificial intelligence, which aims to develop and validate a robotic inspection system for generators. This area encompasses the Industrial Heating and Cooling team, which aims at decarbonising industry through the electrification of production processes.

- The area of energy management is noteworthy for the launch of projects such as Thirties, which seeks to improve voltage control and optimise the use of transmission grids. Also, projects include the likes of Flexener, which is aimed at researching new technologies, simulation models and flexibility services to promote the achievement and operation of a 100% renewable energy mix. It is important to mention the European project Posytyf, which analyses from a theoretical perspective the contribution of renewables to the provision of services to the grid through Virtual Power Plants. The same may said of the BeFlex project, which aims to design an eco-system that can facilitate adequate coordination between all the actors involved in the provision of services to the distributor, with a special focus on the consumer.

6.3 Retail Area – New projects and services

Innovation is essential in the retail activity in order to offer customers the products and services best suited to their needs. Thus, in 2022 IBERDROLA worked on:

- New initiatives to boost customer experience.

  Work has also continued on adding new functionalities to the IBERDROLA Customers App. Thus, there has been a simplification of registration processes, process automation, digitisation of the payment process and the option of paying multiple invoices, among others. In addition, the integration of the management of domestic chargers from the Public Charging App and the monitoring of Smart Solar installations in Portugal has been carried out.

– New products and functionalities:

In relation to the distributed generation solution for self-consumption, Smart Solar, progress has been made in the internationalisation of the product. It has been launched in the United Kingdom and France, and the first installations are being undertaken in Germany. In addition, the first installations of Solar Communities stand out, where neighbours within 500m of a Solar Community can self-consume energy as a service without the need for installation or investment. They will be able to monitor savings through their App. IBERDROLA has created the Smart Solar Customer Support Management Platform, which will make it easier for customers to access Next Generation Europe funds.

When it comes to Smart Home, it has launched the Smart Business Assistant, which allows customers to optimise their consumption, such as hot and cold air conditioning systems, the consumption monitor, and the smart thermostat and LED lighting.

Creation of Smart Clima to boost decarbonisation of homes through the electrification of heat. In 2021, it is worth highlighting the start-up of pilot aerothermal installations with equipment from leading manufacturers and the development of new energy efficiency certificates in homes, with a high component of intelligence and digitalisation that enable high quality energy diagnostics at minimum cost.

IBERDROLA is also involved in R&D&I projects in the field of electric mobility and has completed the CIRVE project, putting into service the first experiences of interoperability between the main recharging operators in the Spanish market. Meanwhile, IBERDROLA has taken part in the MADRID in MOTION project to tackle the challenges posed by collaborative urban charging and streetlights. IBERDROLA is also involved in the development of prototype battery banks designed to be exchanged for other spent batteries of electric motorbikes in different parts of the city.

6.4 Smart grids

In 2022, i-DE Redes Eléctricas Inteligentes remained focused on various R&D+I initiatives, especially aimed at improving customer service, maintaining and expanding the smart grid model and digitalisation of the grid, and moving towards greater integration of renewable generation, electric vehicles and storage systems across the grid, both in Spain and Europe.

The year 2022 was very important in innovation for i-DE. In alliance with the Provincial Council of Biscayne, the Global Smart Grids Innovation Hub was inaugurated. It is one of the company's strategic projects which, based in Bilbao and targeted at all international markets, will work on developing the electricity grids of the future. This public-private collaboration space - with more than 1,000 m2 - was created with the aim of accelerating innovation and R&D in smart grids, which are the cornerstone of the energy transition.

On the European stage, work continued in the ONENET project, which 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. Elsewhere, the COORDINET project will continue to coordinate electricity transmission companies, distributors and consumers to provide a framework conducive to the participation of all agents. The ATELIER project was launched with the aim of developing Positive Energy Districts (PEDs) in eight European cities, Bilbao among them. I-DE continues to take part in the ASSURED project to develop fast charging solutions for heavy-duty electric vehicles.

- In Spain, work has continued on four projects to improve the control, monitoring, analysis, prediction and real-time management of low voltage: i-Trafo, eLVIS, CT Inteligente, Gestión técnica de Suministros. The FLEXENER project is also continuing in a satisfactory manner, with the aim of investigating new technologies and simulation models in the field of renewable generation, storage systems and flexible demand management and distribution grid operation. In the realm of grid integration, highlights include the second phase of the Caravaca BESS project, with the FLEXIPOWER project being launched with the aim of integrating several battery energy storage systems, and the DSO – DTR project to assess how much additional energy the grid will carry.

- In the United Kingdom, the DISTRIBUTED ReStart project is looking at how distributed energy resources can be used to restore electricity supply in the event of a total or partial disruption to the national electricity transmission system. The Ofgem-funded HEAT-Up project will develop tests of the impact of domestic heat pump retrofits on electricity networks. The two projects reinforce IBERDROLA's role as the UK's leading company in technical and commercial innovation.

- In Brazil, innovation projects are being carried out in various technological realms: smart grids, energy storage, micro-grids, quality charging infrastructure and grid reliability, safety at facilities, energy recoverability and sustainability. Of particular note is the partnership with Iberdrola Innovation Middle East in Qatar to develop new algorithms and analysis metrics to improve quality of service and telecommunications equipment. Particularly significant among the initiatives carried out are the project DSO Atibaia, which contemplates the installation of a new automation system, smart meters and a telecommunications network.

- In the United States, the projects being undertaken with the Yale University and MIT are particular highlights. Studies have been carried out into the network effect on the electricity grid, the usefulness of grid-connected customers, the speed of adoption of new energy technologies and business models, and an analysis of the impact of climate change on electricity distribution networks. Further highlights include our involvement in developing a digital platform designed to accurately account for and standardise global greenhouse gas emissions based on Artificial Intelligence, blockchain and digital twins.

- *Iberdrola Innovation Middle East*, the IBERDROLA's technological centre in Qatar, has undertaken several R&D+i projects with a high level of digitalisation and great retail potential in different areas: smart grids, integration of renewable energies and energy management.

6.5 Green hydrogen

IBERDROLA remains committed to the generation of green hydrogen for industrial use. Hence, it has undertaken construction of the largest green hydrogen plant for industrial use in Europe.

The Puertollano (Ciudad Real) plant will feature a 100 MW solar photovoltaic plant, a lithium-ion battery system with a storage capacity of 20 MWh and one of the world's largest electrolysis hydrogen production systems (20 MW). It will generate 1,200 tonnes of green hydrogen for use in processes of ammonia generation. In addition, related to the decarbonisation of mobility, the first phase of the new Barcelona hydrogen plant, which will supply hydrogen to 24 TMB buses, has come into commercial operation.

6.6 IBERDROLA Ventures – PERSEO

Iberdrola Ventures – PERSEO is IBERDROLA's start-up programme created in 2008 with a budget of EUR 125 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 85 million have been invested in energy start-ups worldwide. Its base of 34 million consumers and nearly 55 GW of installed capacity allow IBERDROLA to provide start-ups with a large "real laboratory" to nurture their technological and commercial development.

Among the main milestones achieved in 2022, the following stand out:

- Pilot projects Pilot projects: throughout 2022, more than 25 pilot projects were carried out with start-ups in technological areas such as IoT, robotics and batteries, in areas such as grid construction and maintenance, hybridisation of land use (agrovoltaic), electric mobility, and energy efficiency. The aim is to improve the construction and management of assets, optimise operation and maintenance or improve the services offered to our customers.

- Challenges: In 2022 IBERDROLA launched nine challenges for the start-up community in fields such as renewable generation, both onshore and photovoltaic generation, electric mobility, or the construction and maintenance of electricity grids.

- Investment: Investment: highlights here include the IPO (NYSE) of two of Perseo's investee companies, Wallbox Chargers S.L., which is dedicated to the development of electric mobility solutions, and Stem Inc., which is dedicated to the management of distributed energy assets (batteries). In addition, three new investments have been made through the programme in the areas of energy efficiency, mobility and decarbonisation, thus reaffirming IBERDROLA's commitment to electric mobility, efficiency and decarbonisation of society.

- "Venture Builder": Perseo has continued the initiative launched in 2021 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, support was provided to the Net-Zero MAR Alliance, which is focused on decarbonising the maritime sector.

Further information on the R&D+i projects in which IBERDROLA is involved can be found under the Innovation section of the corporate website.

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 21 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 2022 and 2021 is provided in the following tables:

Treasury shares	No. of shares	Nominal (million euros)	Treasury share cost (million euros)	Average price (euros)	Total shares	% of capital
Balance at 01.01.2021	**85,222,122**	**64**	**888**	10.42	**6,350,061,000**	**1.34**
Acquisitions	180,342,768	136	1,896	10.51	—	—
Reduction in share capital	(178,156,000)	(134)	(1,898)	10.65	—	—
Iberdrola Retribución Flexible system [1]	1,514,730	1	—	—	—	—
Disposals [2]	(6,008,280)	(5)	(63)	10.45	—	—
Balance at 31.12.2021	**82,915,340**	**62**	**823**	**9.93**	**6,366,088,000**	**1.30**
Acquisitions	186,499,093	140	1,883	10.10	—	—
Reduction in share capital	(197,563,000)	(148)	(1,985)	10.05	—	—
Iberdrola Retribución Flexible system [1]	1,403,649	1	—	—	—	—
Disposals [2]	(8,807,646)	(7)	(89)	10.13	—	—
Balance at 31.12.2022	**64,447,436**	**48**	**632**	**9.81**	**6,362,094,000**	**1.30**

[1] Shares received.
[2] Includes awards to employees.

Treasury shares in trust of SCOTTISHPOWER	No. of shares	Nominal (million euros)	Treasury share cost (million euros)	Average price (euros)	Total shares	% of capital
Balance at 01.01.2021	**815,645**	**1**	**8**	9.94	**6,350,061,000**	**0.01**
Acquisitions	221,627	—	2	10.79	—	—
Iberdrola Retribución Flexible system [1]	79,348	—	—	—	—	—
Disposals [2]	(420,850)	—	(3)	6.12	—	—
Balance at 31.12.2021	**695,770**	**1**	**8**	**11.39**	**6,366,088,000**	**0.01**
Acquisitions	212,631	—	2	10.54	—	—
Iberdrola Retribución Flexible system [1]	85,349	—	—	—	—	—
Disposals [2]	(346,665)	—	(2)	6.98	—	—
Balance at 31.12.2022	**647,085**	**0**	**8**	**11.97**	**6,362,094,000**	**0.01**

[1] Shares received.
[2] Includes awards to employees.

In 2022 and 2021, 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

		2022	2021
Stock market capitalisation [1]	Millions of euros	69,538	66,271
Earnings per share continuing operations	Euros	0.655	0.585
P.E.R. (share price at year end/profit per share)	Times	16.687	17.795
Price / Carrying amount (capitalisation on carrying amount at year end) [2]	Times	1.690	1.640

[1] 6,362,094,000 and 6,366,088,000 shares at 31 December 2022 and 2021, respectively.

[2] Capitalisation at 31 December 2022 (69,538) / Equity of the parent company (41,119). Capitalisation at 31 December 2021 (66,271) / Equity of the parent company (40,479).

– The IBERDROLA share

Stock market performance of IBERDROLA compared to the indexes:

	2022	2021
Number of shares outstanding	6,362,094,000	6,366,088,000
Share price at period end	10.93	10.41
Average share price for the year	10.28	10.46
Average daily volume	14,507,114	13,241,383
Maximum volume (21/10/2022 and 30/11/2021)	82,592,287	56,338,346
Minimum volume (17/05/2022 and 03/05/2021)	5,239,815	3,983,299
Shareholder remuneration (Euros)	0.449	0.422
Gross interim dividend (08/02/2021 and 05/02/2020) [1]	0.170	0.168
Gross final dividend (29/07/2021 and 04/08/2020) [2]	0.274	0.254
Engagement dividend (20/06/2022)	0.005	—
Shareholders' profitability [3]	4.11 %	4.05 %

[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 13 days.

General framework of cover for legal defence and liability risks

During the year, the Company's Board of Directors approved a broad harmonised framework of coverage for legal defence risks and liability claims in the performance of their duties for directors, including liquidators, members of the management bodies and professionals (employees and executives) of the IBERDROLA Group companies, taking into account the singularities of their respective Governance and Sustainability systems and the specific regulations applicable to them. This resolution was passed at the proposal of the Appointments Committee and taking into consideration the report issued by an external advisor which concludes that it is in accordance with the law.

The aim is to provide them, within legal limits, with appropriate and proportionate support vis-à-vis the risks of legal defence (which extends to proceedings or claims brought by third parties until there is a final court or administrative decision and includes, inter alia, legal defence costs, posting of bonds and direct personal expenses arising from the defence) and the liability risks arising from the legitimate discharge of their duties, provided that their actions, governed by principles of good faith, are in keeping with the law and the applicable Governance and Sustainability System.

The aforementioned coverage framework provides for a system of supervision as to its application, whereby the relevant management body may, in the company's interest and in the light of the circumstances, waive the coverage commitment in certain cases, as well as modulate the scope and form of the reimbursement right in the event of a final resolution.

The Company also adopted a supplementary coverage commitment in favour of its directors, executives and professionals, as well as the proprietary directors of the listed country subholding companies appointed by the Company.

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. (Alternative performance measures (iberdrola.com)).

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 2022 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 2022

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 31/12/2022

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
02/08/2022	4,771,570,500	6,362,094,000	6,362,094,000

As of the date of approval of this report, the share capital of "Iberdrola, S.A." (hereinafter, "Iberdrola" or the "Company") comes to €4,834,773,000 and is represented by 6,446,364,000 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 17 June 2022.

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	5.15	0.00	0.14	5.29
NORGES BANK	3.65	0.00	0.00	0.00	3.65
QATAR INVESTMENT AUTHORITY	0.00	8.69	0.00	0.00	8.69

Pursuant to the provisions of Section 23.1 of Royal Decree 1362/2007 of 19 October, further developing Law 24/1988 of 28 July on the Securities Market, in connection with the transparency requirements relating to the information on issuers whose securities have been admitted to trading on an official secondary market or other regulated market in the European Union, 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 2022.

According to available information, the approximate breakdown of the interests in the share capital by type of shareholder at year-end 2022 is as follows:

- International investors 71.01%
- Domestic entities 6.76%
- Domestic retail investors 22.23%

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	5.15	0.14	5.29
QATAR INVESTMENT AUTHORITY	QATAR HOLDING LLC	6.26	0.00	6.26
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 following information is based on notices sent by the shareholders to the CNMV and to the Company itself:

- BLACKROCK, INC.: Interest decreased to below 5% (09-06-2022).
- BLACKROCK, INC.: Interest increased to above 5% (16-06-2022).
- BLACKROCK, INC.: Interest decreased to below 5% (27-06-2022).
- BLACKROCK, INC.: Interest increased to above 5% (06-07-2022).
- THE GOLDMAN SACHS GROUP, INC.: Interest increased to above 5% and was reported as a result of the disapplication of the exemption regarding the disclosure of voting rights held by credit institutions and investment services companies in the trading book (07/12/2022).
- THE GOLDMAN SACHS GROUP, INC.: Interest decreased to below 5% and was reported as a result of the application of the exemption regarding the disclosure of voting rights held by credit institutions and investment services companies in the trading book (09/12/2022).
- THE GOLDMAN SACHS GROUP, INC.: Interest increased to above 5% and was reported as a result of the disapplication of the exemption regarding the disclosure of voting rights held by credit institutions and investment services companies in the trading book (12/12/2022).
- THE GOLDMAN SACHS GROUP, INC.: Interest decreased to below 5% and was reported as a result of the application of the exemption regarding the disclosure of voting rights held by credit institutions and investment services companies in the trading book (13/12/2022).

- THE GOLDMAN SACHS GROUP, INC.: Interest increased to above 5% and was reported as a result of the disapplication of the exemption regarding the disclosure of voting rights held by credit institutions and investment services companies in the trading book (14/12/2022).
- THE GOLDMAN SACHS GROUP, INC.: Interest decreased to below 5% and was reported as a result of the application of the exemption regarding the disclosure of voting rights held by credit institutions and investment services companies in the trading book (16/12/2022).

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	0.16	0.06	0.00	0.00	0.22	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	0.25

The shareholders acting at the General Shareholders' Meeting held on 2 April 2020 approved a long-term variable remuneration programme focused on the sustainable creation of value for shareholders and directed at the executive directors, management personnel and other professionals of Iberdrola and of other companies of the group in order to incentivise the achievement of the key strategic goals provided for the 2020-2022 period (the "2020-2022 Strategic Bonus"). For this purpose, the 2020-2022 Strategic Bonus is configured as an incentive to be paid through the delivery of a number of shares of the Company to be determined based on Iberdrola's performance with respect to certain financial, business and sustainable development parameters, 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 (SDGs) approved by the United Nations. Pursuant thereto, 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 appropriate, would be paid on a fractional and deferred basis, in three equal parts, in 2023, 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 has not been 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	0.25

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
No data		

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
64,447,436		1.01

(*) 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 2022, the Company sent to the CNMV three updates to its treasury share position as a result of a change in the number of voting rights arising from corporate transactions:

- On 4 February notices were provided of direct acquisitions of a total of 3,086,535 shares (0.048%), coinciding with the increase in share capital resulting from the "Iberdrola Retribución Flexible" programme.
- On 8 July notices were provided of direct acquisitions of a total of 48,136,011 shares (0.771%), coinciding with the reduction in share capital carried out; and
- On 2 August notices were provided of direct acquisitions of a total of 202,776 shares (0.003%), coinciding with the increase in share capital resulting from the "Iberdrola Retribución Flexible" programme.

During financial year 2022 the Company also provided one more notice arising from consecutive direct acquisitions of own shares due to said acquisitions exceeding 1% of voting rights since the preceding notice:

- On 11 May notice was provided of direct acquisitions of a total of 72,976,843 shares (1.134%).

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 17 June 2022 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 (which are the same terms as those of the authorisation that was in effect from 13 April 2018 through the aforementioned date):

- 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).
- Purchases will be made using purchase/sale or swap transactions or any other means allowed by law.
- Purchases may be made up to the maximum sum permitted by law (i.e. 10% of the share capital).
- 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	81.00%

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

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).

Moreover, due to the activities carried out by the companies of the Iberdrola group in the 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 will be subject to prior approval by certain U.S. regulatory authorities, pursuant to the laws in effect in that country.

In addition, as a consequence of the activities of the companies of the Iberdrola group in 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, requires approval by the Australian Treasurer, pursuant to Australia's Foreign Acquisitions and Takeovers Act 1975 (Cth) ("FATA"). The Australian Treasurer has powers under the FATA in certain circumstances to block an investment or request a divestment if a person, whether alone or with one or more associates, has not obtained prior approval and acquires an interest in Iberdrola consisting of: (i) at least 10% of the share capital; (ii) at least 5% of the share capital if the purchaser enters into a legal arrangement relating to its business and Iberdrola; or (iii) any percentage of the share capital if the person, whether alone or with one or more associates, is in a position to influence or participate in the Company's central management and control.

Furthermore, a takeover of Iberdrola would entail the indirect acquisition of control of "Neoenergia S.A.", a listed company in Brazil, 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 and, if applicable, of the Administrative Council for Economic Defence, all in accordance with Brazilian law.

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, those having an 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 in certain markets or sectors (including the generation and supply of electricity) may not exercise rights in excess of such percentage in more than one company.

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:

Date of general meeting	Attendance data				
	% physical presence	% present by proxy	% distance voting		Total
			Electronic voting	Other	
02/04/2020	0.00	69.69	1.53	5.82	77.04
Of which float:	0.00	58.01	1.41	5.82	65.24
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

In 2022 the General Shareholders' Meeting was held on site with the ability to attend remotely, while the 2020 and 2021 meetings were 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	29/03/2019	Resolution of Shareholders at General Meeting
MR ARMANDO MARTÍNEZ MARTÍNEZ		Executive	Chief executive officer	25/10/2022	25/10/2022	Interim appointment (co-option)
MR JUAN MANUEL GONZÁLEZ SERNA		Independent	Director Lead Independent	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	29/03/2019	Resolution of Shareholders at General Meeting
MR MANUEL MOREU MUNAIZ		Independent	Director	17/02/2015	29/03/2019	Resolution of Shareholders at General Meeting
MR XABIER SAGREDO ORMAZA		Independent	Director	08/04/2016	29/03/2019	Resolution of Shareholders at General Meeting
MS SARA DE LA RICA GOIRICELAYA		Independent	Director	29/03/2019	29/03/2019	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
MR FRANCISCO MARTÍNEZ CÓRCOLES	Other external	18/06/2021	25/10/2022	-	YES

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

Mr Francisco Martínez Córcoles tendered his resignation as director during the meeting of the Board of Directors held on 25 October 2022, stating at such meeting that he was tendering his resignation from the position of director exclusively in order to facilitate the changes in the Company's governance that he considered to be most suitable at the time.

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). Chairman of the Renewable Hydrogen Coalition and a 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) and of the J.P. Morgan International Council. Trustee of Fundación Princesa de Asturias, Fundación Carolina, Fundación Conocimiento y Desarrollo, Real Instituto Elcano and Real Patronato del 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: – 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), and designation as Universal Spaniard (Fundación Independiente) in 2019. – Honorary Member of the Spanish Institute of Engineering (2018). – Best European Utility Top Executive Award (Institutional Investor Research Group), for the eleventh time, in 2017. – 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		

EXTERNAL INDEPENDENT DIRECTORS	
Name or company name of director	**Profile**
MR JUAN MANUEL GONZÁLEZ SERNA	Madrid, Spain, 1955. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Chairman of "Tuero Medioambiente, S.L.", manager of "Tuero Portugal Unipessoal Lda.", joint and several administrator of "GSU Found, S.L.", a director of "HM Hospitales 1989, S.A." and of "Homming, S.L.", and chair of the Sustainability Committee of the Spanish Commercial Coding Association (*Asociación Española de Codificación Comercial*) (AECOC). 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: He has been a member of the advisory board of Rabobank in Spain and Europe, as well as a director 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 is a founding trustee and chairman of Fundación GSU Found, an honorary member of the General Assembly of the Spanish Paralympics Committee, a trustee of the Fundación Casa Ducal de Medinaceli, and honorary president of Empresa Familiar de Castilla y León. In 1991, together with his spouse, Lucía Urbán, he founded Grupo SIRO, now Cerealto Siro Foods, of which he was chairman for 31 years.

MR ANTHONY L. GARDNER	Washington D.C., United States of America, 1963. OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: Managing Partner of Brookfield Partners Private Equity Group, senior adviser of Brunswick Group, LLP and a member of the advisory boards of the Centre for European Reform, the German Marshall Fund and the European Policy Centre. 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 was also an adviser 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: President of "Seaplace, S.L.", sole director of "H.I. de Iberia Ingeniería y Proyectos, S.L." and of "Howard Ingeniería y Desarrollo, S.L.", a director of "Tubacex, S.A." and a member of the Spanish Committee of Lloyd's Register EMEA, and also a professor of the Master's Programme in Oil at Universidad Politécnica de Madrid (ETSIM), and of the Maritime Master's Programme of Instituto Marítimo Español and of Universidad Pontificia Comillas. 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 Sustainable Development Committee of Iberdrola, 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."). 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 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 from Grupo Noticias. 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), and a Professor of Economic Studies at the University of the Basque Country. She is a member of the Economic Affairs Advisory Council, which advises the First Vice-President of the Government of Spain and Minister for the Economy and Digital Transformation, as well as member of the Advisory Commission to the Ministry of Work and Social Economy on the matter of Minimum Interprofessional Salary. 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. In 2018 she was given the "2018 Basque Economist Award" (*Ekonomistak Saria 2018*) by the Basque Association of Economists (*Colegio Vasco de Economistas*).

MS NICOLA MARY BREWER	Taplow, United Kingdom, 1957 OTHER CURRENT POSITIONS AND PROFESSIONAL ACTIVITIES: She is an independent director of “The Weir Group plc”, a visiting professor at University College London and a member of the international think tank Trilateral Commission. 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 has been a diplomat and the Founding Director of the Diplomatic Academy of the Foreign and Commonwealth Office (“FCO”) of the British government. 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. She joined the FCO and completed overseas postings in South Africa, India, France and Mexico. 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 the 2011 Birthday Honours. 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.

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 Iberdrola 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. She has been 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 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 has 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. In the institutional arena, he has been 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 member of the General Codification Committee. 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, graduate, 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 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. She has a Master's degree in European Communities from the Polytechnic University of Madrid, as well as a Master's degree in Agricultural Economics from the University of California (Davis). She also attended the Global Senior Management Programme of the Instituto de Empresa and the University of Chicago Graduate School of Business. Finally, she participated in the High-Level Business Energy Course (*Curso Superior de Negocio Energético*) 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 Iberdrola 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. She was vice-chair of the High-level Inter-Ministerial Working Group on the 2030 Agenda. She was awarded the Grand Cross of Charles III and was 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		

OTHER EXTERNAL DIRECTORS			
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:			
Name or company name of director	**Reasons**	**Company, manager or shareholder to which or to whom the director is related**	**Profile**
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: Vice-chair of the Board of Directors and member of the Management Committee of "Grupo Antolín Irausa, S.A", vice president of the Excellence in Management Club (*Club de Excelencia en 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 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. 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
MS MARÍA HELENA ANTOLÍN RAYBAUD	26-03-2022	Independent	Other external

The change in the classification of Ms María Helena Antolín Raybaud is due to the passage of twelve years since her appointment as an independent director.

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 2022	Year 2021	Year 2020	Year 2019	Year 2022	Year 2021	Year 2020	Year 2019
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	5	6	4	5	50.00	54.54	40.00	50.00
Other External	1		1	1	50.00	0.00	50.00	50.00
Total	6	6	5	6	42.86	42.86	35.71	42.86

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 Company's Governance and Sustainability System, and particularly the Board of Directors Diversity and Member Selection Policy, expressly promotes 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 any type of bias that might entail any kind of discrimination shall be avoided, particularly any bias that hinders the appointment of female directors, establishing the goal that the number of female directors accounts for at least 40% of the total number of members of the Board of Directors. 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 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 varied skills, knowledge and professional backgrounds provided by 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;

- the presence of directors with six nationalities (Spain, France, Italy, Great Britain, United States of America and Brazil) in line with the international coverage of the Iberdrola group; and

- the 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.

The Company reaffirms these commitments to diversity in the update of ESG targets published on 9 November 2022 within the framework of “Capital Markets & ESG Day”, expressly including the promotion of diversity within the Board of Directors and the existence of at least forty per cent of female directors within the governance targets.

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 gender equality to be part of the organisation’s core values.

The Board of Directors Diversity and Member Selection Policy and the selection of its members has allowed the Company 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.

Iberdrola 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 to 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 turn, 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 is responsible for 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.

Furthermore, the annual and multi-annual variable remuneration of executive directors includes goals to reduce the gender gap, highlighting the presence of women in high-ranking positions and positions of responsibility (management positions, middle management and highly qualified technical positions), as well as ensuring the absence of a salary gap:

- The Company's ESG targets published on 9 November 2022 within the framework of "Capital Markets & ESG Day" included the presence of women in significant positions (the targets being 30% by 2025 and 35% by 2030) and the presence of women in positions of responsibility (the targets being 35% by 2025 and 36% by 2030). Section C.1.14 of this Report shows that the percentage of the Company's top female executives is above 30% at year-end 2022.

- The absence of a pay gap between women and men is one of the SDG parameters used to determine the calculation of the long-term variable remuneration of the executive directors, management personnel and other professionals of Iberdrola and other companies of the group, specifically, 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. 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 2020-2022 Strategic Bonus.

Finally, the Company's ESG targets published on 9 November 2022 within the framework of the "Capital Markets & ESG Day" included the receipt of external certification of equal gender pay by 2025 to ensure compliance with applicable legal provisions and with the Company's commitments, in order to continue fostering equilibrium between women and men within the organisation.

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

C1.9 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.	Joint and several director
	Tuero Medioambiente, S.L.	Chair
	HM Hospitales 1989, S.A.	Director
	Homming, S.L.	Director
MS MARÍA HELENA ANTOLÍN RAYBAUD	Grupo Antolín Irausa, S.A.	Vice-Chair
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
	Tubacex, S.A.	Director
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
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.U. (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:

- Mr Juan Manuel González Serna: joint and several director of “GSU Found, S.L.”.
- Ms María Helena Antolín Raybaud: vice-chair of “Grupo Antolín Irausa, S.A.”.

- Mr Manuel Moreu Munaiz: president of “Seaplace, S.L.”; director of “Tubacex, S.A.”.
- Mr Xabier Sagredo Ormaza: chair of Bilbao Bizkaia Kutxa Fundación Bancaria - Bilbao Bizkaia Kutxa Banku Fundazioa.
- Ms Nicola Mary Brewer: director of “The Weir Group plc.”
- Ms Regina Helena Jorge Nunes: director of “Cielo S.A.”
- Mr Ángel Jesús Acebes Paniagua: sole director of “Doble A Estudios y Análisis, S.L.P.”.
- 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 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
	Professor of Economics at University of the Basque Country
MS REGINA HELENA JORGE NUNES	Founder and CEO of RNA Capital Ltda.
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)	22,520
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	0
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

This amount includes the remuneration received by the group of directors for their performance as such during financial year 2022 (€6,258 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 third period of the 2017-2019 Strategic Bonus and other items such as insurance policies), all of which is duly described in the Annual Director Remuneration Report. The amounts accrued by Mr Francisco Martínez Córcoles, who ceased to be a director on 25 October 2022, are included.

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	Finance, Control and Corporate Development Director (CFO)
MR SANTIAGO MARTÍNEZ GARRIDO	General Secretary and Director of Legal Services
MR XABIER VITERI SOLAUN	Director of the Renewable Energy Business
MR AITOR MOSO RAIGOSO	Director of the Retail Business
MS ELENA LEÓN MUÑOZ	Director of the Networks Business
MR ASÍS CANALES ABAITUA	Director of People and Services
MR JUAN CARLOS REBOLLO LICEAGA	Risk Management and Internal Assurance Director
MS SONSOLES RUBIO REINOSO	Internal Audit Director
MS MARÍA DOLORES HERRERA PEREDA	Director of Compliance
MR AGUSTÍN DELGADO MARTÍN	Director of Innovation and Sustainability

Number of women in senior management	3
Percentage of total senior management	30

Total remuneration of senior management (thousands of euros)	20,889

Mr. Pedro Azagra Blázquez resigned as Director of Corporate Development on 1 June 2022.

The appointment of Mr Armando Martínez Martínez as a member of the Board of Directors, with the position of chief executive officer, was approved was approved on 25 October 2022.

Mr Agustín Delgado Martín joined Senior Management as Director of Innovation and Sustainability on 15 November 2022.

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 €136,277 thousand in 2022 (734 people) and €131,942 thousand in 2021 (767 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)

As part of 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, among other things: (i) assign to the Sustainable Development Committee the duty to receive periodic information on the measures and procedures adopted within the Iberdrola group to implement and monitor compliance with the provisions of the *Policy on Respect for Human Rights*, as well as report thereon to the Board of Directors, (ii) include the term "human capital" to include and showcase the skills and abilities of the professionals of the Iberdrola group's companies, as a concept unto itself and different than the term human resources, which mainly refers to the management of these professionals, (iii) provide for the payment of financial incentives for participation in the General Shareholders' Meeting other than the attendance bonus, in line with the amendments of the *By-Laws* and the *Regulations for the General Shareholders' Meeting* approved at the General Shareholders' Meeting held on 17 June 2022, (iv) adjust the powers of the Appointments Committee regarding the appointment and removal of external directors of companies belonging to the Iberdrola group, and (v) adjust the text thereof to the separation of executive positions and the appointment of a new chief executive officer at the Company.

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:

a. Legal entities.

b. 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.

c. 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.

d. 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 Iberdrola group's companies operate.

e. 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 amendment(s)

Iberdrola is firmly committed to the ongoing development of its corporate governance and complying with the best practices in force at all times. For these purposes, the Board of Directors annually evaluates the operation of its governance bodies and the performance of the directors.

The evaluation process for financial year 2022 concluded with a very positive assessment of the quality and efficiency of the operation of the Board of Directors and the committees thereof, as well as of the performance of the chairman, the chief executive officer and the other directors. No deficiencies were identified that required the implementation of an action plan to correct them. Without prejudice to all of the foregoing, the customary Continuous Improvement Plan was approved, which pursues excellence both in internal organisation and in the procedures applicable to the activities of the corporate bodies.

The results of the evaluation also demonstrated 100% achievement of the 30 areas of work defined in the Continuous Improvement Plan approved as a result of the evaluation of financial year 2021.

The following milestones were also achieved during financial year 2022:

Composition:

- Separation of the roles of executive chairman and chief executive officer.
- Continuous renewal of the Board of Directors with the appointment of Mr Armando Martínez Martínez as chief executive officer.

Development of competencies:

- Update of skills matrix.
- Monitoring of the Outlook 2020-2025 and approval of the new Strategic Plan 2023-2025.
- Comprehensive monitoring of risks, particularly macroeconomic risks and their impact on the markets.
- Monitoring by the committees of the results of the General Shareholders' Meeting according to their respective powers.
- Reorganisation of the Company's organisation chart to adjust it to the separation of the roles of executive chairman and chief executive officer, as well as to strengthen the global nature of Iberdrola and its commitment to innovation and talent. In particular, the Management Development Division was created within the Chairman's Office, the main function of which will be to manage and retain the talent of the management team, and the Director of Innovation and Sustainability became part of the Company's senior management.

Operation:

- Presentations by the chairs of consultative committees regarding the activities of those bodies, with the scope and detail required at meetings of the Board of Directors.
- Training on key topics for the Board of Directors and its committees (e.g. cybersecurity, non-financial information, taxonomy, regulatory developments, etc.) and in line with the interests expressed by the directors.

Environmental and social issues:

- Update of the Climate Action Plan.
- Oversight of social aspects of the ESG strategy.
- Approval of a new social commitment policy: *Policy on the Responsible Use of Artificial Intelligence Tools and Algorithms*.

Transparency:

- Organisation of Capital Markets & ESG Day, thereby reinforcing communication to the market of both financial results and ESG metrics. Specific reporting on the Cybersecurity Governance Model.

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 the results of said evaluation to the full Board of Directors together with any proposed action plan to correct potential deficiencies detected.

The evaluation process for financial year 2022 used "PricewaterhouseCoopers Asesores de Negocios, S.L." ("PwC Asesores") 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 potential areas for progress defined in evaluations from prior years.

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 25 companies, including (i) those considered to have best practices at the domestic and international level, and (ii) both domestic and international comparable companies.

This evaluation used 389 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 21 February 2023 with the approval by the Board of Directors of the results of the evaluation of financial year 2022 and the Continuous Improvement Plan for financial year 2023. This document includes 30 areas for progress, including the following:

- Dedication of time in the agenda to supervising the implementation of the new Strategic Plan 2023-2025.
- Continuous review of best corporate governance practices in terms of critical aspects examined in the committees regarding composition and renewal of the Board, remuneration and ESG strategy.
- Supervision of implementation of a new cybersecurity governance strategy and model for the Company.
- Combination of participation by top executives in the Board of Directors and its committees with the expertise of new talent in the management team.

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 thirteen years.

PwC's business relations with the companies within the Iberdrola group worldwide were approximately €36,656 thousand in 2022. 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 €491 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:

1. When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Governance and Sustainability System.

2. 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.

3. 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.

4. 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.

5. When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors.

6. 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.

7. 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.

8. 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.

Pursuant to the By-Laws, all of the directors may cast their vote and give their proxy in favour of another director, provided, however, that non-executive directors may only do so in favour of another non-executive director.

The Regulations of the Board of Directors require that directors attend the meetings of the Board of Directors and when they cannot do so personally they must grant their proxy to another director, to whom they must give the appropriate instructions.

Directors may not grant a proxy in connection with matters in respect of which they have any conflict of interest.

The proxy granted shall be a special proxy for the Board meeting in question and may be communicated by any means allowing for receipt thereof.

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	11
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	12
Number of meetings held by the Audit and Risk Supervision Committee	15
Number of meetings held by the Appointments Committee	13
Number of meetings held by the Remuneration Committee	10
Number of meetings held by the Sustainable Development Committee	10

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	11
Attendance in person as a % of total votes during the year	100.00
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	11
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 2022 is described in the annex to 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	Finance, Control and Corporate Development Director (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) system 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.

The Regulations of the Audit and Risk Supervision Committee (the "Committee") provide that it shall have 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 from the Internal Audit Area and the Risk Management and Internal Assurance Division, 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 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 Area 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 2022 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 2022:

- Report dated 25 April 2022 on the results for the first quarter of 2022.
- Report dated 22 July 2022 on the financial information for the first half of 2022.
- Report dated 24 October 2022 on the results for the third quarter of 2022.
- Report dated 20 February 2023 regarding the annual financial statements of Iberdrola and its consolidated group for financial year 2022.

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 JULIÁN MARTÍNEZ-SIMANCAS SÁNCHEZ	

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, and the audit and compliance committee of the country subholding company of the group, if the services are provided thereto or to one of its subsidiaries that does not have its own audit and compliance committee; or the audit and compliance committee of the subsidiary to which the services are provided, if it has one.

- 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 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 2022:

- 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 21 February 2022 KPMG sent to the Committee written confirmation of its independence with regard to the audit of the financial information for financial year 2021.

- On 22 July 2022 KPMG sent to the Committee written confirmation of its independence with regard to the limited review of the financial information as at 30 June 2022.

- On 20 February 2023 KPMG sent to the Committee written confirmation of its independence with regard to the audit of the financial information for financial year 2022.

- In these letters the Auditor stated that it has implemented policies and procedures designed to provide 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 director of the Internal Audit Area, 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 20 February 2023, KPMG reported that 3 of its professionals were hired by the Iberdrola group during 2022. 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 20 February 2023 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

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 transparency, truthfulness, promptness, clarity, symmetry and respect for the principle of equality in the dissemination of information, implementation of 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, development of information-technology tools that allow the Company to capitalise on new technologies, and compliance 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.

The Company also has a number of communication channels:

- Personalised assistance for analysts, investors and rating agencies.
- Publication of the information relating to quarterly results and other specific events, such as those relating to the submission of the Business Outlook or to corporate transactions.
- E-mail through the corporate website (accionistas@iberdrola.com).
- Toll-free line for shareholders (+34 900 100 019).
- In-person and broadcasted presentations.
- Release of announcements and news.

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)	1,521	1,753	3,274
Amount invoiced for non-audit work/Amount for audit work (in %)	44.84	7.66	12.46

See annex to 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	6	6

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	20.00	20.00

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.

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:

[X] Yes [ ] No

Director's name	Nature of the situation	Observations
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	CENYT case	See reasoned explanation in the table below

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.

[X] Yes [ ] No

Decision / action taken	Reasoned explanation

Appropriate investigations have been carried out in compliance with the provisions of the Governance and Sustainability System and the Compliance System of the Company. The Board of Directors of the Company has examined the case and unanimously confirmed its full confidence in the suitability of the affected directors (Mr José Ignacio Sánchez Galán and the now ex-director Mr Francisco Martínez Córcoles) to hold office, which has been shown by the court proceeding, in which a final and conclusive dismissal has been granted in respect of both of them.	In recent months, the issues regarding the hiring of "Club Exclusivo de Negocios y Transacciones, S.L." (CENYT) by the Company and Iberdrola Renovables, S.A.U. have been favourably resolved for the two aforementioned companies and the majority of the directors and employees involved in the process. Currently, and on a final basis, no company of the Iberdrola group is under investigation in said proceeding, in which the dismissal (also final) of the investigation of the executive chairman of the Company and of the other directors and members of the management team (both former and current) who were under investigation has been confirmed, except for a former head of the security area of the Company (no longer associated therewith), who continues to be under investigation. All of the foregoing confirms that the competent bodies of the Company acted properly. From the day after the appearance of the first news reports in June 2018 regarding the hiring of CENYT, the Company carried out various investigations in accordance with its Governance and Sustainability System and its Compliance System, which define and describe the powers assigned to the various companies of the Iberdrola group and their corresponding governance bodies – particularly, the Audit and Risk Supervision Committee, the Sustainable Development Committee, the Executive Committee and the Board of Directors of the Company, as well as the Board of Directors of "Iberdrola Renovables Energía, S.A." (Sociedad Unipersonal). The content of the meetings of these bodies reflects the impetus given to all of the internal investigations performed, the supervision of the performance thereof without any limitation in scope, and the assurance that all responsible areas had the required human and material resources and acted free of any type of interference. These investigations included all available documentary evidence. Iberdrola's Compliance Unit was advised by "PricewaterhouseCoopers Asesores de Negocio, S.L." ("PwC Asesores"), which performed an independent investigation, with neither supervision nor control by internal bodies or outside lawyers, and which made and fulfilled a commitment to make its findings available to the judicial authorities, whatever those findings might be (PwC Asesores has dedicated more than 5,000 working hours, processed 5.14 terabytes of information and reviewed more than 300,000 files and more than 3,000 invoices). The final conclusions of the investigation carried out by the Central Preliminary Examining Court number 6 of the National High Court coincide with the analysis carried out by various international law firms, which reviewed various aspects of the proceeding, including Iberdrola's Compliance System, the reaction to this matter by the governing bodies of the companies of the Iberdrola group participating therein, the internal investigation procedure and the results thereof (including the forensic report of PwC Asesores), and documentation relating to the various investigative actions taken in the aforementioned legal proceeding. Their conclusion is that there was insufficient evidence to pursue a criminal case against any company of the Iberdrola group or against any of its current directors or members of the management team. In short, as both the Central Preliminary Examining Court and the Criminal Chamber of the National High Court have noted, the robustness of the Company's Governance and Sustainability System and Compliance System and their suitability for preventing criminal offences have been key to showing the absence of criminal liability of the companies that hired CENYT and their directors and officers, rendering the conduct merely individual. The suitability and effectiveness of the model have therefore been proven and reinforced. Notwithstanding the clarity of the court rulings that have been issued in the process, the lengthiness of the aforementioned legal proceeding and the profusion of accusations and arguments lacking factual and legal support have been used by some competitors and one former employee of the Company for the clear purpose of harming its good name and reputation and ultimately undermining its ability to compete in the market. Therefore, the Company has taken and will continue to take appropriate legal measures to protect its reputation and its ability to compete.

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 2022 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 €12,053 million in the European market and US$350 million (equivalent to €329 million) in the U.S. market.

– Loans arranged with the European Investment Bank and with the Official Credit Institute, totalling €4,476 million.

– Bank and export credit agency loans in the amount of €2,430 million and US$900 million (equivalent to €846 million).

– Bond issues amounting to R$14,707 million (equivalent to €2,621 million) and loans amounting to R$26,713 million (equivalent to €4,761 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	24
Type of beneficiary	**Description of the agreement**
Executive directors and officers	1. EXECUTIVE DIRECTORS Pursuant to the provisions of his contract, the executive chairman has the right to receive a severance payment in the event of termination of his relationship with the Company, as well as to termination of contract and severance in the event of removal or reduction of his duties, provided that these situations are not a result of a breach attributable thereto or exclusively due to his own decision to withdraw. The amount of the severance payment is three times annual salary in these cases. Since 2011, contracts with new executive directors and with senior management include maximum severance pay equal to two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. In this regard, the contract with the chief executive officer provides for a severance payment of two years' salary, including any compensation that may be payable to him under the post-contractual non-competition undertaking. Furthermore, in consideration for the executive chairman's non-compete commitment for a period of two years, he will be entitled to severance pay equal to the remuneration for such period. 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 is determined based on length of service and the reasons for the officer's cessation of office, up to a maximum of five 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 times their annual salary.

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.

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 most significant activities performed by the Executive Committee during financial year 2022, which are described in the Activities Report of the Board of Directors and of the Committees thereof that is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents), are set forth below:

- Monitoring of the Outlook 2020-2025 and analysis of the foundations for the definition of the Strategic Plan 2023-2025.

- Monitoring of the process of specification and implementation of the Next Generation EU plan and of the Iberdrola group's portfolio of projects related thereto.

- Impacts arising from the Russia-Ukraine conflict and monitoring of proposals for regulatory measures in response thereto.

- Monitoring of changes in the energy regulatory environment, including, inter alia, the various industry regulations adopted or in the process of being approved 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.

- Analysis of current issues in the energy sector in Spain, including decarbonisation and electrification as challenges and opportunities.

- Identification of the main risks in each country for financial year 2023 within the framework of the exposure of the strategic lines and the preliminary bases of the Iberdrola group's consolidated budget for financial year 2023.

- Monitoring of implementation of the budget for 2022.

- Acknowledgement and authorisation of the reorganisation of the Iberdrola group's businesses in Spain.

- 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 (COP27).

AUDIT AND RISK SUPERVISION COMMITTEE		
Name	**Position**	**Category**
MR XABIER SAGREDO ORMAZA	Chair	Independent
MS REGINA HELENA JORGE NUNES	Member	Independent
MS MARÍA ÁNGELES ALCALÁ DÍAZ	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.

The Committee shall 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 shall 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.

Its members shall be 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 shall be 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 shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

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 Area and the statutory auditor.

The most significant activities performed by the Audit and Risk Supervision Committee during financial year 2022, which are described in the Activities Report of the Board of Directors and of the Committees thereof that is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents), are set forth below:

- Memorandum of internal control recommendations resulting from the financial information audit of financial year 2021 and implementation of said recommendations.

- Evaluation of the Internal Control over Financial Reporting System and Internal Control over Non-Financial Reporting System.

- Analysis of the alternative performance measures included in the annual financial statements and in the directors' reports for financial year 2021.

- Preliminary information on potential impact of the energy crisis in various countries where companies of the Iberdrola group operate.

- Monitoring of the involvement of the statutory auditor in the analysis of Iberdrola's Climate Action Plan.

- Specific meeting on risk policies: process for updating risks and update on "risk appetite".

- Monitoring of the Strategic Cybersecurity Plan and of the cyber-resilience of the Iberdrola Group.

- Tax compliance management systems. UNE 19602 standard. Communication of the satisfactory result of the annual audit by the certification agency AENOR, as well as the independent expert report performed by an external consultant.

- Submission to the Spanish Tax Administration Agency of the Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code. Acknowledgement of the congratulatory letter from the Tax Agency highlighting the willingness and facilities offered by Iberdrola for the review of the report, as well as the voluntary exercise in transparency.

Furthermore, section C.1.30 and the annex to this report describe the duties performed by the Audit and Risk Supervision Committee during financial year 2022 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	MR XABIER SAGREDO ORMAZA MS REGINA HELENA JORGE NUNES MS MARÍA ÁNGELES ALCALÁ DÍAZ
Date of appointment of the chairperson	19/02/2019

NOMINATION COMMITTEE		
Name	**Position**	**Category**
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 shall 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 is to appoint the chair from among the independent directors.

The Board of Directors shall 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 shall be 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.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

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 mainly concerning the appointments of members of the Board of Directors, of its committees and of the Company's Senior Management.

The most significant activities performed by the Appointments Committee during financial year 2022, which are described in the Activities Report of the Board of Directors and of the Committees thereof that is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents), are set forth below:

- Review of the Board of Directors Diversity and Member Selection Policy and verification of compliance therewith.

- Proposal for the separation of the positions of chairman of the Board of Directors and CEO and resulting appointment of Mr Armando Martínez Martínez as chief executive officer.

- Proposal for the re-election of Ms María Ángeles Alcalá Díaz, Ms Isabel García Tejerina and Mr Anthony L. Gardner, as independent directors.

Proposals for appointment of Mr Armando Martínez Martínez as a member of the Executive Committee, as well as Mr Ángel Acebes Paniagua as chair and Ms María Helena Antolín Raybaud as a member of the Appointments Committee; and re-election of Mr Anthony L. Gardner as a member of the Executive Committee and Mr Manuel Moreu Munaiz as a member of the Remuneration Committee.

- Reports on the classification of directors and on the reclassification of Ms María Helena Antolín Raybaud as other external.

- Report to the Board of Directors on the chairman's proposal for the appointment of a new secretary to the Board of Directors.

- Report to the Board of Directors regarding the proposal to appoint Mr Agustín Delgado Martín as a member of the Company's Senior Management.

- Report on the appointment of Ms Solange María Pinto Ribeiro as a member of the Compliance Unit.

REMUNERATION COMMITTEE		
Name	**Position**	**Category**
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 shall 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 is to appoint the chair from among the independent directors.

The Board of Directors shall 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 shall be 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.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

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 most significant activities performed by the Remuneration Committee during financial year 2022, which are described in the Activities Report of the Board of Directors and of the Committees thereof that is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents), are set forth below:

- Acknowledgement of new developments in the area of remuneration transparency incorporated in the annual reports.

- Information on the analysis of measures to encourage favourable voting on the Annual Director Remuneration Report, with the participation of an independent expert.

- Internal comparative analysis of the remuneration of executive directors.

- Calculation of the annual variable remuneration of the executive chairman for his performance in financial year 2021 based on a report evaluating the achievement of targets prepared by an independent external adviser.

- Report to the Board of Directors regarding confirmation of eligibility for the delivery of shares corresponding to the third tranche of the payment of the 2017-2019 Strategic Bonus.

- Proposed fixed remuneration of directors for 2022.

- Parameters for calculation of the annual variable remuneration of executive directors for their performance in 2022.

- Favourable report and referral to the Board of Directors of the executive chairman's proposals regarding the remuneration structure of the new CEO and the terms of his contract.

- Report on director liability insurance.

- Verification of compliance with the objectives for financial year 2021 and report on the proposed calculation of the variable remuneration of the members of senior management for that year.

- Report on the fixed remuneration of senior management for 2022.

- Report on the proposed benchmark objectives for the 2022 variable remuneration of senior management.

SUSTAINABLE DEVELOPMENT COMMITTEE		
Name	**Position**	**Category**
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 shall 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 shall be 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.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

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 governance, sustainability, compliance and corporate reputation.

The most significant activities performed by the Sustainable Development Committee during financial year 2022, which are described in the Activities Report of the Board of Directors and of the Committees thereof that is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents), are set forth below:

- Monitoring of the main developments in the taxonomy of non-financial information.

- Monitoring of work on the circular economy and climate governance.

- Analysis of elements for systematic measurement of and tools for measuring ESG and corporate social responsibility.

- Review of the General Sustainable Development Policy, the Stakeholder Engagement Policy and the environmental and social policies.

- Monitoring and update of the "Mission-ZERO30" Climate Action Plan.

- Presentation and report to the Board of Directors of the new Biodiversity Plan 2030.

- Review of the level of implementation of the Sustainable Development Plan 2020-2022 and reputational aspects of relevant issues.

- Acknowledgement of the Human Rights Report 2022.

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 2022		Year 2021		Year 2020		Year 2019	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00	0	0.00	1	20.00	2	50.00
Audit and Risk Supervision Committee	2	66.67	2	66.67	1	33.33	2	50.00
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	1	33.33
Sustainable Development Committee	3	100.00	3	100.00	3	100.00	2	66.67

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, in addition to certain technical improvements and the inclusion in the regulations of all the consultative committees of the changes arising from the separation of executive positions and the appointment of a new chief executive officer, the following amendments, among others, have been made: (i) in the Regulations of the Appointments Committee, its powers have been updated regarding the appointment of outside directors at companies of the Iberdrola group and the term “human capital” has been included to include and showcase the skills and abilities of the professionals of the Iberdrola group’s companies, as a concept unto itself and different than the term human resources, which mainly refers to the management of these professionals; and (ii) in the Regulations of the Sustainable Development Committee, its powers have been expanded, especially the new function of reporting on the measures and procedures adopted within the Iberdrola group to implement and monitor the provisions of the Policy on Respect for Human Rights, and the power relating to the issuance of the report on the performance of the Compliance Director has been contextualised, contemplating the circumstance in which the Compliance Director might be considered a member of senior management.

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 Area and with the information provided for this purpose by the Office of the Secretary of the Board 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 Area, 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 any event, directors must give written notice to the 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:

1. 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.

Any question as to whether a director might be involved in a conflict of interest must be forwarded to the 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.

   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.

   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:

a. 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.
b. 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).
c. 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.
d. The measurement and control of risks following homogeneous procedures and standards common to all the companies of the Iberdrola group.
e. 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.
f. 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.
g. 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.
h. The audit of the comprehensive risk control and management system by the Internal Audit Area.

The foregoing is undertaken in accordance with the following main principles of conduct:

a. 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.
b. 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.
c. Guarantee the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.
d. 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.
e. 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.
f. 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, 6 and 10 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 Risk Management and Internal Assurance Division of the Group, 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 Risk and Internal Assurance Director 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 Group's Risk Management director, the risk directors of the country subholding companies and corporate areas that have such a position, the Internal Audit Area 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, Iberdrola has a Compliance System made up of a set of substantive rules, formal procedures and specific actions intended to ensure that conduct is in accordance with ethical principles and applicable law, preventing, avoiding and mitigating the risk of conduct that is improper or contrary to ethics or the law.

Elements of the system include the Code of Ethics (which is applicable to all professionals of the Iberdrola group’s companies, board members and suppliers) and the Compliance Unit, a collective permanent and internal body linked to the Sustainable Development Committee, which, among other things, spreads a preventive culture based on the principle of “zero tolerance” towards the commission of illegal acts and improper conduct. The System has been designed following the best domestic and international practices in the area of compliance, fraud prevention and the fight against corruption.

Finally, in relation to possible risks with a reputational impact, the following is reported:

- The commencement of an oral criminal trial ordered by Central Preliminary Examining Court number 2 against “Iberdrola Energía España, S.A.” (Sociedad Unipersonal) and four of its employees after the proceeding that commenced in April 2017 when the Public Prosecutor filed a claim against this company relating to the price of bids for the Duero, Sil and Tajo hydroelectric management units between 30 November 2013 and 23 December 2013.
- The commencement of an oral criminal trial ordered by Preliminary Examining Court No. 4 of Valladolid for the alleged Wind Farm Payoff Scheme (Trama Eólica) in Castile-León, which orders “Iberdrola Renovables de Castilla y León, S.A.” S.A. to appear 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 2022.
- The “Climate action and TCFD” section of the “Statement of Non-Financial Information. Sustainability Report 2022”.
- Section 5.3 “Risks” of the “Integrated Report February 2023”.

The activities of the Iberdrola group’s companies during financial year 2023 and subsequent years will be particularly affected by the following main risk factors:

- The aforementioned ESG risks.
- The impact on the global economy of the evolving Russian invasion of Ukraine, 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 the supply chains.
    - Energy market and tax intervention measures adopted by different governments.
- The future reform of the European and Spanish electricity market.
- Changes in industry regulations in Mexico.
- Competition in the liberalised market.
- The annual change in hydraulic, solar and wind resources.
- 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 distribution and transmission activities.
- Financial and reputational risk arising from a potential increase in cybersecurity attacks or incidents. Noteworthy in this regard are the regular appearances before the Audit and Risk Supervision Committee of executive officers competent to report on this issue.

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 the following risk limits and indicators:

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 based on which volumetric risks and/or values are generated, 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 assurance programmes; and
- 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 Group's Risk and Internal Assurance 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 2022 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.

The risks that have materialised include various measures approved by the different European governments in the countries in which the companies of the Iberdrola group are present, following the sharp rise in prices on international gas markets as a result of the war in Ukraine.

Main risks that have materialised:

In Spain:

i The various regulatory measures approved by the Spanish government include the following:

- Royal Decree-Law 6/2022 of 29 March adopting urgent measures within the framework of the National Plan responding to the economic and social consequences of the war in Ukraine.
- Royal Decree-Law 10/2022 of 13 May establishing a temporary production cost adjustment mechanism to reduce the price of electricity on the wholesale market.
- Royal Decree-Law 11/2022 of 25 June adopting and extending certain measures to respond to the economic and social consequences of the war in Ukraine, to address situations of social and economic vulnerability, and for the economic and social recovery of the island of La Palma.

The main impacts on the electricity sector are as follows:

- Intervention in the wholesale market price for electricity through 31 Mat 2023, by introducing a cap on the price of gas.
- The gas price reduction with the limit on fixed price electricity sales contracts above €67/MWh (+ Commercial margin + charges), extended until 31 December 2023 by Royal Decree-Law 18/2022 of 18 October.
- On the positive side, the 7% tax on generation is suspended and there are reductions in the electricity tax to 0.5% and VAT on electricity to 5%, extended until 31 December 2023 by Royal Decree-Law 20/2022 of 27 December.
- The reinstatement of the hydroelectric fee and the subsidised rates (bono social).
- An extraordinary update to the remuneration mechanism for renewables subject to Royal Decree 413/2014 of 6 June.

ii Law 38/2022 of 27 December establishing a new temporary levy on energy companies, credit institutions and other taxes, with an impact on the results for financial years 2023 and 2024.

iii The lower annual hydroelectric (-5 TWh) and nuclear (-0.7 TWh) production during the year, in a situation of very high market prices, as a result of an extreme situation of drought and the unexpected unavailability of Cofrentes NPP, respectively.

iv Ministerial orders TED/490/2022 of 31 May and TED/749/2022 of 27 July, establishing the remuneration of electricity distribution companies for 2016 and the years 2017, 2018 and 2019, on terms unfavourable to the interests of the Iberdrola group's companies, which have been appealed.

In the United Kingdom:

- The new windfall profits tax on generators of electricity from 2023 onwards.

In Mexico:

- The Energy Regulatory Commission's fine imposed on "Iberdrola Energía Monterrey S.A. de C.V." in an amount equivalent to US$460 million for the sale in 2019 and 2020 of electricity from a self-supply company, which has been provisionally suspended by the courts.
- The National Center for Energy Control (*Centro Nacional de Control de Energía*) (CENACE) disconnected the Santiago wind farm from the system as a result of the notification by "Empresa Filial CFE Intermediación de Contratos Legados, S.A. de C.V." (CFE-ICL) of the termination of the connection contract on the grounds that the wind farm is incorrectly sited. The Iberdrola group company with standing filed a claim for relief and CFE-ICL has been notified of the commencement of a commercial arbitration.
- On 31 January 2022 and 31 August 2022, the connection contracts to operate the 550 MW Monterrey or Dulces Nombres (CDU) power station in Monterrey, Nuevo León, and the 144 MW Enertek cogeneration power station in Altamira, Tamaulipas, both operating under the self-supply regime, were terminated, and the relevant permits to operate under the market regime have been requested at the appropriate time. These permits have yet to be obtained at the date of production of this report.

Other risks that have materialised:

- The write-off of all of the accounts receivable for the project performed by Iberdrola Ingeniería in Salem (United States of America), with a total impact of US$89 million.

Positive events that have occurred include the following:

- The ruling of the Spanish Supreme Court annulling the current financing mechanism for subsidised electricity rates (Bono Social) in effect until early 2022, with a positive impact on EBITDA of €109 million.

- The ruling of the Economic-Administrative Court upholding a reduction coefficient for the tax on spent nuclear fuel applied to fuel assemblies inserted into the reactor prior to 1 January 2013, with a positive impact on EBITDA of €79 million.
- The return of accounts receivable from our customers to the usual pre-covid ranges in Spain and in other countries.

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 Group's Risk Management and Internal Assurance Director.
- 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 systems (ICFRS).

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.

The Committee is supported by the Risk Management and Internal Assurance Division and the Internal Audit Area in the performance of its powers with respect to the internal control and risk management systems. Any audit and compliance committees at the country subholding and head of business companies have these powers within their respective purview.

The mission of the Risk Management and Internal Assurance Division, which is functionally subordinate to the Committee (according to the IIA 2020 "Three Lines Model" of The Institute of Internal Auditors, this area would be a "second line"), is to ensure the proper definition, implementation and maintenance of the ICFRS, assuring Senior Management and the Board of Directors, through the Committee, that it is effective.

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 Administration and 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:

Iberdrola has a Code of Ethics that was first approved by the Board of Directors in financial year 2002, and that 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, 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 Compliance Unit (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. It also approves the "General Compliance System Framework of the Iberdrola group", which contains the basic principles of structure and operation of the Compliance System of the companies of the Iberdrola group, as well as the duties and responsibilities of the various bodies involved. The Unit also evaluates and prepares an annual report on the effectiveness of the Compliance System 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 divisions of the other companies of the Iberdrola group perform this same function at each of them.

Pursuant to Article F.5.1 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 F.5.2 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 various ethics mailboxes based on the sender: (i) ethics mailboxes for professionals; (ii) the mailbox available to shareholders and investors; and (iii) the suppliers' mailbox, accessible from the Employee Portal, from the OLS-Shareholders' Club system or their mobile app, and from the Supplier Portal, respectively. These channels allow for communicating and complaining of any conduct that may involve the commission of an improper act or an act in violation of law or Iberdrola's Governance and Sustainability System, and particularly the rules of conduct provided for in the Code of Ethics, or for asking questions regarding any issue with respect to compliance.

Identification of the complaining party or whistleblower is not required to send a complaint through these mailboxes (complaints may be anonymous), 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. The companies of the Iberdrola group also state their commitment to not retaliate against any professional making a complaint, unless there is 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.

In addition, and on a general basis, these professionals regularly take coursework to improve their qualifications in the use of the computer-based tools required to perform their duties, mainly Excel and database management.

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 2022 there were, among other events, the "IV International Internal Audit Planning Symposia" and the "XIV 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.

As in 2021, a large portion of the activities and actions mentioned above have been carried out mainly virtually or on a hybrid bases (in-person and remote), due to the situation caused by COVID-19 pandemic.

In addition, although not considered specific training activities, the Accounting Practice Division, which reports directly to the Administration and 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:

- 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 ICFRS, documenting both the objectives and performance thereof as well as its results.

The methodology, developed and updated by the Risk Management and Internal Assurance Division, starts with an analysis of the consolidated financial information of the Iberdrola 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 designed, with these controls being subject to monitoring and documentation within the scope of the ICFRS.

The Risk Management and Internal Assurance 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 Risk Management and Internal Assurance Division. 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 Area.

- 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. These risks are assessed and managed by various corporate units such as the Risk Management Division or Legal Services, among others. 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 Risk Management and Internal Assurance Division and the Internal Audit Area 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 Administration and 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 Administration and 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 Risk Management and Internal Assurance Division, 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 General Finance, Control and Corporate Development Director (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, with the support of the Risk Management and Internal Assurance Division and the Internal Audit Area, 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 Area, 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.

At the Iberdrola group level, the Company also has an Information Technology Policy that contemplates the management of risks associated with the use, ownership, operation, participation, influence and adoption of specific information technology or the processes for the management and control thereof.

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.

Both the risk model and the IT controls are based on market best practices, like COBIT5 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 implemented in the area of financial systems, adopting the appropriate measures if any incident is detected.

The heads of the Iberdrola group's information systems certify the effectiveness of the internal controls established over the financial reporting systems on an annual basis. This certification covers the relevant financial systems based on the scope of the external financial audit and the considerations of systems organisation, internal assurance, internal audit and the relevant business organisations within the boundary of the Iberdrola group.

For financial year 2022, the total number of systems covered by the IT controls system was 48, on which a model of 21 controls was applied, most of which are evaluated and applied by the Systems 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 Area.

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 Administration and 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 Risk Management and Internal Assurance Division and the Internal Audit Area in the performance of its powers with respect to the internal control and risk management systems.

The Committee's supervision of the ICFRS mainly includes:

i. monitoring compliance with the certification process by the various persons responsible for financial information;

ii. reviewing the design and operation of the internal control system to evaluate the effectiveness thereof, with the support of the Risk Management and Internal Assurance Division and the Internal Audit Area; and

iii. regular meetings with the external auditor, the Administration and Control Division, the Risk Management and Internal Assurance Division, the Internal Audit Area 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 Risk Management and Internal Assurance Division performs functions that include, among others, monitoring, supporting, coordinating and homogenising the implementation of the ICFRS, establishing the methodology, criteria and reporting method, as well as the operational monitoring of controls and the regular assessment of the effectiveness of the ICFRS.

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 Risk Management

and Internal Assurance Division, 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 specific meeting attended by the heads of Control of Iberdrola and of the various country subholding companies, the heads of the main corporate areas, of the Risk Management and Internal Assurance Division and of the Internal Audit Area. 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 within the framework of the regular meetings it holds with the Risk Management and Internal Assurance Director.

Apart from what is described in the preceding paragraphs, the Internal Audit Area, 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 Area 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 Area 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 Area plans for in-depth review of the entire internal control system is five years.

Specifically, 25 cycles were reviewed during financial year 2022. 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 Area 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 Area 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 Risk Management and Internal Assurance Division, the Internal Audit Area and the Administration and 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 Area. 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 Risk Management and Internal Assurance Division in 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 General Finance, Control and Corporate Development Director (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 Risk Management and Internal Assurance Division, 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 yearly 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, including both the certification process and the internal control itself, 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 Risk Management and Internal Assurance 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 Risk Management and Internal Assurance Division annually issues its opinion on the effectiveness of the ICFRS, which is communicated to the Internal Assurance Committee and to the Audit and Risk Supervision Committee (hereinafter, the "Committee").

Furthermore, the Internal Audit Area, 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 Area 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 3,100 controls —which mitigate or manage more than 1,100 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 for 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 [ ]

Contracts with executive directors and senior officers signed as from 2011 provide severance pay for contractual termination equal to a maximum of two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This is the case of the current chief executive officer.

The Company included guarantee clauses of up to five years in contracts with its key officers in the year 2000. Subsequently, in 2001, when the current executive chairman joined Iberdrola, he received the treatment in effect for such officers, in order to achieve an effective and sufficient level of loyalty. As executive chairman, he is currently entitled to three times his annual salary for this item, plus another two times annual salary for his non-compete commitment.

The Board of Directors has analysed this situation, the treatment of which is necessarily collective in nature. Any reduction in the salary multiples would carry high costs for the Company, for which reason the Board of Directors believes that it is most appropriate not to change the status quo. Any proposed reduction in the salary multiples would have a higher cost for the Company, as the amount of the contingency will gradually decrease due to the passage of time, resulting in payments far smaller than any possible reduction in the agreed severance payment, taking into account the average age of the affected group and the low likelihood of the guarantees being enforced. In this regard, it should be pointed out that the number of officers with a right to severance pay greater than two years continues to decrease in recent years, without the execution of any guarantee clause. At year-end 2003, there were 89 officers with that right, while only 12 remained as at 31 December 2022, representing 1.66% of the Iberdrola group's officers and other professionals with management responsibilities. The 12 officers who are beneficiaries of such severance pay will reach the legal retirement age in the next five years, with only two exceptions.

H FURTHER INFORMATION OF INTEREST

1. 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.

2. 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.

On 20 July 2010 the Company adhered 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 the 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 2022, the Company's tax director appeared before Iberdrola's Audit and Risk Supervision Committee on 21 February and 22 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.

Furthermore, on 25 October 2022 the Company voluntarily submitted to the National Tax Administration Agency the Annual Tax Transparency Report for financial year 2021 for companies that have adhered to the Good Tax Practices Code, pursuant to the Annex to the Good Tax Practices Code approved in order to strengthen the relationship of cooperation and good practices in the area of corporate tax transparency, which report has been regularly submitted since the launch of this initiative in 2016.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on:

21/02/2023.

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

Yes [ ] No [X]

Annex to the Annual Corporate Governance Report 2022 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 C.1.6

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 and 29 March 2019. 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 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. She is the chair of the Sustainable Development Committee.

- 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 was a member of the Audit and Risk Supervision Committee at financial year-end 2022.

- 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. 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 currently a member of the Sustainable Development Committee.

SECTION C.1.26

Below is the data on attendance of the directors at the meetings of the Board of Directors and its committees during financial year 2022. Proxies granted with specific voting instructions are considered to be attendances.

Directors	Board	Committees				
		EC	ARSC	AC	RC	SDC
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	11/11	12/12				
MR ARMANDO MARTÍNEZ MARTÍNEZ	2/2	1/1				
MR JUAN MANUEL GONZÁLEZ SERNA	11/11	12/12			10/10	
MR ANTHONY L. GARDNER	11/11	12/12		13/13		
MR IÑIGO VÍCTOR DE ORIOL IBARRA	11/11				10/10	
MS MARÍA HELENA ANTOLÍN RAYBAUD	11/11			13/13		
MR MANUEL MOREU MUNAIZ	11/11	12/12			10/10	
MR XABIER SAGREDO ORMAZA	11/11		15/15			
MR FRANCISCO MARTÍNEZ CÓRCOLES	9/9					
MS SARA DE LA RICA GOIRICELAYA	11/11					10/10
MS NICOLA MARY BREWER	11/11					10/10
MS REGINA HELENA JORGE NUNES	11/11		15/15			
MR ÁNGEL JESÚS ACEBES PANIAGUA	11/11	12/12		13/13		
MS MARÍA ÁNGELES ALCALÁ DÍAZ	11/11		15/15			
MS ISABEL GARCÍA TEJERINA	11/11					10/10

Notes:

Mr Armando Martínez Martínez was appointed as a director on an interim basis (co-option procedure) on 25 October 2022.

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.1.29

As of 31 December 2022, the Secretary of the Board of Directors was Mr Julián Martínez-Simancas Sánchez. However, at its meeting held on 25 October 2022, the Board of Directors accepted the resignation of Mr Martínez-Simancas Sánchez from his position as non-director secretary and resolved to approve his cessation of office effective 1 January 2023. At the proposal of the executive chairman and following a favourable report from the Appointments Committee, the Board of Directors also resolved to appoint Mr Santiago Martínez Garrido as non-director secretary of the Board of Directors, effective 1 January 2023.

SECTION C.1.32

Non-audit services provided by the KPMG group to the companies of the Iberdrola group during financial year 2022 mainly had the following scope:

– To the Company: limited review of the half-yearly financial statements in the amount of €1,248,567; issuance of two comfort letters within the framework of issues under the EMTN programme, in the amount of €75,000 and €70,000; issuance of a report on verification of the Statement of Non-Financial Information 2021, in the amount of €108,586; and preparation of two procedures reports on the liquidity situation for the offshore Wikinger and Baltic wind farms in the amount of €8,747 each.

– 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 the operating facilities, the commissioned facilities and the forms required by CNMC Circular 4/2015, in the total amount of €501,070.

– To i-DE: report on agreed-upon procedures regarding the disclosure of investments that it must submit to the CNMC in compliance with Royal Decree 1125/2021 of 21 December, in the amount of €100,000.

– To “Iberdrola Finanzas, S.A.” (Sociedad Unipersonal): issuance of two comfort letters within the framework of issues under the EMTN programme, in the amount of €20,000 each.

– To “Iberdrola Renovables Internacional, S.A.” (Sociedad Unipersonal): report on corporate services invoiced to subsidiaries, in the amount of €13,195.

– To “Iberdrola Generación Nuclear, S.A.” (Sociedad Unipersonal) and “Iberdrola Generación, S.A.” (Sociedad Unipersonal): limited review of the financial statements at 30 June and 30 September 2022, in accordance with the General Chart of Accounts (“*Plan General de Contabilidad*”), in the amount of €12,100 in each case.

– To “Iberdrola Renovables Energía, S.A.” (Sociedad Unipersonal): report on agreed procedures regarding corporate charges invoiced to subsidiaries, in the amount of €9,000.

– To “Iberdrola España, S.A.” (Sociedad Unipersonal) and its subsidiaries: limited review of the consolidated financial statements at 30 June 2022, in accordance with the IFRS, in the amount of €6,619.

– To “Avangrid, Inc.”: regulatory audit to comply with the requirements of the U.S. regulator, in the amount of US$218,703; preparation of a comfort letter within the framework of a debt issue by “New York State Electric & Gas Corporation”, including, if applicable, a review of financial statements, in the amount of US$135,000; review of documentation as a consequence of a change of auditor, in the amount of US$20,000; and generic accountancy training services, provided free of charge.

– To “Neoenergia S.A.” and its subsidiaries: quarterly review for 2021, in the amount of R$680,846; audit of regulatory financial statements for 2021, in the amount of R$137,253; preparation of an equity control report for financial year 2021, in the amount of R$82,178; reports on financial rations in support of financing agreements, in the total amount of R$54,209; and procedures regarding estimated cash flows relating to the distribution of dividends for financial year 2021, in the amount of R$18,454.

– To “Iberdrola México, S.A. de C.V.” and its subsidiaries: report on the review of the tax status of the taxpayer (scope review), in the amount of MX$3,486,303.

– To the group led by “Scottish Power Limited”: audit of the regulatory segmented consolidated financial statements, in the amount of £28,209; and regulatory audit of the companies “SP MAnweb, Plc.”, “SP Transmission, Plc.” and “SP Distribution, Plc.” prepared for the British regulator, in the amount of £19,981; and regulatory audit reports on Client Assets Sourcebook, prepared for the regulator and requested by “Scottish Power Energy Management (Agency) Ltd.”, in the amount of £15,280.

– To “Iberdrola Clienti Italia, S.R.L.”: audit of the financial statements prepared in accordance with regulatory requirements, in the amount of €56,755; and report on general system charges required by the Italian regulator, in the amount of €55,000.

– Several subsidiaries of “C. Rokas Industrial Commercial Company, S.A.”: verification of tax information, in the amount of €95,052.

– To “Iberdrola Energie France, S.A.S.”: report on agreed-upon procedures regarding the certification of non-payment of the system’s usage charges, in the amount of €16,340.

– To “Iberdrola Australia RE”: the issuance of a reasonable asurance report on the financial statements and internal control required for the Australian Financial Services Licence for companies operating with financial instruments, in the amount of AUS$8,522.

– To “Iberdrola RE, S.A.”: special report in compliance with the instructions of the Luxembourg securities market regulator, in the amount of €1,700.

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 Internal Audit Area 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.

Finally, 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 KPMG 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).

ANNUAL REPORT ON REMUNERATION 2022

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*.

ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE: 31/12/2022

TAX IDENTIFICATION CODE (C.I.F.): A-48010615

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

Registered office: Plaza Euskadi número 5, 48009 Bilbao (Biscay), Spain

A REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

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

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

a) Description of the procedures and company bodies involved in determining, approving and applying the remuneration policy and its terms and conditions.

b) Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.

c) Information on whether any external advisors took part in this process and, if so, their identity.

d) Procedures set forth in the current remuneration policy for 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 of the date of preparation of this Report, the Director Remuneration Policy in effect (hereinafter, the Policy or the Remuneration Policy) is the Policy approved by 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. This Remuneration Policy is based on the following four principles:

a) **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 in the market, for which purpose regular benchmark analyses will be performed.

b) **Focused on maximising the creation of value and committed to the Purpose and Values of the Iberdrola group and to long-term sustainability**, 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 within the framework of the Iberdrola group's commitment to all of its Stakeholders.

c) **Focused on objectives**, ensuring that remuneration contributes to the achievement of Iberdrola's strategic objectives, which are regularly published and updated by the Board of Directors.

d) **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.

Shareholders' votes in favour reached 91.54%. The Remuneration Committee relied on the outside advice of Sagardoy Abogados in preparing the Policy, including aspects such as the compliance of the remuneration policy with the new applicable law.

The design of this Policy took into account the main demands from institutional investors as well as the good practices identified at other listed companies.

Benchmark companies for remuneration purposes

Companies from the Utilities sector were taken into account in preparing this Policy, and specifically to define the remuneration items: companies listed on the Stoxx Europe 600 and S&P 500 Utilities indices, and companies belonging to the European Round Table of Industrialists and Business Round Table, excluding companies in which there is State involvement in terms of management or ownership. A multi-sector sample was also used: companies listed on the FTSE Eurotop 100 and S&P 500 indices, and companies belonging to the European Round Table of Industrialists and Business Round Table, with a comparable international presence and geographic diversity to IBERDROLA. And finally, leading Ibex 35 companies by capitalisation and European companies positioned to tackle the energy transition.

The criteria taken into consideration to select the companies were based on companies with similar dimensions to Iberdrola in terms of capitalisation, size, ownership structure and international scope.

This Policy takes into account talent, effort, creativity and leadership as the main differentiating elements in the energy industry, in order to maximise the social dividend and shareholder return and to contribute to the achievement of the Company's strategic objectives. Its ultimate goal is to contribute decisively to the attraction, retention, motivation and development of the best talent, on fair and competitive terms.

Competent bodies involved in determining, approving and applying the remuneration policy and the terms and conditions thereof:

The approval of the Director Remuneration Policy is within the purview of **the shareholders at the General Shareholders' Meeting**. To this end, 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 (*Ley de Sociedades de Capital*). The Remuneration Committee is also vested with the duty to propose to the Board of Directors the system and amount of the annual remuneration of directors, as well as the individual remuneration of executive 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, in all cases in accordance with the provisions of the Governance and Sustainability System and of the 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 the Company's shares, which must be approved by the shareholders acting at a General Shareholders' Meeting.

Finally, the executive directors' performance is evaluated by the Board of Directors, upon a proposal of the Remuneration Committee. This Committee is in turn customarily advised by an independent firm that evaluates such performance.

A.1.2 Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between the fixed and variable components of remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the company, which will include,

as the case may be, mention of the measures taken to ensure that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest.

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

Remuneration mix

The remuneration mix of executive directors at Iberdrola 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.

This remuneration mix is strongly impacted by the significance of the variable components, and particularly by the assessment made by the Board of Directors, upon a proposal of the Remuneration Committee, of the performance of said directors, as well as of the changes in value of any shares to be delivered in payment of the multi-annual variable remuneration. Particularly noteworthy is the progressive increase in the specific weight of this component due to the significant increase in the share price, as explained in section B.7 of this report. It should also be noted that annual and multi-annual variable remuneration is linked to the performance of the executive directors with respect to economic/financial, operational/industrial and other parameters relating to the Sustainable Development Goals.

The components of the remuneration mix of executive directors are as follows:

a) **Fixed remuneration**: this seeks to attract and retain talent and reward the work of executive 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 in the market by companies with comparable capitalisation, size, ownership structure and international scope.

b) Short-term variable remuneration (annual bonus): this seeks to incentivise the achievement of the group's annual objectives and those that are specific to each position, aligning the dedication and efforts of the executive directors (and those of the members of the management team and the professionals of the group) with the business strategy. Annual variable remuneration shall be fully paid in cash.

(b.1) The objectives to which the short-term variable remuneration of the Executive Chairman shall be linked will be related to parameters like:

- Net profit, gross operating income (EBITDA), cash flow, etc.
- Investments.
- Evolution of shareholder remuneration in comparison with other values and indices.
- Financial strength.
- 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.

Specifically, the following weightings were used for the parameters linked to short-term variable remuneration for financial year 2022:

• Economic/financial objectives: 500 out of 1,000 specific weight:

- exceed the net profit for the preceding financial year (weight of 200 out of 1,000).

- increase shareholder remuneration in line with growth in net profit (weight of 150 out of 1,000).

- maintain financial strength in the FFO/Net Debt ratio at year-end 2021 (weight of 150 out of 1,000).

• Sustainable development objectives - 500 out of 1,000 specific weight:

- continuous increase in female presence in positions of responsibility (weight of 125 out of 1,000).

- presence on international indices (weight of 250 out of 1,000).

- exceed ratio of training hours received per employee over that of comparable companies. (weight of 125 out of 1,000).

(b.2) Taking into account the new CEO's appointment on 25 October 2022, his objectives as Business CEO have been assessed, with his short-term variable remuneration linked to parameters such as:

• Economic/financial objectives - 425 out of 1,000 specific weight:

- EBIT of the Businesses (Renewables, Networks and Retail) (weight of 285 out of 1,000).

- NOE of the Businesses (Renewables, Networks and Retail) (weight of 140 out of 1,000).

• Growth objective - 425 out of 1,000 specific weight:

- Increase in assets in service within RAB (weight of 125 out of 1,000).

- Completion of construction projects 2022 (MW) (weight of 100 out of 1,000).

- FID projects with profitability (weight of 100 out of 1,000).

- Commercial EBIT Spain + UK (weight of 100 out of 1,000).

• ESG objectives - 150 out of 1,000 specific weight:

- Promotions and horizontal / international mobility of talent (weight of 22.5 out of 1,000).

- Increase in presence of women in important positions (weight of 22.5 out of 1,000).

- Increase in presence of women in positions of responsibility (weight of 45 out of 1,000).

- Cybersecurity (weight of 60 out of 1,000).

The parameters for financial year 2023 are as follows:

(b.3) For the Executive Chairman

• Economic/financial objectives: 500 out of 1,000 specific weight:

- Net profit (weight of 200 out of 1,000).

- Increase shareholder remuneration in line with growth in net profit (weight of 150 out of 1,000).

- Financial soundness: FFO/Adjusted Net Debt (weight of 150 out of 1,000).

• Sustainable development objectives - 500 out of 1,000 specific weight:

- Continuous increase in female presence in positions of responsibility (weight of 125 out of 1,000).

- Presence on international indices (weight of 250 out of 1,000).

- Cybersecurity (weight of 125 out of 1,000).

(b.4) For the Chief Executive Officer

• Economic/financial objectives: 600 out of 1,000 specific weight:

- Net profit (weight of 400 out of 1,000).

- Financial soundness: FFO/Adjusted Net Debt (weight of 200 out of 1,000).

• Growth objective - 300 out of 1,000 specific weight:

- Potential renewable capacity (weight of 150 out of 1,000).

- New Networks assets recognised as part of RAB (weight of 150 out of 1,000).

• ESG objectives - 100 out of 1,000 specific weight:

- Occupational health and safety: internal personnel incident rate (weight of 100 out of 1,000).

c) Long-term variable remuneration (strategic bonus): this seeks to encourage the commitment of executive directors to the Iberdrola group's long-term business enterprise by linking a portion of their remuneration to the creation of shareholder value, as well as to the sustainable achievement of the Company's strategic objectives and the maximisation of its social dividend and of 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 typically have a term of six years (three for the evaluation of performance and three for payment thereof). The 2020-2022 Strategic Bonus is currently in force, which will be paid, if the objectives are achieved, in years 2023 to 2025 by means of a deferred delivery of shares over three years.

d) Benefits: The remuneration system of executive directors will be supplemented by health, life and accident insurance and other benefits in line with the practice followed in the market by companies with comparable capitalisation, size, ownership structure

and international scope. The Company may implement long-term pension schemes in favour of its executive directors.

The executive directors also have limited electricity allowances through rate concessions at their customary and permanent home or residence and at temporary homes.

Scenarios of the remuneration mix

The estimated remuneration mix based on the share price as at the date of approval of the corresponding strategic bonuses, assuming that around 85% of the corresponding parameters are ultimately met, would be approximately:

a) Executive Chairman

Minimum achievement scenario: 23% fixed remuneration, 26% annual variable remuneration and 51% multi-annual variable remuneration.

Target scenario: 22% fixed remuneration, 26% annual variable remuneration and 52% multi-annual variable remuneration.

Maximum achievement scenario: 21% fixed remuneration, 27% annual variable remuneration and 52% multi-annual variable remuneration.

b) Chief Executive Officer

Minimum achievement scenario: 38% fixed remuneration, 27% annual variable remuneration and 35% multi-annual variable remuneration.

Target scenario: 37% fixed remuneration, 27% annual variable remuneration and 36% multi-annual variable remuneration.

Maximum achievement scenario: 35% fixed remuneration, 28% annual variable remuneration and 37% multi-annual variable remuneration.

These estimates have been made taking into account a potential swing of +/-5 percentage points.

Malus and clawback clauses

The basic principles of the director remuneration policy include 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.

In addition, all multi-annual variable remuneration is subject to malus and clawback clauses. In this regard, 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 clause), and even to demand the total or partial return of amounts already paid (claw-back). 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.

It should also be noted that during each of the three years of the period for accrual and payment of the strategic bonus and on occasion of each delivery of shares, it is provided that an assessment must be made of whether the corresponding payment should be confirmed or cancelled, in whole or in part, and also, if applicable, of whether the return of shares already delivered (or their amount in cash) should be demanded in certain cases.

Measures adopted to reduce excessive exposure to risks

As regards the different measures adopted by the Company to help reduce excessive exposure to certain risks and align it with the Company's long-term objectives, values and interests, it should be noted that:

a) 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 (*Ley de Sociedades de Capital*).

- 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 adviser 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 directors, as well as the individual remuneration of executive 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.

- In connection with variable remuneration, it proposes to the Board the cancellation or reimbursement of any long-term variable remuneration that has been paid to the respective beneficiaries.

b) Audit and Risk Supervision Committee

- Pursuant to the Remuneration Policy, executive directors who are beneficiaries of incentive plans may not transfer ownership of the shares received for a period of 3 years unless they maintain a net financial exposure to changes in the share price having a market value equal to twice their annual fixed remuneration.

- 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.

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:

Directors receive a fixed annual amount in line with market standards, based on the positions they hold within the Board of Directors and the committees of which they are members.

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. This overall amount may be updated by the Board of Directors based on the existing circumstances.

For financial year 2023, the Board of Directors, upon a proposal of the Remuneration Committee, has unanimously resolved to maintain the fixed remuneration. These amounts have been frozen since 2008.

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

- Director holding the position of Executive Chairman of the Board of Directors: €567 thousand.

- Director holding the position of Chief Executive Officer: €253 thousand.

- Directors holding the position of vice-chair or of chair of any of the consultative committees: €440 thousand.
- Directors holding the position of member of any of the committees: €253 thousand.
- Directors holding only the position of member of the Board of Directors: €165 thousand.

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

- Executive Chairman and vice-chairs of the Board of Directors: €6 thousand per meeting for attending the meetings of the Board of Directors.
- Chairs of the committees: €6 thousand per meeting for attending the meetings of the respective committee.
- Members of the Board of Directors and of the committees: thereof: €4 thousand.

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.

Between January and October 2022, the only executive director was Mr José Ignacio Sánchez Galán, who was therefore the only director receiving fixed remuneration for the performance of senior management duties.

After the interim appointment (co-option) of the new Chief Executive Officer, Mr Armando Martínez Martínez, on 25 October 2022, there are two directors who receive fixed remuneration for the performance of senior management duties.

At the meeting held by the Board of Directors on 21 February 2023, upon a proposal of the Remuneration Committee, it was resolved to maintain the fixed remuneration of the Executive Chairman for 2023 without change from 2022, in the amount of €2,250 thousand.

It should be noted that the fixed remuneration of the Executive Chairman has remained unchanged since 2008.

The fixed remuneration of the Chief Executive Officer will amount to €1,000 thousand. The following has been taken into account in order to establish the fixed remuneration of the Chief Executive Officer: the remuneration that the Chief Executive Officer was receiving in his previous senior management position at the Company, and the comparison with the various companies referred to in section A.1.1 of this Report.

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 is not significant and basically covers the electricity rate and health and casualty insurance. The estimated cost of all remuneration in kind will be similar to the cost reflected in section B.14 of this Report.

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 directors, i.e. the Executive Chairman and the Chief Executive Officer.

Components of variable remuneration:

Annual variable remuneration

a) Executive Chairman

The variable remuneration parameters for the Executive Chairman are in line with the Outlook 2020-2025 presented at the Capital Markets Day held on 9 November 2022:

- Economic/financial objectives - 500 out of 1,000 specific weight
  - Exceed the net profit for the preceding financial year (weight of 200 out of 1,000).

Net profit for the financial year 2022 amounted to €4,339 million, 111.6% of the target. The achievement level is evaluated at 100% due to this figure being above 105% in a highly complex environment.

- Increase shareholder remuneration in line with growth in net profit (weight of 150 out of 1,000).

  Shareholder remuneration amounted to €0.444 per share, an increase in line with net profit. The dividend has grown by 36.2% since 2018, which entails average annual growth of 8%. Pay-out amounted to 73.6%, within the upper end of the established range. Taking into account the foregoing, the achievement level is evaluated at 100%.

- Maintain financial strength in the FFO/Net Debt ratio at year-end 2021 (weight of 150 out of 1,000).

  In terms of financial strength, the year-end FFO/net debt ratio was 24.9%, one percentage point higher than the previous year, and in any case above the target. As the ratio has been improved and the credit rating levels maintained, the achievement level is evaluated at 100%.

- Sustainable development objectives (500 out of 1,000 specific weight)

  - Continuous increase in female presence in positions of responsibility (weight of 125 out of 1,000).

    Female presence in positions of responsibility grew from 33.7% in 2021 to 34.0% in 2022, in addition to a notable percentage of women in senior management (30%) and an improvement in the percentage of women in important positions to 26.1%, as against 24.4% in the previous financial year. In view of the increase in positions of responsibility of 0.3 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, 2022 World's Most Ethical Companies). In addition, Iberdrola remains included on numerous sustainable company indices: Global 100, CDP Climate Change, ISS ESG (Prime), MSCI Global Sustainability Index (AAA), Bloomberg Gender Equality Index, etc. 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%.

  - Exceed ratio of training hours received per employee over that of comparable companies (weight of 125 out of 1,000).

    The number of training hours provided in 2022 amounts to 67.9 hours/employee, far higher than comparable companies according to FUNDAE (State Foundation for Employment Training), far exceeding full compliance with the objective. As the number of hours has exceeded 55 per annum, the achievement level is evaluated at 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 financial year 2022 is linked.

The Remuneration Committee may also consider other parameters for the evaluation of the Executive Chairman.

b) Chief Executive Officer

In the case of the Chief Executive Officer, the parameters to which his annual variable remuneration is linked are as follows:

- Economic/financial objectives - 425 out of 1,000 specific weight:

  - EBIT of the Businesses (Renewables, Networks and Retail) (weight of 285 out of 1,000). This objective will be deemed fully achieved (100%) if the result exceeds the budget by at least 2%.

    EBIT of the Businesses for financial year 2022 amounted to €7,653 million, exceeding the target. The achievement level is evaluated at 100% due to this figure exceeding the target in a highly complex environment.

  - NOE of the Businesses (Renewables, Networks and Retail) (weight of 140 out of 1,000). This objective will be deemed fully achieved (100%) if the result is at least 3% lower than budgeted.

    NOE of the Businesses for financial year 2022 amounted to €4,729 million, exceeding the target by 3.80 percentage points. The achievement level is evaluated at 100% due to this figure exceeding the target.

- Growth objective - 425 out of 1,000 specific weight:

  - Increase in assets in service within RAB (weight of 125 out of 1,000). This objective will be deemed fully achieved (100%) if the result exceeds the value at year-end 2021 by at least 3.8%.

    The new networks assets recognised as part of RAB increased by 9% compared to year-end 2021. The achievement level is evaluated at 100%.

  - Completion of construction projects 2022 (MW) (weight of 100 out of 1,000). This objective will be deemed fully achieved (100%) if the result is equal to or exceeds budget.

    The plan has not been fulfilled, owing to factors including the circumstances involving the prioritisation of projects that were already under construction.

  - FID projects with profitability (weight of 100 out of 1,000). This objective will be deemed fully achieved (100%) if the result is equal to or exceeds budget.

The plan has not been fulfilled, owing to factors including the slowdown in installation of capacity due to the prevailing circumstances.

- Commercial EBIT Spain + UK (weight of 100 out of 1,000). This objective will be deemed fully achieved (100%) if the result exceeds budget by 1%.

  Commercial EBIT for Spain and the UK amounted to €667 million, exceeding the target. The achievement level is evaluated at 100% due to this figure exceeding the target in a highly complex environment.

- ESG objectives - 150 out of 1,000 specific weight:

  - Promotions and horizontal / international mobility of talent (weight of 22.5 out of 1,000). This objective will be deemed fully achieved (100%) if the number of cases exceeds 130.

    During financial year 2022, there have been 133 promotions and movements involving international mobility of talent. The achievement level is evaluated at 100%

  - Increase in presence of women in important positions (weight of 22.5 out of 1,000). This objective will be deemed fully achieved (100%) if the result exceeds the value for 2021 by one percentage point.

    Female presence in important positions of responsibility grew to 26.1% from 24.4% in the previous financial year, in addition to a notable percentage of women in senior management (30%). The achievement level is evaluated at 100%

  - Increase in presence of women in positions of responsibility (weight of 45 out of 1,000). This objective will be deemed fully achieved (100%) if the result exceeds the value for financial year 2021.

    The presence of women in positions of responsibility grew from 33.7% in 2021 to 34.0% in 2022. In view of the increase in positions of responsibility of 0.3 percentage points, the achievement level is evaluated at 100%.

  - Cybersecurity (weight of 60 out of 1,000). This objective will be deemed fully achieved (100%) if all planned milestones are achieved.

    Practically the entire cybersecurity plan for financial year 2022 has been achieved, both for the businesses and for the company. The achievement level is evaluated at 98.13%.

Taking into account the foregoing, the total weighted achievement level is 87.96% for the parameters to which the Chief Executive Officer's annual variable remuneration for financial year 2022 is linked.

The Remuneration Committee may also consider other parameters for the evaluation of the Chief Executive Officer.

For 2023, the Board of Directors has resolved to maintain the maximum limit on the annual variable remuneration of the Executive Chairman at the same level as in 2022 (€3,250 thousand).

In the case of the Chief Executive Officer, the maximum limit on variable remuneration has been established at €1,500 thousand.

Payment of the annual variable remuneration is made 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 the performance of the executive directors.

Multi-annual variable remuneration

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

- Beneficiaries: up to a maximum of 300, including executive directors.
- Parameters:
  - substantial increase in net profit (30% weight);
  - comparative increase in total shareholder return (20% weight);
  - improvement in financial strength (20% weight); and
  - parameters related to the Sustainable Development Goals (average intensity of CO_2 emissions, suppliers subject to sustainable development policies and standards, and salary gap between women and men) (20% weight).
    - Maximum number of shares to be delivered: up to 14,000,000, equal to 0.22% of the share capital at the time of approval of the resolution.
    - Maximum number of shares to be delivered to the group of executive directors: up to 2,500,000 shares; up to a maximum of 1,900,000 shares in the case of the Executive Chairman and up to a maximum of 240,000 shares in the case of the Chief Executive Officer, 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.

- Duration: evaluation period 2020-2022 and payment period 2023-2025, in three equal instalments each year.

- Annual verification by the Remuneration Committee, prior to each of the payments, that the circumstances leading to the accrual thereof remain in effect. The first payment will be made after the annual financial statements have been prepared by the Board of Directors, audited, and approved by the shareholders at the General Shareholders' Meeting. In any event, the Remuneration Committee shall have the assistance of an independent expert in the evaluation of performance in relation to the aforementioned benchmark parameters.

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

The first delivery under the 2020-2022 strategic bonus will be made during 2023.

A.1.7 Main characteristics of long-term savings schemes. Among other information, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director.

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

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

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 not to 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 event of cessation of office prior to the end of the term for which they were appointed, non-executive directors who are not proprietary directors shall be entitled to receive compensation for the commitment not to compete described in the preceding paragraph, 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.

For purposes of clarification, 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.

A.1.9 Indicate the conditions that the contracts of executive directors performing senior management functions should contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.

Payments for termination of the contract between the Company and the executive directors are comprised of severance pay and an agreement not to compete, as explained below:

Severance pay:

Since the end of the 90s, executive directors, as well as a group of members of the management team, are entitled to receive severance pay in the event of termination of their executive 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. For purposes of clarification, termination shall not be deemed to be solely due to a voluntary decision of the executive director if the director's resignation is due to a breach by the Company or a substantial modification of the director's duties or other similar circumstances.

A) Contract with the Executive Chairman

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 now be entitled to three times annual salary as severance pay.

The Board of Directors has analysed this situation and has found that, taking into account the average age of the affected group and the low likelihood of the guarantees being enforced, the amount of the contingency would gradually decrease over time, resulting in payments far smaller than any alternative consisting of a reduction in the agreed severance payments. Furthermore, the contract 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 and for a period of two years. In compensation for this commitment, he is entitled to a severance payment equal to two times annual salary.

Other basic conditions of contracts with executive directors are:

(i) indefinite duration;

(ii) strict compliance with the rules and provisions of the Company's Governance and Sustainability System;

(iii) confidentiality and commitment to return documents in the event of termination of the contractual relationship;

(iv) general advance notice period of three months before termination.

B) Contract with new executive directors:

Since 2011, contracts with new executive directors and with the members of senior management have included maximum severance pay equal to two times annual salary in the event of

termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. For purposes of clarification, termination shall not be deemed to be solely due to a voluntary decision of the executive director if the director's resignation is due to a breach by the Company or a substantial modification of the director's duties or other similar circumstances.

Commitment not to compete:

As executive directors are closely acquainted with the design and implementation of the business strategy and plans of the Company, the contracts with them provide for the duty not to compete in relation to companies and activities of a similar nature during the term of their relationship with the Company as well as for a subsequent period of one to two years.

In compensation for this post-contractual commitment not to compete, executive directors are entitled to compensation equal to the fixed remuneration corresponding to such period.

In the case of the Chief Executive Officer, the termination conditions agreed in his contract are set out in this section B), including compensation for the post-contractual commitment not to compete as part of any contractual severance payment.

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 Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021 provides that executive directors and officers of the group who hold the position of director at companies that are not wholly owned either directly or indirectly by Iberdrola may receive remuneration corresponding to the position from said companies in accordance with their corporate governance rules on the same terms as the other directors. Along these lines, it is estimated that during 2023 the Executive Chairman of Iberdrola will

receive an amount similar to the amount set forth in section C of this Report for his positions as chairman of the boards of directors of Neoenergia, S.A. and Avangrid, Inc.

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

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

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 will be in force during financial years 2022, 2023 and 2024. The text thereof conformed to the amendments made by Section 529 *novodecies* of the Companies Act, which amendments came into force after the approval of this Policy by the shareholders at the General Shareholders' Meeting, and included a number of technical improvements while retaining the general guidelines of the previous policy.

Technical improvements included in the current Policy

a) **The group's strategy**: establishment of objective standards relating to the Iberdrola group's strategy for purposes of the remuneration of executive directors.

b) **New parameters applicable to the variable remuneration** of executive directors: inclusion of environmental and long-term sustainability parameters, including those relating to the energy transition, the mitigation of and adaptation to climate change, and others relating to the Sustainable Development Goals (SDGs) approved by the United Nations, along with the financial and operational/industrial parameters already established in the previous policy.

c) **Labour conditions at the Iberdrola group**: in revising and updating the current policy, the Remuneration Committee has taken into account the employment conditions and remuneration levels of the Iberdrola group's professionals, especially in connection with the remuneration of executive directors.

d) **Maximum annual amount**: by revising the maximum amount of annual remuneration to be paid to the directors as a whole in their capacity as such, which may be updated by the Board

of Directors within the maximum annual limit established in the policy, which will be disclosed in the annual director remuneration report.

e) **Commitment not to compete**: by updating the terms of the commitment not to compete without altering the term thereof or the calculation of any applicable compensation.

f) **Further information regarding the structure of remuneration of executive directors**: by including a higher level of detail regarding fixed remuneration, variable remuneration (short-term (annual bonus) and long-term (strategic bonus)) of executive directors.

g) **New directors**: by providing for the establishment of special and extraordinary remuneration and incentives in order to attract talent and compensate the new executive directors for variable remuneration or contractual rights lost upon leaving their previous position.

h) **Temporary exceptions**: by providing for the ability of the Board of Directors, after a favourable report from the Remuneration Committee, to apply temporary exceptions to the variable components of the remuneration of executive directors when required to safeguard 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.

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

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

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

The consultative vote on the Annual Director Remuneration Report for financial year 2021 yielded 23.96% votes against and 1.46% abstentions at the 2022 General Shareholders' Meeting. In view of these results, the Committee undertook a number of initiatives in order to better understand the reasons why a portion of the shareholders did not vote in favour of the Annual Director Remuneration Report for financial year 2021 and to develop a specific action plan to improve interaction and report on decision-making. Such measures include the following:

– Interaction with investors in order to fully understand their concerns and provide them with more information and context regarding the decisions adopted by the Board of

Directors. In this regard, the Investor Relations, ESG and General Secretary's areas and the Board met with 4 proxy advisors and 30 institutional investors who hold an aggregate of 33.4% of Iberdrola's share capital in May and June.

- GAP analysis of remuneration in order to identify the main areas for improvement in remuneration matters and bring it closer to the best international standards (detailed information in this regard is provided in section B.1. of this report)

- 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 2022.

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

B.1.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last ended.

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

At 31 December 2022 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 (2) and 33% of whom are other external directors (1).

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

The profile of the members of this Committee is available through the following link: https://www.iberdrola.com/corporate-governance/board-directors/remuneration-committee

The Committee met on 10 occasions during 2022 and devoted special attention to the continuous improvement of the Annual Director Remuneration Report, the acknowledgement of the designation of new beneficiaries of the 2020-2022 Strategic Bonus following the appointment of the Chief Executive Officer and the review of trends in remuneration parameters, such as the inclusion of indicators aligned with the objectives of the ESG strategy.

There was a particular focus on key aspects such as the remuneration of directors and senior management, and other activities related to the adequacy of information on remuneration.

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, this 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 "PricewaterhouseCoopers Asesores de Negocios, S.L." ("PwC Asesores") was relied upon to evaluate the performance of the executive directors during financial year 2022 and to evaluate the parameters for the 2020-2022 Strategic Bonus, and the firm Georgeson provided advice to perform a Gap Analysis in the area of remuneration as well as to prepare the text of this Annual Remuneration Report 2022. The purpose of this Gap Analysis was to identify positive aspects and areas for improvement, designing an action plan for the short and long term. To this end, Georgeson carried out the following activities:

- Analysis of the main reasons for the votes against cast by Iberdrola's institutional investors in the consultative vote on the Annual Director Remuneration Report for 2021.
- Analysis of the main concerns expressed by the benchmark 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 Top 20 foreign institutional investors.
- Analysis of remuneration practices (remuneration policies and reports) of 5 international and domestic peers.

Moreover, in February 2022 the Remuneration Committee received an internal benchmark analysis regarding the total remuneration of executive directors. This analysis used the following criteria to select the comparison group:

1. Utilities (5 selected companies):
   - Companies listed on the S&P 500 Utilities and Stoxx Europe 600 indices.
   - Companies belonging to the European Round Table of Industrialists (ERT) and Business Round Table (BRT) forums.
   - Turnover in the last financial year of a minimum of approximately 50% of Iberdrola's turnover, provided that the market capitalisation exceeds €10,000 million.
   - Companies in which the government has a management or ownership stake were eliminated.
2. Conglomerate sample (31 selected companies):
   - Companies listed on the FTSE Eurotop 100 and S&P 500 indices.

- Companies belonging to the European Round Table of Industrialists (ERT) and Business Round Table (BRT) forums.
- Turnover in the last financial year and market capitalisation, between approximately 50% and 200% of Iberdrola's size.
- International presence and geographic diversity comparable to those of Iberdrola.
- Financial services and insurance companies excluded.

3. Top IBEX 35 companies by capitalisation (3 selected companies).

4. European companies positioned to tackle the energy transition (6 selected companies).

The list of companies is as follows:

Utilities: DUKE ENERGY CORP, E.ON SE, EXELON CORP, NEXTERA ENERGY, SOUTHERN CO

Conglomerates: 3M CO, ABB LTD-REG, AIR LIQUIDE SA, AIRBUS SE, AMERICAN EXPRESS, ARCHER-DANIELS, BOEING CO/THE, BRISTOL-MYER SQB, CATERPILLAR INC, DEERE & CO, DOW INC, FREEPORT-MCMORAN, GENERAL DYNAMICS, GLAXOSMITHKLINE, HEINEKEN NV, HONEYWELL INTL, HP INC, HUMANA INC, IBM, JOHNSON CONTROLS , LOCKHEED MARTIN, MEDTRONIC PLC, MICRON TECH, NORTHROP GRUMMAN, RAYTHEON TECHNOL, RIO TINTO PLC, SIEMENS AG-REG, STARBUCKS CORP, SYSCO CORP, VODAFONE GROUP, VOLVO AB-A

Ibex-35: BANCO SANTANDER, BBVA, INDITEX

European energy transition companies: BP PLC, ENI SPA, EQUINOR ASA, REPSOL SA, ROYAL DUTCH SHELL, TOTALENERGIES SE

In accordance with the results of the aforementioned study, IBERDROLA's positioning was in the decile of the median of the comparable group both in the dimensions considered in the criteria "capitalisation" and "turnover" and in "total remuneration".

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 2022.

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 2022.

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, multi-annual variable remuneration has a high specific weight in the overall remuneration of executive directors, and its main purpose is to align with the interests of shareholders, taking into account the long-term interests and results of the Company.

In this regard, the period for evaluating the performance of the long-term remuneration plans is extended to three years. In addition, the payment of this remuneration is implemented through the delivery of shares over the next three years. And each deferred delivery of shares is subject to prior confirmation by the Remuneration Committee of the validity of the grounds for the evaluation in order to assess whether it is appropriate to totally or partially cancel the corresponding payment and, if applicable, to claim the total or partial reimbursement of the shares already delivered.

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 2022 fully conforms to the current Director Remuneration Policy. In this regard:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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 ensure their consistency with the strategy, interests and sustainability of the Company in the long term:

– Total remuneration is made up of the following main components: (i) Base Salary, (ii) Annual Bonus and (iii) Strategic Bonus (Long-Term Incentive). This long-term component will generally account for not less than 50% of the total in the case of the Executive Chairman and 35% in the case of the Chief Executive Officer, in a scenario of achievement of objectives.

– The annual bonus of the Executive Chairman and of the Chief Executive Officer is linked to a combination of specific objectives aligned with the interests of the stakeholders and

Iberdrola's strategy. In the case of the Executive Chairman, his objectives for 2022 include 3 metrics relating to sustainability, with a weight of 50%. In the case of the Chief Executive Officer, 4 metrics are included, with a weight of 15%. These metrics are quantitative and auditable and are in turn related to Iberdrola's Strategic Sustainability Plan.

– The long-term remuneration of the Executive Chairman and of the Chief Executive Officer includes a metric related to reduction of the average intensity of CO2 emissions, in line with SDGs 7 (affordable and clean energy) and 13 (climate action). This metric concerns increasing the number of suppliers subject to sustainable development policies and standards, such as the following: (a) a human rights strategy; (b) a code of conduct for their own suppliers; (c) health and safety standards (SDG 3 (good health and well-being)); and (d) a global environmental sustainability strategy, including strategies for water (SDG 6 (clean water and sanitation)), energy (SDG 7 (affordable and clean energy)) and biodiversity (SDGs 14 (life below water) and 15 (life on land)). There is also a metric concerning closing the gender pay gap at the Iberdrola group level, in line with SDG 5 (gender equality).

– The shares delivered to the Executive Chairman and to the Chief Executive Officer are subject to a 3-year retention period.

Appropriate balance between fixed and variable remuneration components:

– 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. In any event, said percentage as related to total remuneration (understood to consist of Base Salary, the Annual Bonus and the annualised Strategic Bonus) cannot exceed 80% in the case of the Executive Chairman and 75% in the case of the Chief Executive Officer (in exceptional circumstances, these percentages might be higher, pursuant to the provisions of the Remuneration Policy.

– Sustainability is a basic pillar of the Company's strategy.

A summary of other aspects of the Company's performance in 2022 is provided below:

– EBITDA grew by 10% to over €13,200 million.

– 9,700 MW under construction or assured, of which 5,500 MW are offshore.

– The remuneration basis of regulated assets has grown by €6,300 million to €39,300 million.

– Critical supplies are already secured for growth investments under the 2023-2025 plan: 100% of offshore investments under the 2023-2025 plan, 100% of photovoltaic installation

investments for 2023 and approximately 70% of network investments under the 2023-2025 plan.

B.4 Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes in favour, votes against, abstentions and blank ballots:

	Number	% of total
Votes cast	4,643,719,859	72.13%

	Number	% of votes cast
Votes against	1,112,411,085	23.96%
Votes in favour	3,461,397,107	74.54%
Blank ballots	2,150,898	0.05%
Abstentions	67,760,769	1.46%

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. Outside directors do not receive variable remuneration.

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 2022 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 2022 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. This proposal was made based on the historical results achieved once more by the Company during financial year 2021, when it posted an increase of 8% in consolidated profits compared to 2020.

In the case of the Chief Executive Officer, the Remuneration Committee proposed to the Board of Directors that a fixed remuneration of €1,000 thousand be set for financial year 2022, during the period of that financial year that he performed his duties as Chief Executive Officer.

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

In particular:

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

- In the case of share options and other financial instruments, the general characteristics of each plan must include information on the conditions both for acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period.

- Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).

- Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Pursuant to the Remuneration Policy, the only directors who are entitled to variable remuneration are the executive directors, and therefore, it only applies to the Executive Chairman and to the new Chief Executive Officer. Said remuneration consists of an annual variable component and a long-term variable component.

Executive Chairman

a) **Annual variable remuneration:** This incentivises and rewards performance in connection with a number of financial, non-financial and individual annual objectives, which are

consistent with the company's strategy. It is paid in cash and is linked to the results for the previous financial year. The parameters were as follows:

- Economic/financial objectives (weight of 500 out of 1,000)

  - Exceed the net profit for the preceding financial year (weight of 200 out of 1,000).

    Net profit for financial year 2022 amounted to €4,339 million, 11.7% higher than the established target of €4,200 million. The achievement level is evaluated at 100%.

  - Increase shareholder remuneration in line with growth in net profit (weight of 150 out of 1,000).

    Shareholder remuneration amounted to €0.444 per share, an increase in line with net profit. The dividend has grown by 36.2% since 2018, which entails average annual growth of 8%. Pay-out amounted to 73.6%, within the upper end of the established range. Taking into account the foregoing, the achievement level is evaluated at 100%.

  - Maintain financial strength in the FFO/Net Debt ratio at year-end 2021 (weight of 150 out of 1,000).

    In terms of financial strength, the year-end FFO/net debt ratio was 24.9%, one percentage point higher than the previous year, and in any case above the target. As the ratio has been improved and the credit rating levels maintained, the achievement level is evaluated at 100%.

- Sustainable development goals (50% weight)

  - Continuous increase in female presence in positions of responsibility (weight of 125 out of 1,000)

    Female presence in positions of responsibility grew from 33.7% in 2021 to 34.0% in 2022, in addition to a notable percentage of women in senior management (30%) and an improvement in the percentage of women in important positions to 26.1%, as against 24.4% in the previous financial year. In view of the increase in positions of responsibility of 0.3 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, 2022 World's Most Ethical Companies). In addition, Iberdrola remains

included on numerous sustainable company indices: Global 100, CDP Climate Change, ISS ESG (Prime), MSCI Global Sustainability Index (AAA), Bloomberg Gender Equality Index, etc. 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%.

- Exceed ratio of training hours received per employee over that of comparable companies (weight of 125 out of 1,000).

  The number of training hours provided in 2022 amounts to 68.7 hours/employee, far higher than comparable companies according to FUNDAE (State Foundation for Employment Training), far exceeding full compliance with the objective. As the number of hours has exceeded 60 per annum, the achievement level is evaluated at 100%.

b) **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.

The 2017-2019 Strategic Bonus has a term of six years, with the period covering financial years 2017 to 2019 being the period for evaluation of the performance level in relation to the parameters to which said Bonus is linked, and the period covering financial years 2020 to 2022 being the period for payment thereof, which was made through the deferred delivery of shares over those three years. The third of the three deliveries of shares was made on 23 February 2022, after the Remuneration Committee issued a report confirming that the grounds for this deferred variable remuneration still applied.

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. Performance is evaluated based on the following financial, business and sustainable development parameters, 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:

- 2022 consolidated Net Profit (30% Weight). Target (4,200 Million). Result 4,339 Million. 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%.

- Improve financial strength measured through the FFO/Net Debt ratio (20% Weight) Target (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%.

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 2022 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 Company does not currently have any long-term savings scheme except for the Chief Executive Officer Mr Armando Martínez, who has a group life insurance policy 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. This policy provides coverage for the supplementary social security contributions regime established to enhance the regime that would apply to him 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 director will have the financial rights he has acquired at the normal retirement age, and the grounds for any early termination of the contractual relationship will determine his rights. 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.

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.

Pursuant to the provisions of Section 4.3 of the Director Remuneration Policy regarding the non-competition commitment of external non-proprietary directors, Mr Francisco Martínez Córcoles, who resigned as a director on 25 October 2022, received a severance payment equal to 90% of the fixed amount he would have received for the remainder of his term, with a maximum equal to double the 90% of said fixed annual amount. The amount of this severance payment is shown in section C of this Report.

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

The new contract of the Chief Executive Officer Mr Armando Martínez Martínez, who was appointed in financial year 2022 and previously held the position of Business CEO, complies with all requirements and conditions of Iberdrola's Director Remuneration Policy approved on 18 June 2021. The contract specifically includes the following conditions:

- Indefinite duration.
- The Chief Executive Officer's contract is governed by the regulations established under applicable law for this case.
- Compliance with the Governance and Sustainability System.
- Commitment not to compete during the effective period of the contract and for one year post-termination. In compensation for this post-contractual commitment not to compete, he is entitled to compensation equal to one annual salary, which will include any severance payment for termination of contract in all cases.

- Duty of confidentiality both during the effective period of the contract and following termination of the relationship.

The provisions of Iberdrola's Director Remuneration Policy have been applied for the Chief Executive Officer's remuneration, with the following structure:

- Fixed remuneration: €1,000 thousand.
- Short-term variable remuneration (annual bonus): maximum of €1,500 thousand.
- Long-term variable remuneration (strategic bonus): beneficiary of variable remuneration plans for the executive directors. Up to a maximum of 240,000 shares in the case of the Chief Executive Officer, 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, for the 2020-2022 Strategic Bonus, with deliveries pursuant to prior evaluation in 2023-2025.
- Application of malus and clawback clauses under Iberdrola's Director Remuneration Policy.

Finally, the Chief Executive Officer is entitled to receive severance pay equivalent to two times his annual salary in the event of termination of his executive 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. In addition, a general termination notice period of three months.

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

During 2022 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 2022 there was no 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.

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 €220 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 2022 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 and detail the amounts accrued in the year in relation to any other remuneration concept other than that set forth above, whatever its nature or the group entity that pays it, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true image of the total remuneration accrued by the director. Explain the amount granted or pending payment, the nature of the consideration received and the reasons for those that would have been considered, if applicable, that do not constitute remuneration to the director or in consideration for the performance of their executive functions and whether or not has been considered appropriate to be included among the amounts accrued under the "Other concepts" heading in Section C.

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

C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual in year 2022
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	Executive Chairman	From 01/01/2022 until 31/12/2022
Mr ARMANDO MARTÍNEZ MARTÍNEZ	Chief Executive Officer	From 25/10/2022 until 31/12/2022
Mr JUAN MANUEL GONZÁLEZ SERNA	Independent Director	From 01/01/2022 until 31/12/2022
Mr ANTHONY L. GARDNER	Independent Director	From 01/01/2022 until 31/12/2022
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	Other External Director	From 01/01/2022 until 31/12/2022
Ms MARÍA HELENA ANTOLÍN RAYBAUD	Other External Director	From 01/01/2022 until 31/12/2022
Mr MANUEL MOREU MUNAIZ	Independent Director	From 01/01/2022 until 31/12/2022
Mr XABIER SAGREDO ORMAZA	Independent Director	From 01/01/2022 until 31/12/2022
Ms SARA DE LA RICA GOIRICELAYA	Independent Director	From 01/01/2022 until 31/12/2022
Ms NICOLA MARY BREWER	Independent Director	From 01/01/2022 until 31/12/2022
Ms REGINA HELENA JORGE NUNES	Independent Director	From 01/01/2022 until 31/12/2022
Mr ÁNGEL JESÚS ACEBES PANIAGUA	Independent Director	From 01/01/2022 until 31/12/2022
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	Independent Director	From 01/01/2022 until 31/12/2022
Ms ISABEL GARCÍA TEJERINA	Independent Director	From 01/01/2022 until 31/12/2022
Mr FRANCISCO MARTÍNEZ CÓRCOLES	Other External Director	From 01/01/2022 until 25/10/2022

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 2022	Total in year 2021
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	567	92		2,250	3,250			186	6,345	6,266
Mr ARMANDO MARTÍNEZ MARTÍNEZ	30	6	16	1,000	953	1,160		75	3,240	1,121
Mr JUAN MANUEL GONZÁLEZ SERNA	165	108	275					1	549	552
Mr ANTHONY L. GARDNER	165	94	275					2	536	331
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	165	42	88					6	301	297
Ms MARÍA HELENA ANTOLÍN RAYBAUD	165	58	131					7	361	502
Mr MANUEL MOREU MUNAIZ	165	66	88					3	322	326
Mr XABIER SAGREDO ORMAZA	165	82	275					5	527	508
Ms SARA DE LA RICA GOIRICELAYA	165	62	275					3	505	499
Ms NICOLA MARY BREWER	165	42	88					1	296	290
Ms REGINA HELENA JORGE NUNES	165	52	88					1	306	294
Mr ÁNGEL JESÚS ACEBES PANIAGUA	165	88	232					10	495	323
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	165	52	88					2	307	52
Ms ISABEL GARCÍA TEJERINA	165	42	88					2	297	11
Mr FRANCISCO MARTÍNEZ CÓRCOLES	165	18					297	4	484	2,174

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 2022		Financial instruments granted during year 2022		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2022	
		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	17-19 Strategic Bonus		**1,900,000**				**633,334**	**9.99**	**6,326**			**0**
	20-22 Strategic Bonus		**1,900,000**					**0**				**1,900,000**
Mr ARMANDO MARTÍNEZ MARTÍNEZ	20-22 Strategic Bonus		**240,000**					**0**				**240,000**
Mr FRANCISCO MARTÍNEZ CÓRCOLES	17-19 Strategic Bonus		**300,000**				**100,000**	**9.34**	**934**			**0**
	20-22 Strategic Bonus		**300,000**					**0**				**300,000**

Observations

Up to a maximum of 240,000 shares in the case of the Chief Executive Officer, 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.

iii) Long-term savings schemes

Name	Remuneration for vested rights in savings schemes
Director 1	

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 2022		Year 2021	
	Year 2022	Year 2021	Year 2022	Year 2021	Systems with vested economic rights	Systems with non-vested economic rights	Systems with vested economic rights	Systems with non-vested economic rights
Mr ARMANDO MARTÍNEZ MARTÍNEZ	100	100			904		771	

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
Director 1		

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 committe	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total in year 2022	Total in year 2021
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN									**389**	**325**
Ms MARÍA ÁNGELES ALCALÁ DÍAZ										**67**
Ms ISABEL GARCÍA TEJERINA										**114**

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 2022		Financial instruments granted during year 2022		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2022	
		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
Director 1	Plan 1											
	Plan 2											

Observations

iii) Long-term savings schemes

Name	Remuneration for vested rights in savings schemes
Director 1	

	Contribution by the company in the financial year (thousands of euros)				Amount of accumulated funds (thousands of euros)			
Name	Savings schemes with vested economic rights		Savings schemes with non-vested economic rights					
					Year 2022		Year 2021	
	Year 2022	Year 2021	Year 2022	Year 2021	Systems with vested economic rights	Systems with non-vested economic rights	Systems with vested economic rights	Systems with non-vested economic rights

Observations

iv) Details of other items

Name	Item	Remuneration amount
Director 1		

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.

	Remuneration accruing in the Company					Remuneration accruing in group companies					
Name	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year t 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 2022 group	Total in year 2022 company + group
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	6,345	6,326			12,671	389				389	13,060
Mr ARMANDO MARTÍNEZ MARTÍNEZ	3,240				3,240						3,240
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	301				301						301
Ms MARÍA HELENA ANTOLÍN RAYBAUD	361				361						361

Mr MANUEL MOREU MUNAIZ	322				322						322
Mr XABIER SAGREDO ORMAZA	527				527						527
Mr JUAN MANUEL GONZÁLEZ SERNA	549				549						549
Mr FRANCISCO MARTÍNEZ CÓRCOLES	484	934			1,418						1,418
Mr ANTHONY L. GARDNER	536				536						536
Ms SARA DE LA RICA GOIRICELAYA	505				505						505
Ms NICOLA MARY BREWER	296				296						296
Ms REGINA HELENA JORGE NUNES	306				306						306
Mr ÁNGEL JESÚS ACEBES PANIAGUA	495				495						495
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	307				307						307
Ms ISABEL GARCÍA TEJERINA	297				297						297
TOTAL	14,871	7,260			22,131	389				389	22,520

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								
	Year 2022	% change 2022/2021	Year 2021	% change 2021/2020	Year 2020	% change 2020/2019	Year 2019	% change 2019/2018	Year 2018
Executive directors									
Mr JOSÉ IGNACIO SÁNCHEZ GALÁN	13,060	-1.10	13,205	8.23	12,201	16.96	10,432	9.22	9,551
Mr ARMANDO MARTÍNEZ MARTÍNEZ	3,240	189.03	1,121						
External directors									
Mr JUAN MANUEL GONZÁLEZ SERNA	549	-0.54	552	2.99	536	10.29	486	25.58	387
Mr ANTHONY L. GARDNER	536	61.93	331	14.93	288	1.41	284	43.43	198
Mr IÑIGO VÍCTOR DE ORIOL IBARRA	301	1.35	297	-5.41	314	1.29	310	4.73	296
Ms MARÍA HELENA ANTOLÍN RAYBAUD	361	-28.09	502	1.21	496	-0.60	499	2.67	486
Mr MANUEL MOREU MUNAIZ	322	-1.23	326	0.31	325	3.17	315	-0.63	317
Mr XABIER SAGREDO ORMAZA	527	3.74	508	0.59	505	6.54	474	60.68	295
Ms SARA DE LA RICA GOIRICELAYA	505	1.20	499	29.61	385	76.61	218	-	0
Ms NICOLA MARY BREWER	296	2.07	290	36.79	212	-	0	-	0
Ms REGINA HELENA JORGE NUNES	306	4.08	294	36.11	216	-	0	-	0
Mr ÁNGEL JESÚS ACEBES PANIAGUA	495	53.25	323	429.51	61	-16.44	73	-76.75	314
Ms MARÍA ÁNGELES ALCALÁ DÍAZ	307	157.98	119	-	0	-	0	-	0
Ms ISABEL GARCÍA TEJERINA	297	137.60	125	-	0	-	0	-	0
Mr FRANCISCO MARTÍNEZ CÓRCOLES	1,418	-55.67	3,199	3.36	3,095	-1.37	3,138	6.95	2,934
Consolidated results of the company	4,339	11.69	3,885	7.59	3,611	4.18	3,466	15.00	3,014

Average employee remuneration	83	7.79	77	-1.28	78	-4.88	82	3.80	79

Observations

Ms Samantha Barber and Mr Jose Walfredo Fernández are not included in this table as they ceased to be members of Iberdrola's Board of Directors on 26 October and 6 August 2021, respectively.

D OTHER INFORMATION OF INTEREST

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

As is customary, in January 2023 the Company asked Ernst & Young (EY) to prepare a benchmark analysis of the total remuneration of the Executive Chairman.

This analysis used the following criteria to select the comparison group:

1. Utilities (5 selected companies):

– 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.
– Turnover in the last financial year of at least 50% of IBERDROLA's turnover, 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.
– Companies in which the government has a management or ownership stake have been eliminated.

2. Conglomerate sample (33 selected companies):

– 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.
– International presence and geographic diversity comparable to those of IBERDROLA.
– Financial services and insurance companies excluded.

3. Top IBEX 35 companies by capitalisation (3 selected companies).

4. European companies positioned to tackle the energy transition (4 selected companies).

The list of companies is as follows:

Utilities:

DUKE ENERGY CORP
E.ON SE
EXELON CORP
NEXTERA ENERGY

SOUTHERN CO

Conglomerates:

3M CO
ABB LTD-REG
ARCHER-DANIELS
BOEING CO/THE
CATERPILLAR INC
DEERE & CO
DOW INC
GENERAL DYNAMICS
GSK PLC
HONEYWELL
HUMANA
IBM
LOCKHEED MARTIN
MEDTRONIC PLC
MICRON TECH
NORTHROP GRUMMAN
RAYTHEON TECHNOL
RIO TINTO PLC
SIEMENS AG-REG
STARBUCKS CORP
SYSCO CORP
VOLVO AB-B
BASF SE
CONOCOPHILLIPS
DEUTSCHE TELEKOM
FEDEX CORP
GENERAL ELECTRIC
GENERAL MOTORS C
LOWE'S COS INC
PHILLIPS 66
QUALCOMM
SAP SE
TARGET CORP

Ibex 35:
BANCO SANTANDER
BBVA
INDITEX

Energy transition:

BP PLC
REPSOL SA
SHELL PLC

TOTALENERGIES SE

IBERDROLA is positioned around the median of the comparable group in both the dimensions considered in the criteria (capitalisation and turnover) and in total remuneration.

This Annual Corporate Governance Report was approved by the company's board of directors at a meeting thereof held on:

21/02/2023.

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

Yes ☐ No X

Annual financial report

Statement of responsibility

2022

ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY 2022

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, 2022, issued by the Board of Directors at its meeting held on February 21, 2023, 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 21, 2023

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*

Statement of Non-Financial Information. **Sustainability Report**

Financial Year 2022

IBERDROLA

NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document that this translation is intended to, the Spanish-language version prevails.

External Independent Assurance Report on the Statement of Non-Financial Information. Sustainability Report

IBERDROLA

KPMG Asesores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Statement of Non-Financial Information/Sustainability Report of Iberdrola, S.A. and subsidiaries for 2022

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

To the shareholders of Iberdrola, S.A.

We have been engaged by Iberdrola, S.A. management to perform a limited assurance review of the accompanying Statement of Non-Financial Information/Sustainability Report for the year ended 31 December 2022 of Iberdrola, S.A. (hereinafter, the Parent) and subsidiaries (hereinafter, the Group), prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter GRI Standards), and the disclosures specified for the purposes of the Sustainability Accounting Standards Board (SASB) for the "Electric Utilities & Power Generators" sector (hereinafter, the Report).

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review to evaluate whether the Consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group for the year ended 31 December 2022, included in the accompanying Report which forms part of the Group's consolidated Directors' Report for 2022, has been prepared in accordance with prevailing mercantile legislation and selected GRI Standards, based on each subject area in the "Disclosures from the Statement of Non-Financial Information" of the Report.

The Report includes additional information to that required by the GRI Standards, the disclosures specified for the purposes of the SASB for the "Electric Utilities & Power Generators" sector, and by the prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. In this respect, our work was limited exclusively to providing assurance on the information contained in the "GRI content Index", "SASB content Index" and "Disclosures from the Statement of Non-Financial Information" included in the accompanying Report.

In addition, we have performed a Moderate Assurance review of the application of the principles of inclusivity, materiality, responsiveness and impact on the information included in the "Stakeholder engagement" section of the accompanying Report, prepared in accordance with the AA1000AP AccountAbility Principles (2018).

Responsibility of the Parent's Directors and Management

Management of the Parent is responsible for the preparation and presentation of the Report in accordance with the GRI Standards and with the disclosures specified for the purposes of the SASB for the "Electric Utilities & Power Generators" sector, in accordance with each subject area in the "GRI content Index" and the "SASB content Index" of the Report.

KPMG Asesores 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.
Paseo de la Castellana, 259C – Torre de Cristal – 28046 Madrid

Reg. Mer Madrid, T. 14.972, F. 53, Sec. 8 , H. M -249.480, Inscrip. 1 ª
NIF: B-82498650

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

The Directors of the Parent are responsible for the content and authorisation for issue of the NFIS included in the Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Disclosures from the Statement of Non-Financial Information" of the aforementioned Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.

The Directors of the Parent are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the Report was obtained.

Furthermore, the Directors of the Parent are also responsible for implementing the processes and procedures required for compliance with the AA1000AP AccountAbility Principles (2018).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies prevailing international quality standards and accordingly maintains a quality system including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance. It also included specialists in the AA1000AP AccountAbility Principles (2018) on Stakeholder engagement and on social, environmental and financial performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our review engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE). Furthermore, we conducted our engagement in accordance with AccountAbility's Type 2 Sustainability Assurance Standard AA1000AS v3 (2020).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement, and consequently, the level of assurance provided is substantially lower.

Our work consisted of making inquiries of management, as well as of the different units and areas of the Group that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report based on the materiality analysis performed by the Group and described in the "About this report" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2022.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2022.
- Review through meetings with Group personnel responsible for implementing the Stakeholder Relations Model and reviewing the internal documentation on the deployment of the model, and the nature and scope of the processes defined in order to comply with the AA1000AP AccountAbility Principles (2018), and evaluating the reliability of the information on performance indicated in the aforementioned scope.
- Corroboration, through sample testing, of the information relative to the content of the Report for 2022 and whether it has been adequately compiled based on data provided by the information sources.
- Review of information on the Taxonomy of activities in accordance with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

a) The Statement of Non-Financial Information/Sustainability Report of Iberdrola, S.A. and subsidiaries for the year ended 31 December 2022, has not been prepared, in all material respects, in accordance with the GRI standards and the SASB disclosures for the "Electric Utilities & Power Generators sector included in "GRI Contents Index" and "SASB Contents Index" of the Report.

b) The NFIS of Iberdrola, S.A. and subsidiaries for the year ended 31 December 2022, included in the Report, has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Disclosures from the Statement of Non-Financial Information" of the Report.

c) The information included in the "Stakeholder engagement" section of the Report regarding the principles of inclusivity, materiality, responsiveness and impact has not been prepared, in all material respects, in accordance with the AA1000AP AccountAbility Principles (2018).

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

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the undertaking's activities are associated with economic activities aligned to the objectives of climate change mitigation and climate change adaptation, in addition to the information related to eligible activities. The Directors of the Parent have included information on the criteria that, in their opinion, best allow them to comply with the aforementioned obligations, which are defined in the "Taxonomy" section of the NFIS included in the accompanying Report. Our conclusion is not modified in respect of this matter.

Recommendations

Without prejudice to the conclusions presented above, our key observations on the application of the principles of inclusivity, materiality, responsiveness and impact defined in the AA1000AP (2018) AccountAbility Principles Standard are as follows:

On the principle of Inclusivity

In 2016 Iberdrola approved its Stakeholder Relations Model, based mainly on standard AA1000, to develop its stakeholder relations policies, last revised in December 2022, provide a system for relations with Iberdrola Group's stakeholders and create a corporate culture in this respect. Since then, improvements have been progressively made to the Model in accordance with the benchmarks applicable in this regard, with the main aim of achieving greater decentralisation at local level in the five countries where the Group is present. Specifically, in 2022, relations with local stakeholders continued to be promoted and the Model was implemented in new facilities.

With regard to this principle, we recommend that the decentralisation efforts continue, uploading this new global segmentation and local prioritisation into the available stakeholder management tool. We also recommend that the Stakeholder Relations Model be implemented in the new facilities planned for 2023.

On the principle of Materiality

For the eight stakeholder categories defined, the Stakeholder Relations Model enables the identification of material topics, as well as risks and opportunities in corporate areas and three businesses in the five countries where the Group in present, and also provides a reputational and human rights perspective. In 2022 the material topics identified were further analysed, and a report was prepared for each of the five countries where the Group is present, which were presented to the Company's various governing and management bodies.

With regard to this principle, we recommend that Iberdrola continue to work on assessing the results obtained, thereby integrating the most significant material topics identified into the Parent's internal management and decision-making processes.

On the principle of Responsiveness

Once the main material topics have been identified, implementation of the Stakeholder Relations Model enables responses to local stakeholder expectations to be designed and subsequently monitored. These topics are also taken into account when establishing the Group's ESG objectives, and in the Company's materiality analysis process.

With regard to this principle, we recommend that Iberdrola continue to work on designing action plans that take into account the most significant material topics identified.

On the principle of Impact

The Statement of Non-Financial Information/Sustainability Report includes Iberdrola's main impacts on the various stakeholders, in line with the concept of 'social dividend' enshrined in Iberdrola's governance and sustainability system and which is understood to be "the creation of value, whether direct, indirect or induced, through its activities, for all stakeholders". The Stakeholder Relations Model also covers the impact on the stakeholders from two different perspectives: the impact of the action plans on stakeholders; and the impact of the material topics on stakeholders, which was recently included in the Model, taking into account the latest reporting trends and standards.

With regard to this principle, we recommend that Iberdrola continue to make progress in aligning the model with the ESRS reporting standards, so that the tool serves as a source of information in the double materiality process in future years.

Use and Distribution

In accordance with the terms of our engagement letter, this report has been prepared for Iberdrola, S.A. in relation to its Statement of Non-Financial Information/Sustainability Report for 2022 and for no other purpose or in any other context.

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed on original in Spanish)

Patricia Reverter Guillot

24 February 2023

AA1000
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000-38/V3-MDCED

Statement of Non-Financial Information. Sustainability Report

Financial Year 2022

IBERDROLA

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Letter from the chairman

■ **GRI 2-22**

Ignacio S. Galán
Presidente

“En el ejercicio 2022, caracterizado por un entorno complejo e incierto, Iberdrola ha continuado acelerando la electrificación de los usos energéticos con el desarrollo de más renovables, redes y almacenamiento, y también con el impulso al hidrógeno verde. Con estas inversiones, estamos haciendo posibles mejoras estructurales en los costes energéticos, la eficiencia, la seguridad del servicio y las emisiones. Al mismo tiempo, nuestra actividad está generando tejido industrial y empleo, y contribuimos a impulsar la formación, la innovación, los ingresos fiscales para sufragar los servicios públicos y la mejora de la balanza de pagos por reducción de las importaciones de combustibles fósiles. Todo ello, unido a múltiples acciones relacionadas con la protección a los colectivos más vulnerables y otras causas sociales, demuestra el compromiso de Iberdrola con la creación de prosperidad y con la protección del medio natural, hoy y para las nuevas generaciones”.

In 2022, which was characterised by a highly uncertain and unstable economic, political, and social environment, Iberdrola's workforce continued to work and innovate to provide efficient, high-quality service to the 100 million people who trust us all over the world. To ensure that we can continue to build a better future for all, we have also made every effort to speed up the transformation of the energy sector in terms of guarantee of supply, competitiveness and environmental impact.

Both tasks, which are strongly intertwined, have guided our activities in dozens of countries, including Spain, the United Kingdom, the United States, Brazil, Mexico, France, Germany, Australia and Japan.

The €11,000 million invested last year firstly allowed us to implement new electricity transmission and distribution, as well as to strengthen and digitalise existing ones. These include, for example, the projects carried out in the United States, which will enable us to continue to improve the grids in New England and New York in coming years; and the new investments in transmission in Brazil, like the Rio Formoso line and the eight new infrastructure projects under development that will placed into service over the next three years.

The networks team also engaged in major projects to maintain and restore service in emergency situations, like the Celia storm in Spain, the Dudley, Eunice and Franklin storms in the United Kingdom, and the Elliot storm in the United States. The investments made and the optimisation of grid management made possible by digitalisation have allowed the group's supply quality parameters to continue to progress despite these incidents.

Our investment effort has also led to the creation of more than 2,000 new MW of clean energy and to progress in the construction of approximately 7,700 additional MW. We have already invested approximately €6,000 million in this new capacity under construction, with the allocation of 60% of this amount to 3,500 MW in offshore wind farms in the United States, the United Kingdom, France and Germany. This cements our leadership in this technology, in which, in addition to these projects, we have 1,300 MW in operation.

Our position at the forefront of energy storage has been strengthened by the launch of the Tâmega gigabattery, the largest clean energy project in Portugal. This pumped hydroelectric storage, one of the largest in Europe with a capacity of 1,200 MW, is already capable of storing 40 million kWh in energy, equivalent to the needs of 11 million people for 24 hours.

Iberdrola's contribution to the transition from a fossil fuel-based model to a fully decarbonised model in 2022 has been especially visible through two highly meaningful milestones. Firstly, definitive abandonment of coal, with the demolition of the chimney of our last facilities of this kind in the world, in Palencia (Spain), which plant was closed in 2017.

Secondly, the completion of the Puertollano (Spain) green hydrogen plant, the largest for industrial use in Europe at the time, which is part of the portfolio of more than 60 projects under development in eight countries to help to decarbonise sectors like the chemical industry and heavy-duty transport.

As a result of all this activity, which increases the investments made by Iberdrola in the last 20 years to €140,000 million, net profit earned in 2022 reached €4,339 million, 11.7% more than last year. The decision to grow in countries like the United States and Brazil has allowed us to offset the results of Iberdrola España, which shrank by 16% in an environment strongly affected by the high energy prices.

The Group's results in 2022 enabled us to propose to the shareholders an approximately 10% increase in shareholder remuneration, in line with the increase in net profit, to €0.49 per share, which is equivalent to dividend yield of 4.5%.

In accordance with our current strategy, last year's growth was achieved by maintaining our financial strength, rating and full access to the capital markets, as shown by the issue of more than €9,500 million in green and sustainable financing instruments during the year.

Financial markets rated the Group's performance in 2022 very highly. Iberdrola registered a total shareholder return of 9.8%, beating the IBEX 35 (-5.5%) and the European sector index, Eurostoxx Utilities (-14.4%).

Contributing to a more prosperous, fair and sustainable society

Iberdrola's growth in terms of size and strength has gone hand in hand with the reinforcement of our commitment to the social dividend.

Just last year we made 4,700 new hires within the Group, and support 400,000 jobs at thousands of suppliers across the world through our purchases, which exceeded €17,800 million this year. And we have continued to contribute to support public services for all citizens with taxes in the total amount of €7,500 million, €2,600 million of which were paid to the Spanish public treasury.

We continue to promote the talent and professional development of our workforce – with more than 68 hours of training per employee per year – as well as future professionals through scholarships, grants and technical training provided to thousands of young people every year. And we continue to be fully committed to our responsibility to contribute to full equality between men and women, through actions to foster scientific and technological careers among women and facilitate their access to professions traditionally dominated by men, including the *Escola de Electricistas* electricians' school for women in Brazil.

We have also proven our leadership in caring for the environment by reducing our emissions to just 59 g/kWh, one fourth of those of our competitors in Europe, aspiring to achieve zero net emissions at our generation plants and our own consumption by 2030, and across our entire business by 2040; and of having zero or a positive impact on biodiversity by 2030. We are convinced that this aspiration is achievable and compatible with the generation of value for our shareholders, employees, suppliers and other stakeholders.

We have also further strengthened the wager on innovation as a strategic key factor that spans all our businesses and activities: We have allocated more than €360 million to cutting-edge initiatives to promote electrification, which led the European Commission to consider us again as the private utility that invests the most in this concept in the world.

In these turbulent times, support for disadvantaged groups must be ever more present in the decision-making of all economic and social players. For this reason, in 2022 we engaged in various activities to protect our vulnerable customers: we offered work integration opportunities to impoverished young people in partnership with institutions like Unicef and the Red Cross; we promoted social action through the group's foundations across the world, which allocate more than €20 million to these tasks; and, of course, we continued to support our 12,000 volunteers, who have continued to contribute their free time to help those most in need.

This report shows, once again, our Group's industrial and economic success. But, above all, it shows that Iberdrola is an enterprise of long-term responsible social transformation, the continuation of which is reflected in the new strategic plan presented in November, which establishes a record investment of €47,000 million up to 2025 in order to continue to promote a sustainable energy model based on electrification, which generates wealth and opportunities for all.

We are proud of what we have built in the last twenty years, in accordance with our century-old history. And we know that, by continuing to make our history, we will achieve a society that is more fair, equitable, sustainable and prosperous, as well as a more inhabitable planet for future generations.

Ignacio S. Galán

Presidente de Iberdrola

Recognitions/awards, presence on sustainability indices and ESG ratings

The only European utility included for the past 23 years, it is considered one of the most sustainable electric utilities in the world. DJSI World & DJSI Europe	Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	Only Spanish utility selected in all years. Selected in recognition of its equal opportunity and gender policies.	Bloomberg Gender-Equality Index 2022
Selected in 2022	Global 100	Classified as Prime	Corporate Responsibility Prime rated by ISS-oekom
Selected for the index since 2009	FTSE4Good	Selected in Forbes 2022 GLOBAL 2000: WORLD'S LARGEST PUBLIC COMPANIES	*Forbes 2022 Global 2000 World Largest Public companies*
A LIST rating in the CDP Climate Change Index 2022	CDP A LIST 2022 CLIMATE	Included in the leading indices	ECPI Sense in sustainability
Chosen as CDP Supplier Engagement Leader	CDP SUPPLIER ENGAGEMENT LEADER 2021	In the top 5 of the EI Green Utilities Report 2022 ranking	Energy Intelligence EI NEW ENERGY GREEN UTILITIES REPORT
Selected AAA	MSCI ESG RATINGS AAA	Gold EcoVadis Medal, Iberdrola as one of the best performing companies	ecovadis
Selected in several Euronext Vigeo Eiris indices	EURONEXT	Among the 500 most valuable brands globally	Brand Finance®
Classified as "Silver Class" in the electricity sector	Sustainability Award Silver Class 2021 S&P Global	Among the highest-rated utilities	SUSTAINALYTICS a Morningstar company
Merco ESG Spain 2022: among the 15 best-positioned companies	merco	Among the world's most influential utilities	*WBA Electric Utilities Benchmark*
Only Spanish company included. Selected for the ninth consecutive year as one of the most ethical companies in the world	ETHISPHERE WORLD'S MOST ETHICAL COMPANIES 2014 - 2022	Included in the index	standard ethics
Fortune Global 500: Selected	FORTUNE GLOBAL 500	2022 disclosure score above the average	WDI 2021 RESPONDER
Included in the STOXX Global ESG Leaders index and in the most important indices	STOXX Global ESG Leaders Indices	Ranked first in 2022	opencorporation
Ranked first in the Climate Policy Engagement Ranking	InfluenceMap	Leading Spanish company in the ranking due to its investment in clean energies	Carbon Clear 200 You Sow & Corporate Knights

I. Iberdrola, the utility of the future

I.1. About Iberdrola

- Purpose and values
- A successful and well-established business model
- Presence and areas of activity
- Main products and services
- Key operating figures
- Corporate and governance structure, ownership and legal form

Purpose and values

GRI 2-23

Iberdrola's corporate purpose, which is in line with the Sustainable Development Goals of the 2030 Agenda of the United Nations, mirrors the main social trends and addresses major economic, social and environmental challenges, reflecting the expectations of Stakeholders and defining Iberdrola's role as an agent of social change and transformation in the energy sector. It is expressed as follows:

> **To continue building together each day a healthier, more accessible energy model, based on electricity.**

This purpose, which is in line with the creation of shared value, social dividend and corporate social responsibility, expresses:

- The Iberdrola group's commitment to the well-being of people and the preservation of the planet.
- The Iberdrola group's commitment to a real and comprehensive energy transition, based on the decarbonisation and electrification of the energy sector and of the economy as a whole, which contributes to the Sustainable Development Goals (SDGs) — particularly the fight against climate change — and generates new opportunities for economic and social development.
- The conviction that a more electricity-based energy model – which abandons the use of fossil fuels and mainstreams the use of renewable energy sources, efficient energy storage, smart grids and the digital transformation – is also healthier for the population, whose well-being depends on the environmental quality of their surroundings.
- The aspiration for the new energy model to also be more accessible to all, and to favour inclusiveness, equality, equity and social development.
- The intent to promote this new model in collaboration with all agents involved and with society as a whole to ensure the availability of local energies that contribute to security of supply.

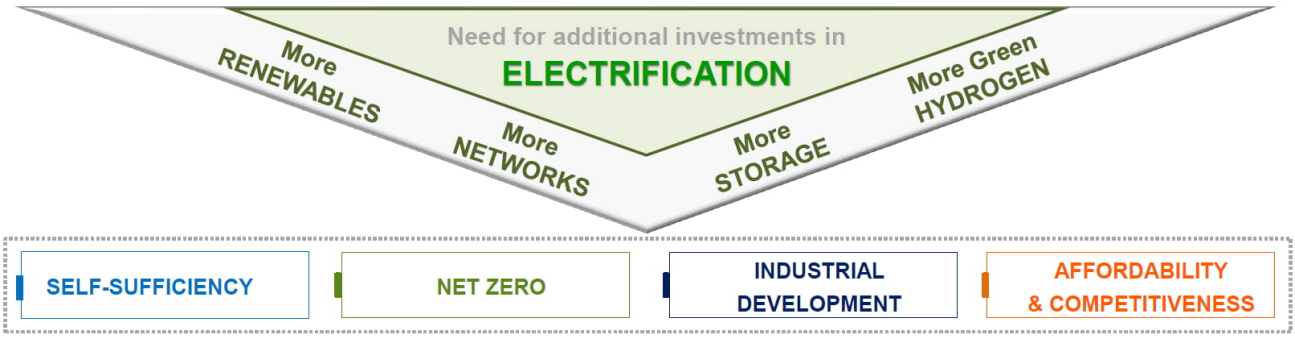
To attain this Purpose, the Iberdrola group has condensed its corporate values into the following three concepts:

- **Sustainable energy:** the group seeks to always be a model of inspiration, creating economic, social and environmental value in all of its surroundings, and with the future in mind.
- **Integrating force:** the group works with strength and responsibility, combining talents, for a Purpose that is to be achieved by all and for all.
- **Driving force:** the Iberdrola group brings about small and large changes in order to make people's lives easier, always seeking to improve, and to do so efficiently and with high self-imposed standards.

A successful and well-established business

Iberdrola firmly believes that the transition to a carbon neutral economy by 2050 is technologically possible, economically viable and socially necessary. The energy transition to a low-emissions economy is a great opportunity to create independence and wealth, generate employment and improve the state of the planet and people's health. The group is therefore committed to leading the way, a path it embarked on more than 20 years ago with a firm commitment to renewable energies and that has led it to invest more than €140,000 million since then. And it will continue with an ambitious investment plan of €47,000 million between 2023 and 2025, focused on increasing its installed renewable, onshore and offshore wind, photovoltaic, battery and hydroelectric capacity, plus electricity grids. This plan aspires to achieve carbon neutrality for Scopes 1 and 2 by 2030, offsetting any residual emissions after 2030. The ultimate aspiration of this commitment is to achieve Net Zero emissions by 2040. Iberdrola is therefore making a decisive contribution to the development of an autonomous, safe, clean and competitive energy model, supporting industry and employment in the communities where it operates.

This commitment will be fulfilled by promoting:



A business model with characteristics that accelerate value creation for all

1. **Aimed at satisfying the expectations of its stakeholders by incorporating ESG+F factors into the company's strategy and management**.

2. **Investment** is particularly focused on the **networks** business, which has predictable **regulatory frameworks** with investment incentives, and constitutes essential infrastructure to handle the transition of the energy model.

3. It is supplemented by **selective investments in renewables,** thus optimising the risk-return profile. This mainly includes offshore wind, photovoltaic, onshore wind, hydroelectric, battery and green hydrogen production projects, all of which are necessary to achieve a decarbonised energy and economic model.

4. **Geographical diversification**, with a focus on countries with high credit ratings.

5. Historical commitment to a **robust financial position** that preferentially relies on **green finance** instruments thanks to the fact that the investment plan is highly aligned **with the EU Taxonomy**.
6. Dividend policy establishes a **strong and growing dividend** in line with the increase in the company's profits.

Presence and areas of activity

After more than 170 years of history, the Iberdrola group today is a global energy leader, the world's leading wind energy producer, and one of the largest electricity companies by market capitalisation.[1] Iberdrola was two decades ahead of the energy transition to meet the challenges of climate change and offer a sustainable and competitive business model that creates value for society.

The group supplies energy to almost 100 million people in dozens of countries, with over 600,000 shareholders, a workforce of close to 40,721 and assets valued at more than €155,000 million[1].

GRI 2-1

Iberdrola's leadership is underpinned by its smart grid and renewables businesses, and by a diversified portfolio of projects and markets, with a presence in countries with high credit ratings. The company and its subsidiaries and investees carry out their activities in almost thirty countries. A significant portion of the group's activities are concentrated in Spain, the United Kingdom, the United States, Brazil and Mexico; and also in Portugal, Australia, Germany, Greece, France, Ireland, Italy, Hungary and Poland. It has also entered into several agreements to begin the development of various offshore wind projects in new markets: Sweden, Poland, Japan, Taiwan, Vietnam, etc.

The following infographic shows the group's principal areas of activity. The countries in which it operates, the activities performed in each of them and the criteria used to define their significance are indicated in chapter "VI.1. Scope of information" of this report.

For more detailed information, see the About us section on the corporate website.

[1] At year-end 2022.

Main products and services

GRI 2-6 EU3

The main product that Iberdrola makes available to its customers is electricity through a broad array of technologies, services and solutions in the areas of:

- Electricity generation from renewable sources: wind (onshore and offshore), hydroelectric, photovoltaic, etc.
- Transmission and distribution of electricity and gas.
- Storage at large scale (GWh) through pumped hydroelectricity, at medium scale (MWh) in grids and generation assets through batteries, and at small scall (kWh) at the end-user level.
- New technologies, such as green hydrogen produced from renewable electricity.
- Electricity and gas supply.
- Energy services for our customers: with intelligent and innovative (Smart) solutions in the following areas
    - Residential, with services like energy storage, heat pumps, self-consumption, electric mobility, solar, etc
    - Industrial: offering comprehensive management of energy facilities and supplies, like Green H2, Industrial Heat, etc
- Purchase/sale of electricity and gas on wholesale markets
- Digitalisation: implemented within its assets to improve the quality, efficiency and safety of electricity supply.

Iberdrola operates an organisational structure in relation to its customers 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 the regulated sale of energy in the United States and Brazil and any other regulated activities of the group in these four countries
- The Electricity Production and Customers Business manages electricity generation assets with one of the lowest emissions levels in the sector and sells energy and energy solutions that drive the decarbonisation of industrial and domestic customers in Spain, the United Kingdom, the United States, Mexico, Brazil, Australia and continental Europe

At year-end 2022, the group companies, as a whole, supplied energy to a total of 36.4 million users. Of this total, 32.1 million are electricity users, and the rest are gas users (4.3 million users). 85.7% of users are residential.

For more detailed information on the breakdown of services by country, see the information on significant countries and activities for the Iberdrola group in chapter "VI.1. Scope of information".

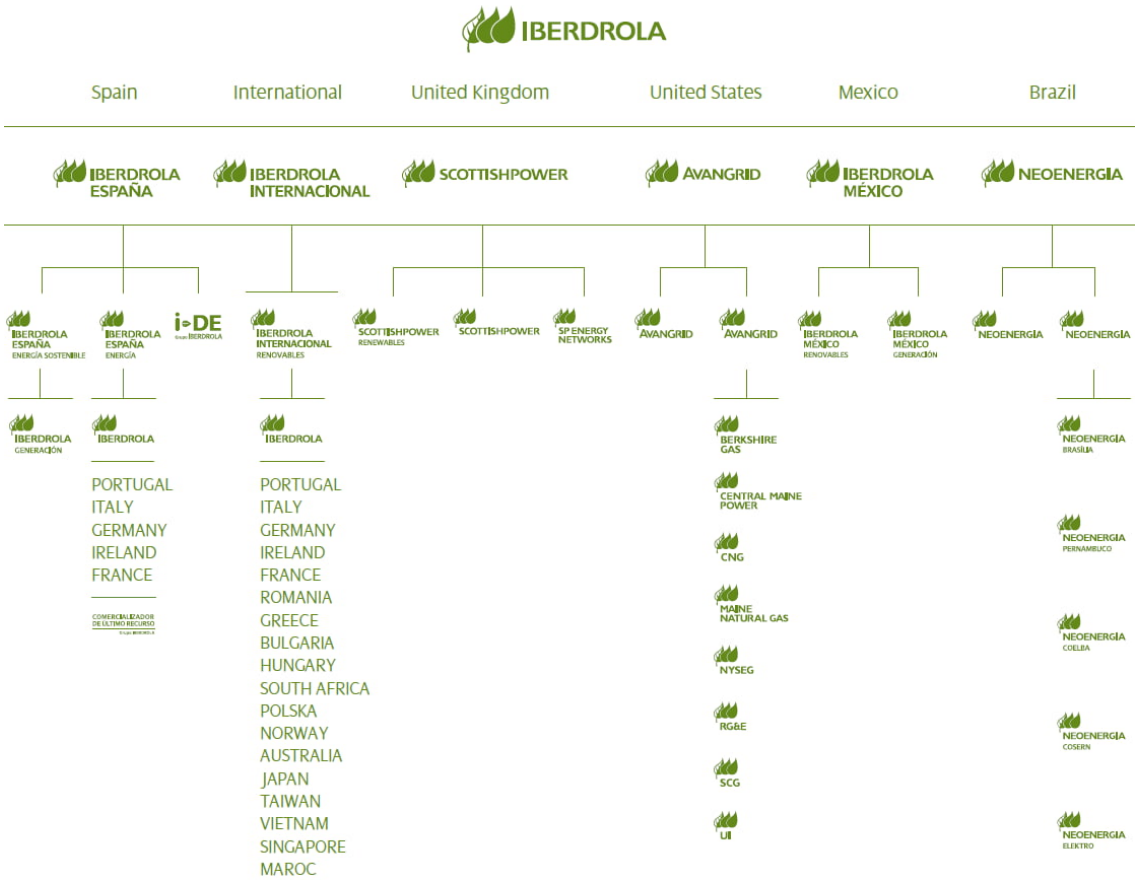
The “Iberdrola” brand

The “Iberdrola” brand is a reflection of its *corporate Purpose and Values* (see the “Purpose and values" of this chapter “I.1. About Iberdrola”), and is based on the company’s strategy, which gives it credibility and strength. The brand attempts to convey the company’s commitment to the sustainable creation of value for all of its Stakeholders, contributing to the development of the communities in which we do business and to the well-being of people, providing a high-quality service and offering environmentally friendly, efficient and innovative energy solutions.

Iberdrola seeks to identify and adapt to the needs of each of the countries in which it does business. The company has used its experience in each market to strengthen its brand values, and beyond the location of the business, it has created a brand culture based on a global/local balance

Two new brands were created in 2022 for the following companies in Spain: Iberdrola Energía España, the head of business company for selling and supplying electricity and natural gas to end users, both in Spain and abroad; and Iberdrola Energía Sostenible España, which is responsible for the businesses arising from the deregulated activities of electricity generation and the sale of electricity through sustainable energy sources in Spain. Work is also being carried out in the United States to make the energy transition to renewable energy a reality, for which purpose AVANGRID has been consolidated as the main brand, as the link to the Iberdrola group.

The global architecture in 2022 is as follows:



The table above shows the most important brands with the largest operational and market presence in each country. The company has other brands at the local and business level.

Key operating figures[2]

Installed capacity, output, networks and users

At year-end 2022, the Iberdrola group had 60,761MW of total installed capacity, of which 40,066 is renewable.

■ GRI EU1

Installed capacity by energy source (MW)

	Spain		United Kingdom		United States		Brazil		México				IEI		Total	
									Own		Third-party					
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Renewables	19,796	19,210	3,008	3,008	8,702	8,309	4,568	4,014	1,232	1,232	103	103	2,657	2,262	40,066	38,138
Onshore wind	6,209	6,124	1,986	1,986	8,061	7,945	1,394	984	590	590	103	103	1,885	1,749	20,228	19,479
Offshore wind	0	0	908	908	0	0	0	0	0	0	0	0	350	350	1,258	1,258
Hydroelectric	10,700	10,700	0	0	118	118	3,031	3,031	0	0	0	0	0	0	13,849	13,849
Mini-hydro	255	285	0	0	0	0	0	0	0	0	0	0	0	0	255	285
Solar and other	2,631	2,100	114	114	522	246	143	0	642	642	0	0	423	164	4,475	3,266
Nuclear	3,177	3,177	0	0	0	0	0	0	0	0	0	0	0	0	3,177	3,177
Combined cycle	5,695	5,695	0	0	204	204	533	533	2,617	2,103	7,043	7,043	243	243	16,334	15,820
Cogeneration	347	347	0	0	636	636	0	0	202	202	0	0	0	0	1,185	1,185
Coal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**29,013**	**28,427**	**3,008**	**3,008**	**9,542**	**9,149**	**5,100**	**4,547**	**4,051**	**3,537**	**7,146**	**7,146**	**2,900**	**2,505**	**60,761**	**58,320**

80% of total own installed capacity is associated with emission-free technologies

■ GRI EU2 ■ SASB IF-EU-000.D

Producción neta de electricidad por fuente de energía (GWh)

	Spain		United Kingdom		United States		Brazil		Mexico				IEI		Total	
									Own		Third-party					
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Renewables	23,826	28,420	7,823	6,717	20,188	19,400	14,737	11,935	2,899	2,716	222	231	5,053	4,531	74,747	73,950
Onshore wind	11,744	11,937	4,424	3,284	19,612	18,943	3,843	2,313	1,662	1,528	222	231	3,910	3,339	45,417	41,574
Offshore wind	0	0	3,392	3,433	0	0	0	0	0	0	0	0	1,105	1,184	4,497	4,617
Hydroelectric	9,511	14,620	0	0	188	132	10,803	9,622	0	0	0	0	0	0	20,502	24,374
Mini-hydro	420	630	0	0	0	0	0	0	0	0	0	0	0	0	420	630
Solar and other	2,150	1,233	7	0	388	325	91	0	1,237	1,188	0	0	38	8	3,910	2,754
Nuclear	23,886	23,193	0	0	0	0	0	0	0	0	0	0	0	0	23,886	23,193
Combined cycle	7,082	7,023	0	0	7	7	14	3,194	14,145	15,001	37,269	34,704	58	34	58,574	59,963
Cogeneration	1,904	2,331	0	0	2,516	3,184	0	0	1,403	1,644	0	0	0	0	5,823	7,159
Coal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**56,698**	**60,968**	**7,823**	**6,717**	**22,711**	**22,591**	**14,751**	**15,129**	**18,447**	**19,361**	**37,491**	**34,935**	**5,111**	**4,565**	**163,031**	**164,266**

Approximately 78% of own production is associated with emission-free technologies.

[2] Operating figures include figures corresponding to partially owned and non-controlled companies, applying the percentage interest.

In 2022, 50.5%of production was achieved using local sources of energy, as shown in the following table:

2022 production with local energy sources (%)	
Spain	86.1%
United Kingdom	100%
United States	88.9%
Brazil	100%
Mexico	9.7%
IEI	100%
Media	**50.5%**

■ GRI EU4

The group operates about 1.3 million kilometres of electricity transmission and distribution lines.

The table below shows the details by type of line.[3]

Power lines (Km)[4]			
	2022	**2021**	**2020**
Transmission			
Overhead	19,536	19,489	17,871
Underground	1,392	1,342	1,234
Total	**20,928**	**20,831**	**19,105**
Distribution			
Overhead	1,041,936	1,022,113	994,971
Underground	201,777	197,193	192,707
Total	**1,243,713**	**1,219,306**	**1,187,678**
Total	**1,264,641**	**1,240,137**	**1,206,783**

■ GRI 2-6 EU3

At year-end 2022, the companies of the group, as a whole, handled a total of 36.4 million users (36.1million in 2021). Of this total, 32.1 million are electricity users, and the rest are gas users (4.3million users). 85.7 % of users are residential.

[3] Due to the nature of the electricity systems in each country, the voltage levels used to classify lines as transmission or distribution are different.
[4] Lengths of lines are calculated by circuit, regardless of the number of circuits for each power line. A double-circuit 5-km line is considered to be 10 km.

Electricity users (Millions)			
	2022	2021	2020
Residential	27.5	27.2	25.9
Industrial	0.4	0.3	0.3
Institutional	0.3	0.3	0.3
Commercial	3.4	3.3	3.1
Other	0.5	0.6	0.6
Total	**32.1**	**31.7**	**30.2**

Users who are producers (No.)			
	2022	2021	2020
Users that are also producers of electricity	653,502	249,286	141,483

In Brazil, producing users have increased by more than 300,000 in 2022, driven by distributed generation incentives.

Operations (locations of operation)

■ GRI 2-6

The Iberdrola group has identified more than 1,300 sites at which the company operates. Streamlining criteria have been used in order to properly report on such a large number from the viewpoint of the disclosures required by the GRI Standards; accordingly, the number of Iberdrola's locations of operation at year-end 2022 is deemed to be 259 for the purposes of this report.

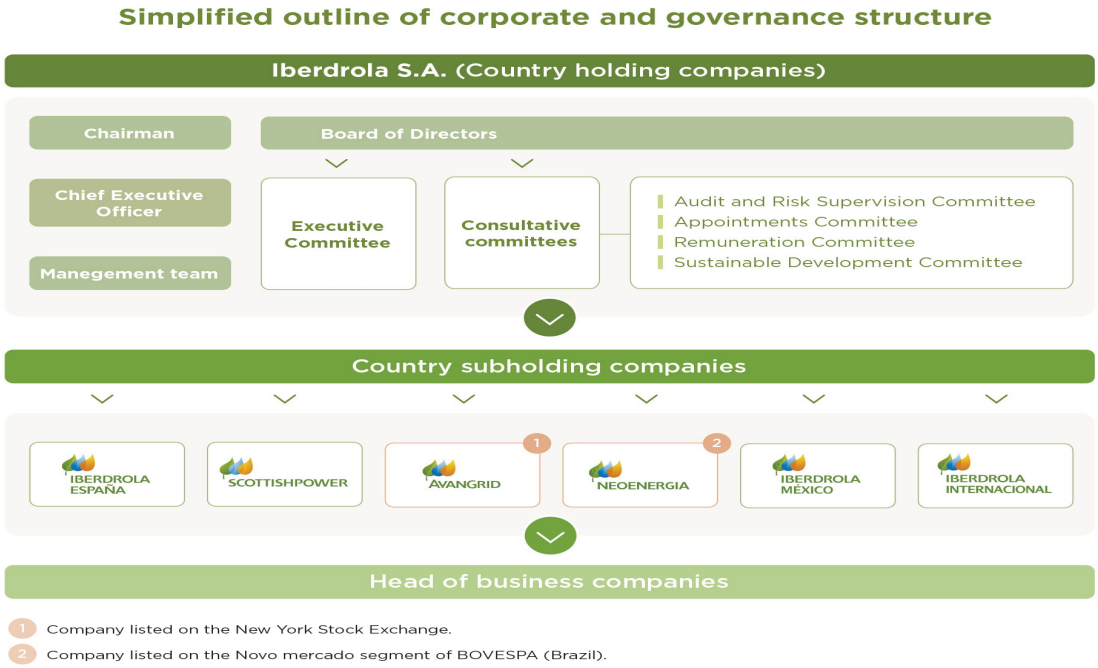
Corporate and governance structure, ownership and legal form

■ GRI 2-1 2-12 2-24

Iberdrola is an independent public company (sociedad anónima) with a registered office in Bilbao (Plaza Euskadi, 5), organised under Spanish law and listed on the stock market, and is configured as the **holding company** for an international group with a presence in Spain, the United Kingdom, the United States of America, Brazil, Mexico, and other EU member states and Australia, among other countries.

Using **country subholding companies and head of business companies**, the group combines a decentralised structure and management model with coordination mechanisms that ensure the global integration of all businesses and an effective system for separation of functions, checks and balances, and controls. In addition, the *Governance and Sustainability System* provides for a number of measures that give listed country subholding companies a special framework of enhanced autonomy.

The corporate and governance structure of the Iberdrola group is reflected in the following chart:



The company's governance structure is based upon this corporate configuration, which duly differentiates between strategic definition and supervision, on the one hand, and day-to-day and effective management, on the other:

a. 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.

a. The chairman of the Board of Directors and the chief executive officer, with the technical support of the Operating Committee and the rest of the management team, are responsible for the supervision, organisation and strategic coordination of the group.

b. The **country subholding companies** strengthen strategic organisation and coordination through the dissemination, implementation and supervision of overall strategy and basic management guidelines at the country level, for which they have non-executive directors and audit and compliance committees, in addition to their own internal audit and compliance units or divisions. These entities group together the shareholdings in the head of business companies and one of their main functions is to centralise the provision of common services to these companies.

d. The **listed country subholding companies** (AVANGRID, Inc. and Neoenergia, S.A.) have a special framework of enhanced autonomy in regulatory matters, related party transactions and management.

e. The **head of business companies** assume decentralised executive responsibilities, enjoy the independence necessary to carry out the day-to-day administration and effective management of the businesses and are responsible for the day-to-day control thereof. They are organised through their respective boards of directors and specific management decision-making bodies; they may also have their own audit committees, internal audit areas and compliance units or divisions.

Governance structure

Composition of the Board of Directors

■ GRI 2-9

As at 31 December 2022, Iberdrola's Board of Directors is made up of the following 14 members:

Board members

Position	Director	Status	Nationality	Date of first appointment	Date of last appointment	Membership on Board Committees
Chairman	José Ignacio Sánchez Galán	Executive	Spain	21-05-2001	29-03-2019	Chair of the Executive Committee
Chief Executive Officer	Armando Martínez Martínez	Executive	Spain	25-10-2022	25-10-2022	Member of the Executive Committee
First Vice-Chair and Lead Independent Director	Juan Manuel González Serna	Independent	Spain	31-03-2017	18-06-2021	Member of the Executive Committee Chair of the Remuneration Committee
Second Vice-Chair	Anthony L. Gardner	Independent	United States of America - Italy	13-04-2018	17-06-2022	Member of the Executive Committee, Member of the Appointments Committee
Member	Íñigo Víctor de Oriol Ibarra	Other external	Spain	26-04-2006	02-04-2020	Member of the Remuneration Committee
Member	María Helena Antolín Raybaud	Other external	Spain - France	26-03-2010	29-03-2019	Member of the Appointments Committee
Member	Manuel Moreu Munaiz	Independent	Spain	17-02-2015	29-03-2019	Member of the Executive Committee Member of the Remuneration Committee
Member	Xabier Sagredo Ormaza	Independent	Spain	08-04-2016	29-03-2019	Chair of the Audit and Risk Supervision Committee
Member	Sara de la Rica Goiricelaya	Independent	Spain	29-03-2019	29-03-2019	Chair of the Sustainable Development Committee
Member	Nicola Mary Brewer	Independent	United Kingdom	02-04-2020	02-04-2020	Member of the Sustainable Development Committee
Member	Regina Helena Jorge Nunes	Independent	Brazil	02-04-2020	02-04-2020	Member of the Audit and Risk Supervision Committee
Member	Ángel Jesús Acebes Paniagua[5]	Independent	Spain	20-10-2020	18-06-2021	Member of the Executive Committee Chair of the Appointments Committee
Member	María Ángeles Alcalá Díaz	Independent	Spain	26-10-2021	17-06-2022	Member of the Audit and Risk Supervision Committee
Member	Isabel García Tejerina	Independent	Spain	16-12-2021	17-06-2022	Member of the Sustainable Development Committee

Secretary (non-member): Julián Martínez-Simancas Sánchez[6]

First Deputy Secretary (non-member): *Santiago Martínez Garrido* [6]

Second Deputy Secretary (non-member): Ainara de Elejoste Echebarría[6]

Legal Counsel (non-member): Rafael Mateu de Ros Cerezo

[5] Mr Ángel Jesús Acebes Paniagua was appointed for the first time on 24 April 2012, and he remained in the post until 28 March 2019. On 20 October 2020, he was reappointed as a member of the Board of Directors on an interim basis.
[6] On 1 January 2023, Santiago Martínez Garrido and Ainara de Elejoste Echebarría were appointed to the positions of non-director secretary and non-director deputy secretary, respectively.

The Board of Directors is composed of two executive members (14%) and twelve non-executive members (86%).

Independent directors make up 71% of total members, including the two deputy chairmen, the lead independent director and the chairmen of all the consultative committees.

The Board of Directors is characterised by its independence (86% non-executive directors and 71% independent directors), gender balance (each gender representing 50% of non-executive directors and no gender with a representation of less than 43% of all directors), and the diversity of skills, experience and nationalities of its members.

The gender and age diversity of the members of the Board of Directors are shown below:

■ **GRI 405-1 2-9**

Diversity on the Board of Directors

		2022		2021		2020	
		Nº	%	Nº	%	Nº	%
By gender	Men	8	57 %	8	57 %	9	64 %
	Women	6	43 %	6	43 %	5	36 %
By age group	Between 31 and 50 years old	1	7 %	1	7 %	1	7 %
	Over 51 years old	13	93 %	13	93 %	13	93 %
Total		**14**	**100 %**	**14**	**100 %**	**14**	**100 %**

The balanced presence of women and men is reflected in the fact that each gender represents 50% of non-executive directors since 2021, surpassing the percentages envisaged in Directive (EU) 2022/2381 for 2026

Separation of functions, checks and balances, and controls

■ **GRI 2-11 2-13**

The chairman of the Board of Directors is considered the executive chairman and reports to the Board of Directors.

He exercises the power to represent the Company individually, its senior management, the leadership of the Board of Directors (moderating debates and ensuring that the Board and the Executive Committee, which he also chairs, are functioning properly), and the other powers granted by the Board of Directors, the *Governance and Sustainability System*, and by law.

In his capacity as executive chairman, he also assumes all duties not expressly assigned by the Board of Directors to the chief executive officer. The areas, divisions and positions that do not report to the chief executive officer or other specific bodies report to him.

The company has had a chief executive officer, as a separate position from the executive chairman, since 25 October 2022. The chief executive officer coordinates the businesses of the group's companies as the person in overall charge of all of them.

The chief executive officer strengthens and facilitates the exercise of the powers attributed to the chairman of the Board of Directors, to whom he is subordinate. He therefore reports to the executive chairman. He also reports to the Board of Directors and regularly reports to the Board on his management, making any necessary proposals for decisions on matters within the scope of its powers.

Subordinate in turn to the chief executive officer are the directors of the global businesses of the Group's companies, along with the chief executive officers of the country subholding companies, among others, who are hierarchically subordinate to their boards of directors and, in the case of listed country subholding companies, with full respect for the special framework of enhanced autonomy given to them by the *Governance and Sustainability System.*

In addition, the company has a structure of executives and professionals authorised to implement its strategy and basic management guidelines, with powers provided according to two operating principles: (i) the principle of joint action, which governs the exercise of powers of a decision-making or organisational nature; and (ii) the principle of joint and several action, which governs the exercise of powers of mere representation.

The management team regularly reports to the Board of Directors, the Executive Committee and the consultative committees as described in the *Annual Activities Report* of the Board of Directors and the Committees thereof.

The structure of the Board of Directors —with a large majority of independent directors—, the configuration of its positions, and the existence of consultative committees, provide the structure for a system of checks and balances that ensures that neither the executive chairman, the chief executive officer nor the Executive Committee have decision-making powers that are not subject to the appropriate checks and balances, thus ensuring that they are under the effective supervision of the Board of Directors.

In particular, the first deputy chair and lead independent director and the second deputy chair, both of whom are independent Board members, serve as a counterbalance to the executive chairman, ensuring that his actions are subject to the appropriate controls.

Similarly, the group's corporate and governance structure is designed in such a way that management power is not centralised in a single governing body or in a single person, but rather is decentralised among the boards of directors of the head of business companies, with the Company's main function being supervision, organisation and strategic coordination at the group level.

Committees of the Board of Directors

Executive Committee

■ GRI 2-9 2-11 2-24

The Executive Committee has all the powers inherent in the Board of Directors other than those that cannot be delegated pursuant to law or the *Governance and Sustainability System.*

The main activities of this Committee consist of continuously monitoring the implementation of the strategy, meeting objectives, the governance model, and submitting proposals to the Board of Directors or making decisions regarding strategic issues in cases of urgency. In particular, this includes investments and divestments that are significant for the Company or its group, assessing whether they are in line with the Company's budget and strategy, analysing and monitoring business risks, and taking into consideration any environmental and social aspects.

Consultative committees

■ GRI 2-9

Consultative committees are permanent, internal, informational and consultative bodies within the Board of Directors, without executive powers, with informational, advisory, control and proposal-making powers within their respective scopes of activity, which focus on the following:

- **Audit and Risk Supervision Committee:** internal audit, internal control and risk monitoring systems, preparation of financial and non-financial information, the audit of the financial statements, and compliance in accordance with the terms set out in its *Regulations*.
- **Appointments Committee:** selection, appointment, re-election and removal of the members of the Board of Directors and of the Company's Senior Management as provided for in its *Regulations.*
- **Remuneration Committee:** remuneration of the members of the Board of Directors and of senior management as provided in its *Regulations.*
- **Sustainable Development Committee:** review and update of the *Governance and Sustainability System*, preparation of the *Statement of non-financial information*, and supervision of the policies on sustainable development, people management, inclusion and diversity, equal opportunity, occupational health and safety, stakeholder engagement, respect for human rights, sustainability, etc., in accordance with the terms set out in its *Regulations.*

For more detailed information regarding the composition, operation and activities of the company's governance bodies, see the *Annual Activities Report of the Board of Directors and of the Committees* thereof.

Beneficial ownership

GRI 2-1 2-6

At 31 December 2022 the company's share capital totalled €4,771,570,500.00, represented by 6,362,094,000 shares of the same class and series, each with a par value of €0.75. All shares give the holders thereof the same rights. The approximate distribution of equity interests is as follows:

- International investors 71.00%
- Domestic entities 6.80%
- Domestic individual investors 22.20%

No shareholder holds or has held a controlling interest in the equity structure of the company. The following table lists shareholders who have held a significant interest in the equity of Iberdrola or in the voting rights in the last three financial years.

Significant shareholders and percentage of direct and indirect voting rights (%)

	31/12/2022	31/12/2021	31/12/2020
Qatar Investment Authority	8.69	8.69	8.69
BlackRock, Inc.	5.29	5.16	5.13
Norges Bank	3.65	3.36	3.43

As at the date of preparation of this report, the share capital of Iberdrola, S.A. totals €4,834,773,000.00 and is made up of 6,446,364,000 shares, each with a nominal value of €0.75, which are fully subscribed and paid up.

I.2. Governance and Sustainability System

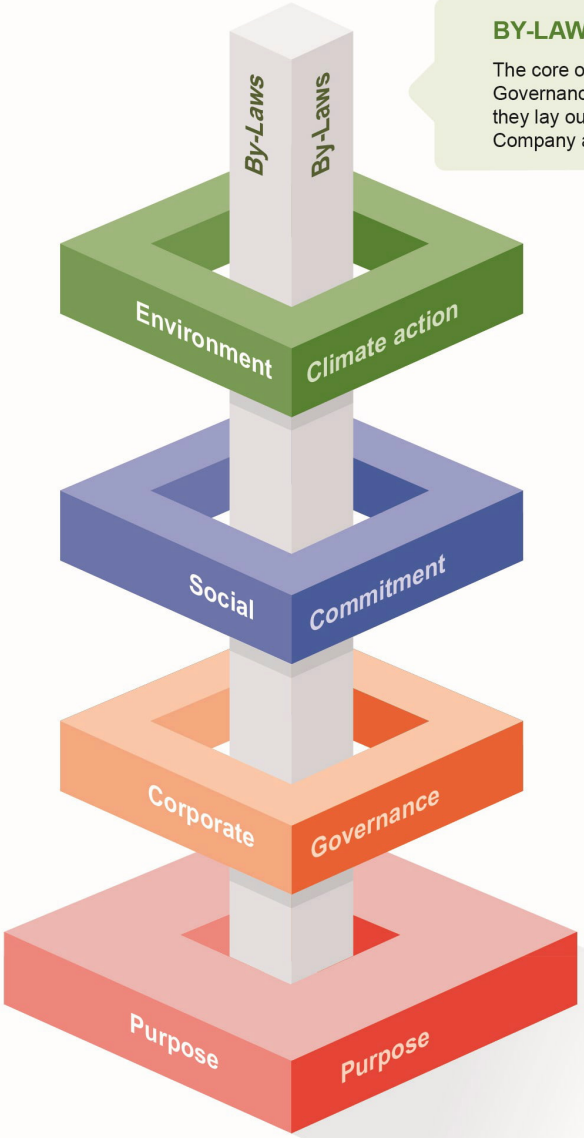
- Introduction to the Governance and Sustainability System
- By-Laws
- *Code of Ethics*
- Policies and commitments
- Long-term risks and opportunities. Comprehensive Risk System

Introduction to the Governance and Sustainability

The Company has a *Governance and Sustainability System*, which evolved from the former Corporate Governance System, and which is structured around three pillars: environmental, social and corporate governance.

STRUCTURE OF THE GOVERNANCE AND SUSTAINABILITY SYSTEM

The Governance and Sustainability System is the Company's **internal system of rules**. It configures Iberdrola as an integral company that enriches its purely corporate dimension with plural (economic, social, environmental and governance) business activities. Always at the forefront of international best practices, it is structured in **five books**:



BY-LAWS

The core of the internal system of rules, they make up the **backbone** of the Governance and Sustainability System. Based on the ***Purpose and Values***, they lay out the guidelines that define the **identity** and unique aspects of the Company and its business enterprise.

ENVIRONMENT AND CLIMATE ACTION

The policies that make up this book are Iberdrola's response to sustainable management, the challenges of **climate action**, the preservation of the **environment** and the loss of biodiversity, while helping to identify and take advantage of the opportunities arising from the **energy and ecological transition**.

SOCIAL COMMITMENT

The policies that make up this book reflect the Company's commitment to addressing the challenges relating to **human rights**, to recognising and valuing the importance of **human and personal capital, and to promoting diversity, inclusion, equal opportunity and non-discrimination**.

CORPORATE GOVERNANCE

The policies and rules of this book include the best good governance practices, which are reflected in the **guidelines and standards for conduct of the corporate bodies**, establishing the operation thereof and complying with legal requirements and the highest standards in this field.

PURPOSE

This is the **basis** on which the Governance and Sustainability System is built and established. The rules and policies that make up this book embody the Company's **corporate philosophy** and the ideological and axiological bases on which its corporate enterprise is based.

Leadership in sustainable development, social commitment, good governance and transparency is one of the hallmarks of Iberdrola's identity. The Board of Directors therefore regularly reviews the *Governance and Sustainability System*, keeping it updated and ensuring that it includes the recommendations and best practices accepted in international markets.

By-Laws

The *By-Laws* at the core of the internal regulations and make up the backbone of the *Governance and Sustainability System*. Based on the *Purpose and Values*, they constitute the guidelines that define the identity and uniqueness of the Company and its business enterprise.

Code of Ethics

■ GRI 2-12 2-23

Iberdrola, S.A. strives for its conduct and that of the people related thereto to comply with and conform not only to current law and its *Governance and Sustainability System*, but also to generally accepted ethical and sustainable development principles.

The Company therefore promotes a preventive culture based on the principle of "zero tolerance" with regard to committing illegal acts and all forms of fraud and corruption

The Board of Directors of Iberdrola, S.A. has approved the Purpose and Values of the Iberdrola group, which sets out the raison d'être and the ideological and axiological basis of the business enterprise of the companies that form part of the Iberdrola group and governs their day-to-day activities. The content of the Purpose and Values of the Iberdrola group is further developed and specified in the *Code of Ethics* of Iberdrola, S.A.

The *Code of Ethics* is intended to serve as a guide for the conduct of directors, professionals and suppliers in a global, complex and changing environment. The code has been prepared taking into account the good governance recommendations generally accepted in international markets and the sustainable development principles accepted by Iberdrola, S.A., which constitute a basic tool for monitoring the activities of the Iberdrola group's companies. It also meets the company's prevention obligations with regard to the criminal liability of legal entities. It includes the commitment made by Iberdrola, S.A. to the principles of business ethics and transparency in all areas of activity, establishing a set of principles and guidelines for conduct intended to ensure ethical and responsible behaviour by all directors, professionals and suppliers of the Iberdrola group's companies.

The code therefore applies to all directors, professionals and suppliers of the Iberdrola group's companies, and to investees that are not part of Iberdrola, S.A. but over which the company has effective control, within the legally established limits, regardless of their rank, geographical location or functional reporting, and of the group company where they perform their services.

Excluded from the scope of application are listed country subholding companies and their subsidiaries, under their own special framework of strengthened autonomy, as they have their own code of ethics or conduct, inspired by a purpose and values that are ultimately in line with the Purpose and Values of the Iberdrola group and governed by the principles set forth in the *Code of Ethics.*

The *Code of Ethics* forms part of the *Governance and Sustainability System*, which was approved by the Board of Directors of Iberdrola, S.A. in 2002 and last amended on 20 December 2022.

For more detailed information on the group's Compliance System, see the "Ethics and integrity" section of chapter "IV.1. Good governance, transparency and Stakeholder engagement".

Policies and commitments

GRI 2-23

The Iberdrola group has a set of corporate policies that further develop the principles reflected in the *Governance and Sustainability System* and that contain the guidelines governing the conduct of the company and the companies of its group, as well as those of the directors, officers and employees thereof, within the framework of the Purpose and Values of the Iberdrola group.

These policies, the full versions of which can be found in the *Corporate Governance* tab of the website, are grouped into four categories.

- Purpose and Values of the Iberdrola Group (see "Purpose and Values"), Code of Ethics (see the "Code of Ethics" section), General Sustainable Development Policy and Stakeholder Engagement Policy (see "III.2. Stakeholder Engagement" section).
- Environment and Climate Change
- Social Commitment
- Corporate Governance

These policies and commitments serve to guide the company and its workforce for the management of their activities, and, more specifically, as a guide on the material topics dealt with in this document.

General Sustainable Development Policy

Iberdrola has a *General Sustainable Development Policy* approved by the Board of Directors in 2007 and last revised on 20 December 2022. It sets out the general principles and foundations that govern the group's sustainable development strategy. The goal is to ensure that all its corporate activities and businesses are carried out by fostering the sustainable creation of value for shareholders and taking into consideration other stakeholders related to its business activities and its institutional reality, equitably contributing along with all the groups that play a role in the success of its business enterprise.

The policy contains **5 overarching principles** of conduct in relation to:

- the creation of shared sustainable value
- transparency
- the development and protection of intellectual capital
- innovation
- responsible taxation

And **8 principles of conduct** in relation to the principal **Stakeholders**:

- workforce
- shareholders and the financial community
- customers
- regulatory entities
- suppliers
- media
- society in general
- environment

The principles of conduct included in these sustainable development policies are described throughout this report.

Environment and Climate Change Policies

Environmental policies are the response to environmental challenges such as climate change and the loss of biodiversity, while helping to identify and take advantage of the opportunities arising from the energy and ecological transition.

- *Sustainable Management Policy.*
- *Environmental Policy.*
- *Climate Action Policy.*
- *Biodiversity Policy.*

Specifically, the group's commitment to sustainability is built around the following main principles of conduct, as set out in its *Sustainable Management Policy:*

- development of a business model based on environmentally sustainable economic activities;
- competitiveness of the energy products supplied, through efficiency in the processes of generation, storage, transmission, distribution and sale of energy
- high quality of service and reliability and security in the supply of energy products
- reduction in the environmental impact of all activities performed by group companies
- creation of shared sustainable value with the company's shareholders and its other Stakeholders;
- promotion of the group's social commitment and, in particular, respect for human rights as set out in the *Policy on Respect for Human Rights;* and
- encouragement of the responsible use of energy

Social Commitment Policies

Within the framework of the Company's sustainable development strategy, the policies relating to social commitment reflect the group's connection with human rights, the development of professional relationships based on diversity, inclusion and a sense of belonging, which is essential in managing people to promote equal opportunity and to ensure non-discrimination.

- *Policy on Respect for Human Rights*
- *People Management Policy*
- *Equality, Diversity and Inclusion Policy*
- *Selection and Hiring Policy*
- *Knowledge Management Policy*
- *Innovation Policy*
- *Quality Policy*
- *Corporate Security Policy*
- *Policy on the Responsible Use of Artificial Intelligence Tools and Algorithms*

Corporate Governance Policies

The *corporate governance policies and rules* are intended to ensure the proper functioning of the main corporate bodies, the administration and management of the Company, and the development of the business generally, all in accordance with applicable law.

In particular, these policies and rules are structured into four parts

- *Corporate governance and regulatory compliance policies*
- *Risk policies*
- *Governance rules of the corporate decision-making bodies and of other functions and internal committees*
- *Market abuse prevention rules*

Long-term risks and opportunities. Comprehensive Risk System

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

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

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

Functions of the Risk Committee

Active management

Credit risk

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

Market risk

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

Coordination of second lines / Enterprise Risk Management (ERM)

To ensure, under the internationally recognised three lines model, that there are mechanisms for all significant risks of the group to be controlled at all times and that they are regularly reported to the various committees and externally.

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

Overall supervision of operational risk through the group's corporate Insurance, Security and Cybersecurity, Information Technology and Occupational Safety and Health units and the businesses.

Comprehensive Risk Control and Management System

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

- Attain strategic goals with controlled volatility
- Ensure the group's corporate stability, financial strength and reputation (Stakeholders).
- Contribute to achieving the SDGs, with a special focus on goals seven and thirteen
- Disseminate a risk culture

In accordance with the three lines model, the *General Risk Control and Management Policy* and related policies are implemented within a comprehensive risk control and management system, supported by a Risk Committee, which is based on properly defining and assigning duties and responsibilities at the operational and supervisory level to develop suitable procedures, methodologies and support tools

Risk policies and limits of the Iberdrola group

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

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

Principal risk factors of the Iberdrola group

The risk factors to which the group is subject are generally grouped into the following categories

Category	Definition
Corporate Governance	Non-compliance with applicable law, the Governance and Sustainability System, the recommendations set forth in the CNMV's Code of Good Governance, and international standards
Market	Exposure to volatility in variables like electricity and other energy commodity prices, emission rights, exchange rate, interest rate, solvency, liquidity, inflation, raw materials, etc.
Credit	Contractual breach by a counterparty, causing economic or financial losses, including payment and replacement cost risks
Business	Uncertainty as to the behaviour of variables intrinsic to the business, including characteristics of demand, hydraulic resources, wind, solar, etc
Regulatory and political	Regulatory changes made by the regulators that can affect remuneration of the regulated businesses, environmental or tax provisions, etc
Other*	External events or inadequate internal procedures, including those stemming from i) technical failures, human error and technological obsolescence, ii) operation and construction of facilities, iii) supply and the supply chain, iv) cybersecurity and systems, v) safety and health, vi) pandemics, extreme natural phenomena and climate change, vii) regulatory compliance, viii) reliability of financial and non-financial information, ix) fraud and corruption, and x) litigation, arbitration and tax matters.
Reputational	Potential negative impacts on the company's reputation arising from situations or events that fail to meet the expectations of its Stakeholders

* Operational, technological, environmental, social and legal

Given the multidimensional nature of the risks, the taxonomy defined in the system contemplates additional classification variables for better monitoring, control and reporting of such risks. These additional categories include the classification of risks into Structural Risks, Hot Topics and Emerging Risks, the latter being understood as potential new threats, the impact of which is as yet uncertain and the probability of which is undefined, but which are growing and could become significant for the Group.

The system contemplates the continuous monitoring and detection of emerging risks and other non-financial risks, including environmental, social and governance (ESG) risks with significant reputational consequences

Evaluation of risk management processes

GRI 2-12

Generally, the group's Comprehensive Risk Control and Management system allows for proper ex ante identification of risks or sounds alarms that allow for the making of decisions intended to minimise the impact of the risks.

The group's Risk Committee meets at least on a monthly basis. This committee is supplemented with the Credit Risk and Market Risk Committees, which also meet on a monthly basis. On at least a quarterly basis, the Audit and Risk Supervision Committee of the Board of Directors monitors trends in the group's risks:

- It reviews the group's quarterly risk report, which includes monitoring of compliance with the risk policies and limits and the updated key risk maps submitted by the group's Risk Management and Internal Assurance Division.
- It coordinates and reviews the Risk Reports sent periodically (at least half-yearly) by the Audit and Compliance Committees of group companies that have such a body.
- On at least a half-yearly basis, it prepares a risk report for the Board of Directors.

I.3. Climate action and TCFD

- Introduction to climate action
- Climate Action Policy
- Climate governance
- Management of climate opportunities and risk
- Objectives and elements of climate action
- Indicators and metrics
- Other aspects associated with the energy transition

Introduction to climate action

■ GRI 201-2 ■ SASB IF-EU-110a.3

Iberdrola, a global leader in the fight against climate change, firmly believes that the transition to a carbon-neutral economy by 2050 is **technologically possible, economically feasible and socially necessary.**

A common denominator of all of Iberdrola's activities is the sustainable creation of value, in accordance with its social dividend, in addition to the search for leadership. For this reason, in the last two decades, Iberdrola has undertaken a commitment to lead the energy transition, through a sustainable model executed with **innovation, flexibility and efficiency** in all of its business lines.

Anchored in its commitment to the Paris Agreement and the energy transition, Iberdrola's climate action Plan reflects the way in which the Group faces the energy transition based on its experience in the renewable energy sector, maximising opportunities arising from climate change and anticipating energy and innovation needs, while optimising resources and reducing the risks posed by climate change in the areas in which the Group does business. Levers are established that drive Iberdrola's strategy towards the decarbonisation of the company and society, including related metrics and targets, as well as potential financial impacts for the climate scenarios under analysis. All of the foregoing is performed in accordance with recommendations of the "VI.7. TFCD content index".

Climate action Plan

Iberdrola's Climate Action Plan establishes an ambitious roadmap aimed at achieving zero net emissions of CO_2 equivalent by 2040. This Plan establishes the levers, actions and associated metrics which in turn contribute to the decarbonisation of the economy as a whole, as well as the values supporting it.

We believe that this aspiration will also promote the sustainable creation of value and is based on the commitment to ensuring a positive contribution to nature and society, contributing to social and economic development through the generation of jobs and wealth. This commitment was presented at COP27, held in Egypt in November 2022.

Climate goals

Iberdrola updated its Strategic Prospects for 2025 and 2030 in 2022. The new investment plan (focusing on renewables, smart grids and efficient storage), together with the investments already made in recent years, has enabled the Group to increase the ambitiousness of its emissions-reduction targets.

The commitment to accelerate the decarbonisation of the economy involves the maximum reduction of each economic player's direct emissions, as quickly as possible. Iberdrola supports immediate action in the main climate forums: the planet cannot wait. For all these reasons, Iberdrola will use its best efforts to achieve the emissions reduction that science demands of the electricity sector (for Scopes 1 and 2) ten years before the required date (2040). In this way, Iberdrola aspires to achieving carbon neutrality for its Scopes 1 and 2 by 2030, offsetting any residual emissions after 2030. Iberdrola follows the current fledgling methodological and market developments on the offset of emissions, and a detailed market survey will be conducted to work under the highest quality standards.

The ultimate aspiration of this commitment of the Iberdrola group is to achieve Net Zero emissions by 2040. If this commitment is achieved, by 2039, the group's absolute emissions will have been reduced by 90% compared to 2020, and residual emissions will be neutralised.

Iberdrola undertakes to use its best efforts to achieve this commitment, for which purpose it will align its strategy, investments, operations and public positioning therewith. In any case, Iberdrola is also committed to facing the energy transition by ensuring the creation of value for its shareholders, employees, customers, suppliers, and the communities in which it does business. The company therefore reserves the ability to adjust its planning to successfully perform in significant material aspects, such as the company value, quality of supply, social/labour conditions, and a fair transition.

Levers of the Action Plan

The actions identified to date to achieve this commitment are grouped into four main levers and one cross-dimensional lever that spans all scopes:

a. Investment in 100% renewable technology generation, increasing storage capacity and promoting new technologies (e.g., hybridisation).
b. Investment in 100% smart and robust grid operation as an essential pillar of a decarbonised and electrified energy system.
c. Designing and offering customers green solutions that contribute to the electrification and gradual decarbonisation of energy demand.
d. Green purchases through the acquisition of renewable energy for own consumption, on the one hand, and the establishment of alliances and partnership agreements for joint reduction of emissions and to speed up and facilitate the development of green products, on the other.
e. The promotion of partnerships in green technologies and decarbonisation.

These levers are supported by an ambitious investment plan and a strong network of partnerships, which drive Iberdrola's strategy towards the decarbonisation of the company and of society.

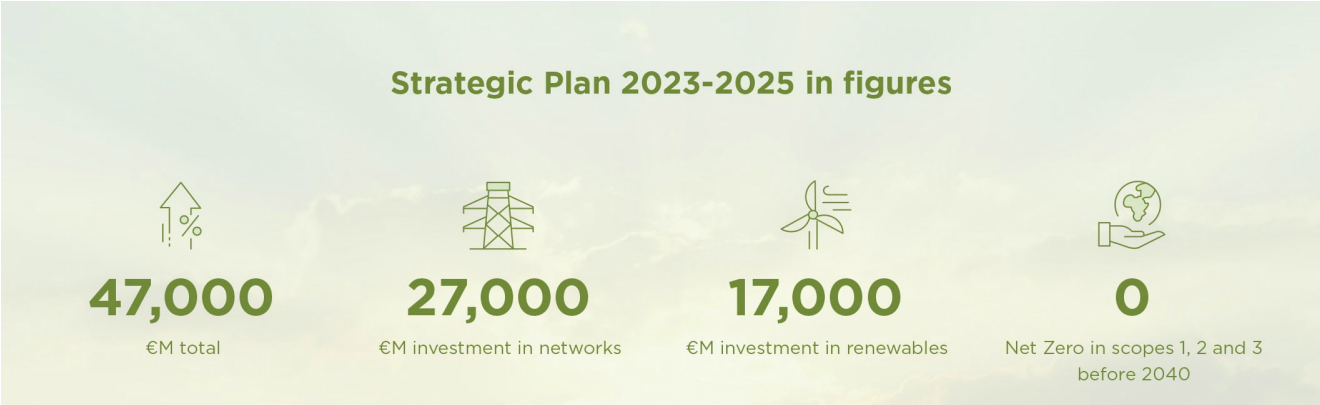
Investment plan

To meet the commitment set out in the Climate Action Plan, Iberdrola will continue to promote and spearhead a business model and an investment plan fully integrated into a decarbonised future.

The 2023-2025 Iberdrola Strategic Plan commits €47,000 million up to 2025 in order to promote the energy transition, with more than €27,000 million allocated to networks and investments and €17,000 million in renewable energy, to deliver 52,000 MW of renewable installed capacity by the end of the period (from ~40 GW in 2022), while increasing storage capacity to 102 GWh. In addition, €3,000 million will be allocated to the development of green products providing added value to customers. For private customers, proposals focus on solar self-consumption, electric mobility, and green climate control. Industrial customers are offered plans for decarbonisation through climate control and green hydrogen.

This plan reasserts the 2030 view driven by growth across all markets and the acceleration of electrification. It is expected that by the end of the decade more than €65,000 million will have been spent in grid assets and 80,000 MW of renewable installed capacity will have been created, thanks to new investments between €65,000 and €75,000 million between 2026 and 2030.

In line with the investment plan, over the next years, €2,000 million euros are expected to be invested through 2025 and €4,000 million through 2030, thus doubling R&D efforts by the end of the decade, which will make it possible to continue to strengthen our model, promoting the development of innovative and sustainable technologies.



Partnerships, global climate agenda, and awareness-raising

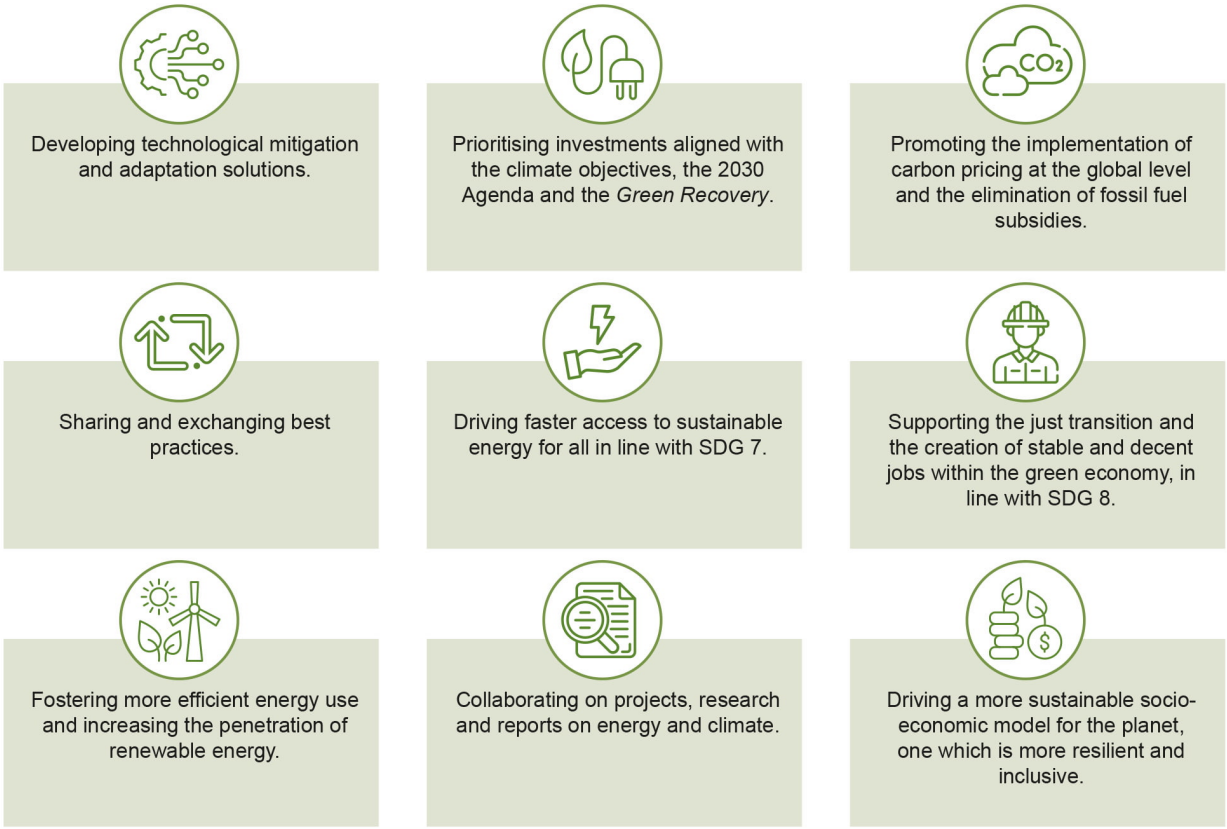
Our aspirations are supported by a strong network of partnerships to promote decarbonisation. In keeping with its strategy, Iberdrola supports ambitious approaches in the framework of its climate policies and the establishment of plans and objectives. Through partnerships, statements and campaigns, Iberdrola also publicly supports ambitious and robust frameworks to face the current challenges as regards climate, energy, environmental and other issues, seeking to generate value and prosperity for society as a whole. In this context, there is a need for all players to be aligned with and committed to the fight against climate change, which makes awareness-raising among society a key.

Iberdrola is an active participant, with a high degree of visibility, in the main milestones of the multilateral climate agenda, participating in a large number of technical seminars and high-level conferences. Iberdrola wants to actively and decisively contribute to a sustainable, low-carbon future – an effort that will also promote social and economic development through the creation of employment and wealth. To this end, the Company is committed to conducting its policy-impacting activities within its areas of influence and alliances in which it participates, in line with the objectives of the Paris Agreement.

Hence, Iberdrola has played an important role in the inauguration of and parallel events at meetings of the United Nations General Assembly and the various editions of New York Climate Week, climate conferences such as the European Green Growth Summit and the 2022 Green Growth Forum, as well as at the multilateral meetings organised by the United Nations Framework Convention on Climate Change (UNFCCC).

Iberdrola also belongs to various international coalitions, backs diverse external initiatives and cooperates with numerous international organisations, business and/or multi-actor coalitions, think tanks and research centres, supporting ambitious global climate action.

IBERDROLA'S CONTRIBUTION WITH THIRD PARTIES, IN THE FIGHT AGAINST CLIMATE CHANGE



Iberdrola has been a member of the UN Global Compact since 2002, and it has belonged to the Red Española del Pacto Mundial since 2004, as a founding member. Through this membership, Iberdrola has assumed, inter alia, the commitment to implement the Ten Principles and to promote the 2030 Agenda, contributing to the attainment and dissemination of the SDGs. The company has been identified as a LEAD company on numerous occasions, owing to its high levels of commitment to the principles of the Global Compact, and it has been at the forefront of the climate action platform since its inception in 2016, and which has focused this year on working on a fair transition thinklab as a forum for collaboration and to drive climate action from an inclusive point of view and create value for society as a whole.

Iberdrola has been one of the companies most intensely involved in the successive Conferences of Parties (CoPs) on Climate Change, organised by the UNFCCC on an annual basis. At COP27 held in Sharm el-Sheikh in November 2022, Iberdrola was an official partner of the main business alliance on climate, We Mean Business, worked with the United Nations on organising a high-level event at its pavilion, and played a leading role, organising more than 10 high-level events with more than 60 impactful presentations at the principal meetings and events.

Iberdrola is very actively involved in the We Mean Business initiative through its support for specific campaigns, including the implementation of initiatives in Spain to promote climate action among small- and medium-sized enterprises (SME Climate Hub). As part of the New York Climate Week, We Mean Business mentioned Iberdrola as a leading company in climate action thanks to its contribution to a more sustainable energy model, placing it at the head of the '4A's' (Ambition, Action, Advocacy y Accountability) campaign.

As part of the coexistence between renewable energy and the preservation of biodiversity, as well as its contribution to social and economic development, Iberdrola forms part of CLEANAction (Coalition Linking Energy and Nature for Action), founded by BirdLife International, WWF, IRENA and The Nature Conservancy, among others.

Iberdrola is also part of Race to Zero, a global alliance promoted by the High Level Climate Champions and the United Nations, bringing together companies, governments and various players in civil society committed to reaching a zero net emissions future no later than by mid-century.

One of the most prominent initiatives in which Iberdrola takes part is the Alliance of CEO Climate Leaders, a part of the World Economic Forum platform. This is a global community of CEOs who support and promote action to achieve the transition to a net zero emissions economy. Iberdrola's chairman, Ignacio Galán, has joined this alliance along with 70 other business leaders in various industries and regions.

Another noteworthy initiative is the Corporate Leaders Group, a business alliance with broad recognition in Europe and internationally for spearheading the most ambitious stances on climate policies, in which Iberdrola actively participates at all levels, holding the vice presidency.

Iberdrola has also been a member, since its inception, of the Powering Past Coal Alliance (PPCA), a coalition of governments, regions and companies focused on promoting the shutdown of coal within the framework of a fair transition to a clean energy model. Here, with a broader approach to a just transition, it has contributed to the creation of the collaborative platform promoted by BSR and BTEAM called Energy for a Just Transition.

Industry campaigns, which contribute to sending a signal of demand for green products, and which thus have a driving effect on the various players in the supply chain, include its joining the SteelZero initiative of The Climate Group, which brings together organisations committed to speeding up the transition to a net zero steel industry, in 2022.

Along these lines, Iberdrola was the first Spanish company to adhere to the EV100 initiative, intended to accelerate the transition to electric vehicles, as Iberdrola has made a commitment to electrify its entire vehicle fleet and to facilitate recharging by its employees in Spain and the United Kingdom by 2030.

Iberdrola's support for the "Leadership for Net Zero" project of the Madrid Club, to highlight the role of democratic leadership in the fight against climate change, has played an important role in reinforcing multilateral dialogue for climate action.

In 2022, within the framework of COP27 and the main international climate milestones, Iberdrola has joined in important declarations, alliances and campaigns, including the following:

- 1.5°C Business Sign-on Statement at COP27, promoted by the We Mean Business Coalition to reaffirm the commitment and maintain efforts to limit the rise in temperature to 1.5°C, reducing global emissions by half by 2030.
- Global wind energy manifestoGlobal wind energy manifesto for COP27 of GWEC, released beforehand in September, signed by more than 100 leading companies in wind energy, asking the signatories of the Paris Agreement to optimise planning and permits, update grid infrastructure, and develop energy markets to accelerate the deployment of renewable energy.
- World Economic Forum (WEF) letter in support of ambitious frameworks for climate policies: *Open Letter for world* of the Alliance of CEO Climate Leaders at the United Nations Climate Change Conference (COP27).

- COP27 Action Declaration on climate policy engagement promoted by Corporate Knights in support of ambitious climate policy frameworks to reduce emissions by half by 2030 and achieve the net zero global goal by 2050.

Iberdrola also supported the Green Jobs for Youth initiative, promoted in partnership with the International Labour Organization (ILO), the United Nations Children's Fund (UNICEF) and the United Nations Environment Programme (UNEP), seeking to promote the creation of green jobs among young people.

IBERDROLA UNICEF Alliance

Iberdrola has entered into an alliance of great social impact with UNICEF to promote education and employment for vulnerable young people, as part of the opportunities offered by the energy transition and climate action, both in Spain and at the international level.

In Spain, Iberdrola promotes the alliance by contributing our knowledge, experience, innovation, financial resources, human resources and the involvement of our value chain. To this end, Iberdrola designs training itineraries of a high technical quality in the various areas of the green economy and, together with social entities supporting the young people, it develops their abilities to obtain internships and/or employment within our value chain.

At the international level, Iberdrola supports Learning Passport, UNICEF's global education platform, and supports projects in Somalia and Brazil. In Brazil, with the 1 Million Opportunities (1MiO) programme for the inclusion of vulnerable adolescents and young people in the job market, promoting young people's skills, work opportunities, and green jobs, particularly in the Semiarid and Amazon regions. In Somalia, with the UPSHIFT Social Innovation programme, which seeks to train children in innovation and entrepreneurship so that they can develop social-impact projects to help their communities. In the Learning Passport programme, which provides ongoing access to quality education, Iberdrola provides content on climate change to create opportunities for children and young people so they can learn about and become committed to climate action

Climate action values

Due to its cross-dimensional nature, the Climate Action Plan is based on the aspiration of making climate action compatible with the general social interest and contributing to sustainable development, so as to contribute to building an energy model in harmony with nature and human beings.

Iberdrola's "Convive" programme is a clear example of this ambition, as it brings together all initiatives and alliances that create bridges for energy transition in harmony with nature and with people.

Positive for society

In supporting energy transition and the green economy, Iberdrola is committed to a just and inclusive transition, promoting economic and industrial development, as well as universal access to competitive energy.

Thus it becomes an economic and industrial driver, encouraging the creation of new business lines and industries of the future, contributing to the strength of the industrial fabric and to the creation of new jobs connected to the green economy.

The Iberdrola UNICEF alliance described above is an example of an initiative seeking to promote training and employment.

Iberdrola is also aware that the transition toward a decarbonised model will entail structural changes with a strong impact on certain regions, areas and groups. So that no one is to be left behind, this transition must be fair and inclusive.

On this path, Iberdrola is part of the Agreement for a just transition for coal power plants: jobs, industry and territories, along with the Ministry for Ecological Transition, Ministry of Labour and Social Economy, other companies that own coal-fired thermal power plants in Spain, and union organisations, assuming the commitments established for fulfilling the 2015 Paris Agreement and the Energy and Climate Strategic Framework in its Fair Transition Strategy. This strategy promotes ensuring that workers and territories make the most of the transition opportunities and minimise the negative impacts thereof through support and recovery measures

This year, Iberdrola has continued to work on the open innovation platform launched in 2020 to channel entrepreneurship initiatives that serve as to accelerate the processes for collaboration between citizens, public entities and companies in the regions where Spanish coal plants have been shut down, Lada and Velilla. This innovative tool promotes the generation of knowledge among the parties involved, actively seeking interests and synergies so as to tackle the specific demographic and economic challenges of each area. This initiative follows the principles, methodologies and goals established by the European Commission for a new European "Green Deal", which assign Spain a number of specific objectives and resources. It is based on listening and co-creation methods, which are the basis for the development of a portfolio of social and economic development initiatives at 5 different levels of action: (1) community initiatives, (2) social entrepreneurship projects, (3) large-scale public-private actions, (4) new public services, and (5) experimentation in new regulations.

General objectives

- To accompany the closure of Iberdrola's plants in Lada and Velilla with a process to identify new social and economic opportunities for these areas.
- Promoting new initiatives associated with the SDGs in the area.
- Offering a space for advanced experimentation for the European Commission's Green Deal strategy in Spain

Specific objectives

- Designing, implementing, and assessing an open innovation platform as an instrument of intervention for the closure of first-generation thermal plants.
- Promoting a portfolio of innovation projects directly associated with the aspirations of local citizens.
- Creating a network of public and private players associated with the platform to work as an open innovation platform.
- Identifying a set of principles, criteria and methodologies for the transformation of territories facing the closure of polluting energy plants (fair transition processes).
- Attracting potential financing partners for this type of process.

Work on the Platform is expected to be completed in 2023, when a detailed study of the impact on the area will be conducted.

Iberdrola is also accelerating universal access to competitive energy as a lever for human and economic development. As part of the Electricity for All Programme, the goal is to provide electricity to 16 million persons who currently lack it by 2030. It also attends to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing ongoing access to energy supply in accordance with the policies established by the competent government authorities in each case.

Positive for nature

Climate action is supported by a strong commitment to the protection of nature, jointly tackling the threefold environmental crisis (climate, biodiversity and overexploitation of resources) that we are facing.

Iberdrola interacts with different ecosystems and species in various geographic areas. Aware of the urgent need to stop and reverse the unprecedented loss of biodiversity denounced by the scientific community, Iberdrola has strengthened its commitment to the protection of and action for biodiversity and nature with the 2030 Biodiversity Plan, which applies to the entire Iberdrola group and sets out its commitment to have a net positive impact on biodiversity by 2030. Along these lines, the Iberdrola 2020-2030 Trees Programme has the goal of planting 20 million trees by 2030, and it is estimated that it will contribute to the capture of up to 6 MtCO2eq in 30 years, a clear example of a project that makes it possible to achieve this twofold goal of leading change and generating a positive impact. More information can be found in the "Objectives and Biodiversity Plan 2030".

Iberdrola also supports a circular economy model encompassing the entire value chain within Iberdrola's boundary and including both internal actions (optimisation and improvement) and driving actions, in relation to both suppliers and customers. The greatest lever to promote the circular economy is currently the reduction in the use of fossil fuel thanks to the goals of deploying renewable technology.

For example, in 2022, Iberdrola, through its PERSEO programme and FCC Ámbito, a subsidiary of FCC Servicios Medio Ambiente, launched EnergyLOOP to lead the recycling of components of renewable facilities, one of the greatest medium- and long-term challenges in the sector. This initiative will also contribute to the energy transition and to boost the circular economy in Spain. More information can be found in the "Innovation and digital transformation projects" section.

Climate governance

Iberdrola was a pioneer in establishing **the fight against climate change** as a priority in the Corporate Governance System, now the *Governance and Sustainability System*. The first policy relating to the measures taken by the Company was approved in 2009. The *Climate Action Policy* establishes the framework for Iberdrola's strategy and **business model** in the fight against climate change, which is **in line with the Paris Agreement and the 2030 Agenda.** Through this policy, Iberdrola is committed to continue **assuming a leadership position** (directly and by establishing partnerships), **promoting awareness** (impacts, challenges and benefits of its achievement) and **contributing to a carbon-neutral and sustainable future.**

Iberdrola's principles of conduct include implementation of the recommendations of the *Task Force on Climate-related Financial Disclosure (TCFD)* and of other leading organisations for identifying and reporting long-term risks relating to climate change. Along these lines, Iberdrola was one of the first companies to **publicly commit** to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For this purpose, the company created an internal multidisciplinary working group in 2017 to coordinate all the work performed in this area.

So as to be always focused on the best compliance with and implementation of the policies, the Company has **several corporate bodies and internal committees that ensure the monitoring of those policies. The amendment of the By-Laws approved by the shareholders in June 2021 formalises the obligation of the Board of Directors** to approve, supervise and regularly report on the Climate Action Plan. This Statement of Non-Financial Information is the instrument through which the Company and its Board of Directors fulfil this obligation.

In line with the need for professionalisation, diversification and qualification on relevant topics, the **Board** has a **training and refresher programme for its members**, the topics of which include decarbonisation and the fight against climate change. In 2022, there were a total of 8 meetings to discuss topics pertaining to climate change within the corporate decision-making of Iberdrola, S.A. In particular, the directors of Innovation and Sustainability and of Climate Change and Alliances met on a recurring basis with the Sustainable Development Committee, and the director of Risk and Internal Assurance met with the Audit and Risk Supervision Committee. Both environmental risks and the risks associated with climate change were discussed at these meetings, as were the corresponding alert mechanisms to properly monitor them. The Sustainable Development Committee was also presented at several meetings with the proposed amendment to the Climate Action Plan, which was ultimately approved by the Board of Directors in October 2022. Finally, the programme for the information and training of the Board of Directors and its committees also considered this matter last year, for these purposes including the preparation of a training document for the Board of Directors in relation to the technologies available in the context of the energy transition, and a physical meeting was held with the Sustainable Development Committee on innovation and major elements for better climate change governance.

In turn, the **remuneration structure for executive directors and the management team takes into account** economic/financial, operational and sustainability aspects. A long-term remuneration plan (2020-2022 Strategic Bonus) was approved in April 2020. This plan sets out parameters relating to the Sustainable Development Goals, such as reducing the average intensity of CO_2 emissions and increasing the number of suppliers subject to sustainable development standards, among others (see additional details in the "Remuneration policy" section under "Corporate Governance").

More detailed information can be found in Section "I.2. Governance and Sustainability System", as well as the following link: *Governance and Sustainability System.*

The group is exposed to various risks inherent in the different countries, industries and markets in which it operates, and the activities it performs, and which may prevent it from achieving its objectives and implementing its strategies. The Company's Board of Directors, being aware of the importance of this aspect, is committed to fully developing its abilities to ensure that the significant risks of all of the group's activities and businesses, including the risks of climate change, are adequately identified, measured, managed, and controlled.

Management of climate opportunities and risks

Climate change is a systemic, global risk, and one of the global crises faced by Humanity. Companies should contribute to the fight against this risk through actions to mitigate climate change, reducing their emissions and decarbonising their business model; as well as acting against the impacts of climate change, improving their adaptation and resilience. Climate change poses various risks, with increasing long-term impacts that, to a greater or lesser degree, may not be considered new risks for the sector. Climate change accelerates the existing risks set out in the Iberdrola group's risk catalogue (see *General Risk Control and Management Policy*)), which are therefore monitored. They may be classified as:

- Physical, stemming from possible material impacts on the facilities and the supply chain as a result of effects of the future evolution of climate variables (higher temperatures, rising sea levels, changes in precipitation patterns, increased extreme weather events in terms of both frequency and intensity, etc.). Based on TCFD nomenclature, a distinction is made between acute risks and chronic risks.
- Transition, associated with all the risks that can appear in the gradual global decarbonisation process, such as regulatory changes, market, technological and reputational risks, grievances (such as for deficient reporting), changes in demand, etc.
- Other risks may arise as a result of these risks, including those relating to deterioration in the credit of counterparties (suppliers, banks, others), social phenomena (humanitarian crises, impacts on crops and fishing, refugee crises, epidemics) and greater competition for financial resources.

The identification, analysis and management of the risks arising from climate change are addressed through a multi-departmental focus, with cooperation between corporate and business functions.

Iberdrola faces climate change risks from a favourable position, as it has:

a. Extensive experience in the management of risks accelerated by climate change, both physical (at the operational level) and transitional (such as regulatory and market risks).
b. Financial strength.
c. A diversified business (from the business, geographic and technological standpoint), with low exposure to gas assets and no coal plants.

For more information on Iberdrola's risks, as well as its governance, identification and monitoring systems, see the "Long-term risks and opportunities. Comprehensive Risk System" of this report, the Climate Change Risks section of the *Management Report of the Consolidated Annual Financial Report 2022,* Section E of the *Annual Corporate Governance Report 2022* and the "Risks" section of the *Integrated Report* March 2023.

Area	2022 improvements – identification and reporting of climate change risks
Physical risks	In the process of justifying the alignment of Iberdrola activities and businesses with the DNSH of the EU Taxonomy Adaptation to Climate Change, the vulnerability and adaptation measures of the group's facilities have been fully reviewed.
Climate Change Risks	Creation of a new specific Working Group focusing on the increasing needs for Climate Change risk reporting, with active involvement, in addition to the businesses, of cross-dimensional departments such as Control, Internal Assurance, Risks, Climate Change and ESG.

Identification and evaluation of the opportunities and risks of transition

The main risks of transition, such as regulatory and market risks, require a management approach that is generally national in nature. This is because of the crucial influence of governments and regulators on the structure and operation of markets and public utility sectors. The physical risks to facilities and their operation require global management, applying best practices and selecting the appropriate technologies: Iberdrola's growth, through strong development of renewable energy and flexible and smart grids, is an example of this.

Iberdrola has been a pioneer in promoting renewable energy and fighting climate change, and has achieved a leadership position allowing it to benefit from opportunities and anticipate the potential risks of transition, such as those included in the following table, thus actively contributing to global decarbonisation.

	Description	Management/mitigation	Opportunities
Market and Credit	Unfavourable developments in electricity prices, fuel costs and emission allowances, as well as commodity prices Changes in demand Rising cost of insurance Impact of climate change on counterparties (banks, suppliers, etc.)	Promotion of PPAs Green finance Integration of wholesale and retail activities Internal projections of electricity prices by Group's expert area, taking into account national decarbonisation plans Analysis of climate change risks for new investments Electrification of the economy Third party credit analysis Negotiating capacity of the Group	Increased penetration of renewables and storage resulting from the decarbonisation of the economy Increasing significance of networks (increased digitalisation, smart grids and system flexibility) for the electrification process resulting from decarbonisation Increased electrification of end uses, particularly for heating (use of heat pumps) and transport (use of electric vehicles). Also, development of solutions based on electrification for the industrial sector, as well as green hydrogen in combination with renewable energy for certain energy uses Improved energy efficiency and associated consumer benefits and the relationship with consumers Advantages in raising funds in the face of increasing pressure from the financial sector and capital markets
Political and Legal	Regulatory and tax changes Increasing reporting needs Third-party claims	Strong internal governance, in line with best practices Diversification Active participation in partnerships and forums Accumulated experience in the monitoring of key risks	
Technological	Development of new and more efficient technologies Risks associated with non-mature technologies Accelerating distributed generation Exposure to stranded assets	Investment concentrated in grids and mature renewable technologies (hydro, wind, solar) Development of new projects based on emerging technologies Electrification of the economy Human and technical skills Reduced Group presence in gas assets	
Reputational	Stigmatisation of the industry Changes in consumer habits Increased concern with negative stakeholder feedback	The electricity sector is necessary and key to electrification Iberdrola: pioneer in the fight against climate change.	

Analysis of transition scenarios

The new strategic plan for the 2022-2025 period, internally updating forecasts to 2030, was published in 2022. The risks and opportunities of various climate transition scenarios in the short, medium, and long term were analysed within this framework.

Iberdrola has analysed risks and opportunities in different scenarios since 2018. Working groups were expanded in 2022 to increase the involvement of the countries in which the Iberdrola Group has a presence. This has strengthened and homogenised the internal tools that support compliance with national regulations on TCFD reporting.

Benchmark scenarios

During the last year, specific transition scenarios were built, adjusted on the basis of benchmark scenarios, considering the specificities of each geographic area in which the Iberdrola group has a presence. Elements from international and regional public scenarios as well as other internal regional considerations were included. The goal was to formulate them at a scale suitable to the businesses of the Group.

Three transition scenarios were considered for the analysis of risks and opportunities. A baseline scenario, in line with the group's strategic forecasts, and two alternative scenarios, for which the potential risks and opportunities by comparison to the baseline scenario were assessed:

- FOCUS ON ENERGY TRANSITION (FET)_This is the baseline scenario, based mainly on the forecasts made in the *Sustainable Development Scenario* (SDS) published by the International Energy Agency in the Word Energy Outlook (WEO '21), and is in line with the Paris goals. Iberdrola's strategy has been consistent with this scenario in recent years, and it continued to be in force during the work to prepare for Capital Markets Day (held on 9 November 2022). Two more recently published scenarios were also taken into account to establish this baseline scenario: the Announced Pledges Scenario (APS) (WEO '22) and the Consumer Transformation Scenario (CT) published by the National Grid in the Future Energy Scenarios set (FES '22). The APS scenario assumes that all the aspirational goals announced by governments, including energy access and long-term net zero goals, will be met on time and in full. If implemented on time and in full, a temperature increase of about 1.7º C in the APS by 2100 would be maintained. The UK CT scenario is based on a high level of electrification, arising from customers' willingness to change behaviour, high efficiency and improved demand flexibility.

- SLOWER TRANSITION SCENARIO: this scenario considers a slowdown in fulfilling more ambitious commitments or potential breaches of commitments made. As a result, global warming would be limited to less than 2º. This scenario is based on the forecast published by WEO22 for the Stated Policies Scenario (STEPS), which shows the trajectory of the policies currently approved. Regional scenarios like the Falling short Scenario (FS) published by National Grid (FES 2022), which involves not reaching Net Zero in the United Kingdom by 2050, have also been combined.

- FASTER TRANSITION SCENARIO: this third scenario considers more optimistic and ambitious hypotheses, based on the estimates in the Net Zero Scenario (NZ) (WEO2022), which describes a way to globally achieve stabilisation of a 1.5º C increase in global average temperatures, together with universal access to modern energy by 2030. It is also based on the regional projections made by National Grid for its accelerating decarbonisation scenario, combining increased consumer commitment with significant great technological and investment advances, called the Leading the Way Scenario (LW) (FES 2022).

2023 - 2025 period

The short term is described by the period covered by the Strategic Plan published by Iberdrola at *Capital Markets Day 2022*, which updates the group's strategy describing the opportunities for growth identified for the next 3 years. In this Plan, Iberdrola reaffirms its strategy for growth based on smart grids and renewable energy, optimising the implementation of its project portfolio in a complex macroeconomic context. The key risk-inducing variables are inflation, interest rates, economic growth, commodity prices, exchange rates and regulation.

To minimise risks, Iberdrola opts for sustained investment in grids, in predictable frameworks with incentives for investment. It provides for selective investment in renewables, ensuring the projects with the best risk profile are chosen, seeking to build a portfolio with future growth and viable alternatives. Priority is given to investment in financially appealing markets, with a high rating, ambitious electrification goals, and regulatory stability. Iberdrola is committed to maintaining its financial strength, always taking the social, environmental and governance pillars into account.

All of this allows for the affirmation that no significant risks arising from climate transition scenarios other than the basic case in the short term have been observed, thanks to the resilience of the business model and the strategy of the Iberdrola Group.

However, the exceptional situation arising from the invasion of Ukraine by Russia has led to the implementation of various measures by governments, particularly in Europe, that might delay progress towards a low-carbon economy (intervention in electricity markets, rate hikes, etc.) The Iberdrola Group supports measures that provide a "green exit" from the crisis.

2025 - 2030 period

It is in the medium term that climate transition scenarios are a key tool for evaluating the impact of climate change on the company and its current strategy. The analysis of the three scenarios described for the 2025-2030 period is intended to identify the impacts and opportunities offered by variations in key parameters in the energy sector and macroeconomic domain for the businesses and geographic areas in which the Iberdrola Group has a presence. The key parameters in the scenarios are linked to operational business indicators, such that changes therein have both positive and negative impacts on the businesses. The levels of correspondence (medium or high) between the main parameters examined in the climate scenarios and the key parameters of the group's businesses are specified below.

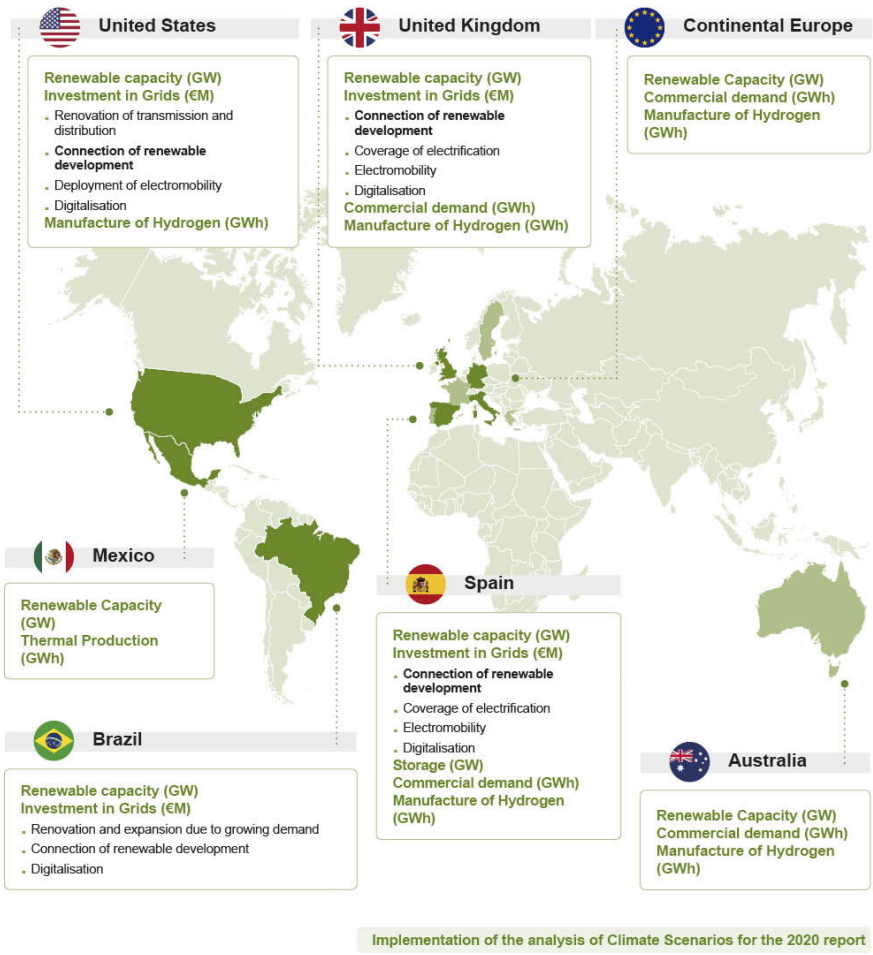
Key parameters of the scenarios	Key parameters of the businesses: Total Production (GWh)	Renewable Capacity (GW)	Customer Electricity Consumption (GWh)	Customer Gas Consumption (GWh)	Investment in Networks (€ million)
Final electricity demand (TWh)	●●	●●	●●	●	●●
Installed renewable capacity (GW)	●●	●●			
Photovoltaic solar		●			
Wind		●			
Hydroelectric		●			
Bioenergy		●			
Share of renewables in the generation mix (%)	●	●			●
Total domestic electricity usage (TWh)			●●		
Natural gas demand in buildings (TWh)				●●	
Average annual investment in electric grids ($ million)					●●
Final natural gas demand (TWh)			●	●	

● Grado de intensidad alto en la correlación de estos dos parámetros

●● Grado de intensidad medio en la correlación de estos dos parámetros

As discussed, the potential scenarios analysed by Iberdrola consider plausible projections made by highly credible organisations, as well as internal assumptions based on the particularities of the specific geographic areas in which Iberdrola has a presence within the countries. The regional values of the parameters selected from each climate scenario have thus been specified. For example, electricity demand could potentially be reduced by 18% in the *Slower* scenario, or increase by 9% in the *Faster* scenario compared to the baseline scenario; as for renewable installed capacity, potential reductions of up to 44% are projected in the *Slower* scenario, and increases of up to 33% in the *Faster* scenario, in certain geographic areas to be analysed where the Group has a presence.

To conduct the analysis, the behaviour of the parameters most sensitive to potential changes in the climate scenarios for each country was analysed, both in the main geographic areas in which the group has a presence and in other high-activity countries as shown in the map below:



Implementation of the analysis of Climate Scenarios for the 2020 report

This analysis of scenarios has allowed for the identification of the main risks and opportunities by business and geographic area, as well as the absence of significant impacts in some cases. The table below provides a qualitative description of the trend of the most relevant operating indicators for each business and geographic area under the two alternative scenarios.

Impact 2030

			Slower Transition Scenario				Faster Transition Scenario			
Business	Region	Type of impact	Not significant	Low	Medium	High	Not significant	Low	Medium	High
Retail	Europe	GWh			▼		—			
	United Kingdom		—				—			
Global Generation	Spain	MW/GWh				▼				▲
	United Kingdom		—				—			
	United States					▼				▲
	Brazil		—				—			
	IEI		—							▲
	Mexico		—				—			
Network	Spain	M€/GWh	—							▲
	United Kingdom		—						▲	
	United States		—						▲	
	Brazil		—					▲		

▲ Positive impact
— Not significant
▼ Negative impact

The *Slower* scenario shows, in the mid-term, a slower speed in the increase in demand for electricity and for the installation of new renewable generation, and a lower penetration of generation in the mix with respect to the baseline scenario. There is also a smaller change in consumers' mindset, with the home gas consumption percentages remaining high and electricity percentages remaining low. All of the foregoing is compared to the baseline scenario forecast by Iberdrola for 2030. The main impacts on the group's businesses and geographic areas are:

- Europe retail: due to the slower speed of electrification reached in this scenario, the projections in the strategic plan for Europe might be negatively affected by a medium magnitude.
- Spain and USA renewables: some of the developments currently forecast for 2030 would slow down, and their implementation would be postponed due to the reduction in installed renewable capacity compared to the projection in the base case for 2030.
- The impact on the USA and UK grids would be less significant: due to lower investment in grids than forecast in the plan, as well as lower electrification for homes and vehicles.
- The rest of the businesses would maintain the expected growth rates.

In the *Faster* scenario, focusing on achieving net zero by 2050, the key indicators for the decarbonisation scenarios, which are drivers for growth for Iberdrola's businesses, would already be strongly boosted by 2030. It must be supported by more ambitious commitments from countries and the establishment of the regulatory frameworks and accelerated procedures required to meet this goal. It will also require strengthening and ensuring the financial instruments for technological and infrastructure deployment across all geographic areas. The following opportunities for Iberdrola stand out:

- Spain, USA and IEI renewables: where the impacts could be very high if these more ambitious increases in renewable energy are achieved, driven by European and American commitments and policies. They would also generate significant opportunities in Australia and new Asian countries.
- Spain, USA and UK networks: This is the scenario with the highest investment in renewables and in transmission and distribution networks to accelerate the network reinforcement and infrastructure improvement projects needed to ensure integration of the system and quality of supply.
- No significant impacts on the rest of businesses are found, as the investments and developments in the current plan are guaranteed.

The variations in the operating parameters described above have an impact on financial indicators for the various businesses and geographic areas. The positive and negative impact on EBITDA with respect to the expected data for 2030 in both transition scenario alternatives to the base case is described below. By 2030 there could be more opportunities than risks overall, mainly driven by the Group's renewable businesses.

EBITDA 2030 Impact (€M)

Business	Type of Impact	Slower Transition Scenario €M <100	Slower Transition Scenario €M 100-300	Slower Transition Scenario €M >300	Faster Transition Scenario €M <100	Faster Transition Scenario €M 100-300	Faster Transition Scenario €M >300
Retail	EBITDA 2030		▼		▬		
Global Generation	EBITDA 2030		▼				▲
Network	EBITDA 2030		▼			▲	

▲ Positive impact
▬ Not significant
▼ Negative impact

In the *Slower* scenario, the variations in the operating parameters identified above could have an impact on the Iberdrola group's businesses, reducing EBITDA by €100 million to €300 million in 2030, except for the Networks business , which would undergo an impact lower than €100 million. In the *Faster* scenario, opportunities for growth are identified for the Networks businesses of €100 million to €300 million, and of more than €300 million for the Global Generation businesses, driven by the results of the renewables business in Spain, the USA and IEI. Finally, smaller opportunities could arise in the retail business, achieving slight improvements in EBITDA, estimated to be far below €100 million.

The Net-Zero scenario has been evaluated assuming organic growth and a stable balance sheet structure.

2030-2050 period

The projections of the key transition parameters become more uncertain in the long term. However, the strengths of Iberdrola's management of its strategy are always based on stable and sustained growth in the geographic areas, with lower financial risks, greater regulatory stability, and assurance of the Group's profit. Thus, with the currently available projections, no significant risks to the decarbonisation path being led by the Iberdrola Group in key geographic areas are expected. Any opportunities that may emerge are expected to be significant, so Iberdrola continues to lead investment, but also innovation and the promotion of new technologies, thus fostering global progress in the industry as well as capitalising on new opportunities are they arise.

To conclude, the group's current positioning, based on the levers of its action plan (see "Climate Action Plan" section), places it in a favourable position to maximise opportunities and efficiently face transition risks in the various climate scenarios analysed.

The group believes that the opportunities stemming from the decarbonisation of the global economy (growth in renewables, investments in integrated smart grids, storage, electrification of industrial sectors and transport, green energy, etc.) outweigh the risks.

Identification and evaluation of physical opportunities and risks

Physical risks arising from climate change are specific to each site, gradual, associated with each technology, and occur over relatively long periods, although, as in the specific case of extreme weather events, an increase in the frequency and intensity thereof can already be seen in the short term.

Iberdrola monitors and manages physical risks arising from climate change through a permanent climate science analysis process and applies it in the Company's usual procedures.

As part of the ongoing learning and knowledge improvement process, Iberdrola is part of the International Energy Agency (IEA) working group on resilience for energy security, among other initiatives. The Iberdrola Group has contributed with its review of and contributions to the *Climate Resilience for Energy Security*' report, published in November 2022.

Analysis of physical scenarios

In 2022 Iberdrola applied its methodology to identify and assess physical impacts arising from climate change in line with the requirements set out in the EU sustainable activities taxonomy. Iberdrola has analysed the evolution of the main climate threats based on regionalised projections obtained from leading climate tools in the various regions in which it operates, including Copernicus (Europe), AdapteCCa (Spain), UK Climate Projections, the INPE platform (Brazil), etc. After a prior analysis of the evolution of different climate variables in an RCP4.5 scenario[7] vs an RCP 8.5 scenario in the 2030-2050 time horizon, the conservative RCP 8.5 scenario was selected as the baseline to identify and assess the main climate risks to the company's various assets.

Taking the methodology defined by IPCC as a reference, the steps taken to identify the main impacts, risks and associated opportunities were the following:

- Analysis of the sensitivity of each technology to the variations in the different climate variables.
- Impact level based on the sensitivities and expected evolution of climate threats at the regional level.
- Estimation of risk based on the presence of assets by technology in the different geographic areas and the adaptive capacity thereof.

The assessment shows that many of the physical risks arising from climate change, both chronic and extreme, affect usual business variables, and thus variables that are managed to a greater or lesser extent in its usual operational processes. However, climate change will affect the probability of occurrence of these risks and potentially the intensity thereof. As part of the analysis of the Group's various assets within the DNSH framework of adaptation to the EU taxonomy, extreme weather events are identified as one of the main threats for the various technologies and jurisdictions.

The table below summarises, individually for the various technologies included in the taxonomy and before considering their adaptive capacity/resilience, the estimated impact of the evolution of the main climate variables and the presence (e.g., installed MW) in the various geographies. The impact reflected is global by type of asset, resulting from the combination of the results obtained for the different regions in which Iberdrola operates.

[7] The most recent IPCC report (AR6) includes a new set of illustrative scenarios of emissions that explore the climate response for a broad range of emitters, soil uses and pollutants. The impact of the new scenarios on the evaluation of risks will be revised based on the projections of this new set of scenarios and its inclusion within the regionalised projection tools

Main impacts

		Temperatura extrema	Escasez de precipitación	Tormentas y viento extremo	Incendios forestales	Precipitación extrema e inundaciones
Tecnology	Onshore and offshore wind energy	●	N/A	●●	●	●
	Solar PV	●●	●	●	●●	●
	Battery	●●	N/A	●	●●	●●
	Hydroelectric	●	●●●	●	●	●●
	Transmission & Distribution	●●	N/A	●●	●●	●●
	Hydrogen	●●	●●	●	●●	●

● Low potential impact
●● Medium potential impact
●●● Medium/high potential impact

As can be seen in the table above, in terms of impact, extreme temperature and the associated fires, strong winds and extreme precipitation, together with water scarcity, are some of the variables that most affect the various assets of Iberdrola. It should be borne in mind, as mentioned above, that this table shows global results that are the outcome of the analysis conducted within the EU Taxonomy framework in each of the regions where Iberdrola operates.

The conclusions of this analysis and of the assessment of the adaptive capacity of the various assets lay the basis for in-depth analysis of future physical risks, focusing in particular on those geographies where significant potential impacts and a wide asset base are identified.

Based on the potential impact, the degree of resilience of the various assets of Iberdrola should be considered to determine the risk level to which they are exposed. Iberdrola analyses the resilience of the various business areas based on three key concepts for framing it: robustness (derived from design and construction procedures), recovery (derived from early-detection tools and action protocols) and adaptive capacity. Some of these measures are summarised in the table below by way of example:

Resilience analysis measures

Robustness	Recovery	Adaptation
Climatological studies: Exhaustive studies of the specific climatology in each location to evaluate production uncertainty based on climate variations. Implementation of design improvements to increase resistance against climate change events	**Monitoring and follow-up**: Monitoring of turbine oil temperature: machine oil temperature is continuously controlled through the machine cooling circuit;	**Innovation Strategy**: Iberdrola's R&D vision consists of promoting the development of innovative and sustainable technologies, in line with the main vectors for the transformation of the energy sector: the decarbonisation of generation through mass integration of renewable energy, boosting smart power grids, and the electrification of demand. Many of the ongoing innovation initiatives for digitisation and automation, innovation with start-ups, etc. contribute in different degrees to increasing the resilience of assets and infrastructures against climate change.
Pumping technology: One of the pillars of the hydraulic generation strategy is the promotion of hydroelectric storage, as well as the optimisation of power plant operation at low loads. Iberdrola is working along two lines: firstly, on the development of hydroelectric pumping technology, through the placement of future projects and converting conventional plants into mixed plants	**Emergency and self-protection plans:** All Iberdrola facilities have self-protection plans against extreme events, as well as instructions in the case of emergencies, which guarantees rapid and coordinated response to extreme weather events such as landslides, fires and heavy rain.	
Fire protection action plans, which are clearing and pruning plans, identifying the type of vegetation and the optimal time for the work, as well as work procedures suited to the time of year, highly restrictive if there is a risk of fire (limited use of machines, available tanks and pumps to contain any fire caused during an activity, etc.)	**Smart grids:** The digitisation of networks is intended to provide the data to transform business processes. Quality and reliable data that can be transformed into key information to learn about the status of the grid, enabling a smarter, more dynamic network management model	
Early alert systems: Meteoflow system, incorporating the forecast of weather events such as temperature rises, which allows for the activation of emergency plans sufficiently in advance and with better management of equipment		

Risk management and resilience mechanisms

The group believes that the opportunities stemming from the decarbonisation of the global economy (growth in renewables, investments in integrated smart grids, electrification of transport, green energy, etc.) outweigh the risks.

In terms of physical risks, based on the impacts described in the previous sections (which consider the current uncertainty associated with climate projections) and the mitigating factors considered, it is estimated that the physical risks associated with climate change might not have a significant and permanent impact on the group's consolidated figures, which is believed to be globally resilient.

In terms of transition risks, the group's current positioning as a result of its investment focus on grids and renewable energy puts it in a favourable position for facing such risks.

To summarise, the group's main risk management mechanisms, as well as its mitigating actions, are listed below:

- Integration of climate change as a key management and corporate governance element.
- Many risks deriving from climate change affect the normal variables of the business, and, consequently, variables already managed (to a greater or lesser degree) in the usual operations of the businesses (e.g. redundancy of equipment, emergency plans, crisis plans, digitalisation, line burying and meshing, etc.), which have management processes that already contribute to climate resilience.
- The fact that many impacts are primarily medium/long-term means that, to a large extent, it is the group's future assets, rather than its current assets, that will bear the most severe impacts, given that its assets are gradually renewed when they reach the end of their useful life.
- Regulatory coverage in the Networks business.
- Insurance coverage.
- Diversification (geographic, by technology, age, etc.) of assets.
- Strong business model, with financial capacity.
- Partnering with other industry players and in the processes of acquiring knowledge from climate science, as a key action to move forward in a cost-efficient manner in developing the resilience of our activities.
- Innovation remains a strategic variable for the group.
- The consideration of climate change in decision-making on new investments.

Climate change and new investments

Under the philosophy of continuous improvement, and in line with the Board of Directors' commitment to facing the risks of climate change, the Group's Investment Policy establishes the need to conduct a specific analysis of these risks in the construction dossiers, on which investment decisions on new assets ("FID", in international terminology) are based.

Given that the networks businesses are built around multi-annual reviews and that future investments in thermal power plants will be quite small, it has been considered appropriate to focus the analysis on new onshore wind and photovoltaic facilities. Based on the experience gained, the model will be expanded in the future to include offshore wind farms.
The model, promoted by several corporate divisions with the help of Renewables, has been constructed on the basis of a survey. This document must be completed by the Business (from a technical perspective), taking into account the particularities of each site, as well as climate projections from various sources, with different levels of granularity and time frames, which are made available to the Business specifically for each project.
Based on the survey, appropriate conclusions are drawn and included in the Investment Dossier. The analyses conducted in 2022 within the EU Taxonomy framework will serve to improve the survey.

However, as part of Iberdrola's philosophy of constant improvement and taking into account the evolution of the science (new projections, more powerful tools, etc.), the markets and applicable law, as well as demands from society, the company must continue advancing and analysing the potential risks, both physical (associated with specific facilities) as well as transitional, and continue to strengthen the inclusion of the climate change variable within the various process of the Company and project phases.

Indicators and metrics

Iberdrola includes major indicators in this document to report on aspects relating to climate and to the strategy of the fight against climate change, which are key for the constant monitoring of the strategy's resilience in view of the scenarios analysed. In particular, these indicators include the greenhouse gas emissions inventory, the intensity of emissions, reduction targets, the use of energy, energy intensity, the energy mix, renewable installed capacity, water use, source of water, R&D and Capex in the development of low-emission products, services and/or technology.

Iberdrola believes that consistent and improved disclosure of the financial risks relating to climate change will allow for the establishment of a constructive and well-informed dialogue between investors and companies regarding the opportunities and risks relating to their activities.

In addition, for information on the company's actions to mitigate and adapt to the consequences of climate change, see the "Management of climate opportunities and risks section" of this chapter as well as the specific Leading the fight against climate change section of the website.

Other aspects associated with the energy transition

Demand-side management

■ GRI 201-2

As part of its demand-side management programmes, Iberdrola's main objective is to improve energy efficiency and the smart use of active electrical grids to thus contribute to the more efficient use thereof by consumers and thereby reduce CO_2 emissions and contribute to the fight against climate change.

The types of actions taken include those relating to information, training and the provision of solutions and technologies that help consumers improve energy efficiency and reduce the environmental impact of their energy habits and consumption. Iberdrola engages in demand-side management in all of its geographic areas and for its various types of customers.

The main activities performed are broken down separately due to the unique nature and law of each country or market.

Iberdrola offers home energy management services through internet-connected devices that allow customers to better manage their electricity consumption and thus obtain energy savings (range of Smart Home products). The industrial and commercial sectors also have initiatives to diagnose and propose measures for energy savings and to improve energy efficiency, like photovoltaic solar energy installation, electromobility, efficient lighting, efficient air conditioning, optimisation of heating and cooling processes, etc.

SASB IF-EU-420a.2

The percentage of the electricity served through the group's smart grids is close to 100 % in Spain, above 55 % in the United States[8] and 48 % in the United Kingdom.

Availability and reliability

The companies of the Iberdrola group have no direct responsibility for long-term production capacity planning processes, or on the respective electricity systems connecting that capacity, in the countries in which they operate.

Government authorities conduct studies to anticipate the long-term needs of the respective electricity system, and Iberdrola's companies act as market agents, making investment decisions consistent with their business plans.

Fuel

A key element in managing the availability of electricity service is the supply of the necessary fuel. Iberdrola is supplied through short- and medium-term gas contracts and purchases on wholesale markets, adjusting to the needs of each territory. It also ensures that it has a stable, long-term and low-risk supply of nuclear fuel.

Nuclear plant decommissioning

Iberdrola is the only 100%-owner of a nuclear plant in Spain (Cofrentes). It also has interests in Almaraz I and II (52.69%), Trillo (49%), Vandellós II (28%) and Ascó II (15%), as indicated in the "Scope of information section".

According to Law 25/1964 on nuclear energy, the management of radioactive waste, including spent nuclear fuel, and the decommissioning and closing of nuclear plants, is an essential public service reserved to the State, pursuant to Article 128.2 of the Spanish Constitution. This law entrusts Empresa Nacional de Residuos Radiactivos S.A. (Enresa) with the management of this public service. Therefore, in accordance with the sixth General Radioactive Waste Plan (*Plan General de Residuos Radiactivos*) (PGRR) currently in effect, the State assumes ownership of the radioactive waste and is responsible for the monitoring that may be required after the closure of a nuclear plant, once the period established in the relevant closure declaration has passed.

Enresa prepares the PGRR, which, together with the corresponding economic/financial study, is the basic reference document setting forth the strategies to be followed and activities to be carried out in Spain in the fields of radioactive waste management and plant decommissioning. The PGRR is sent to the Ministry of Ecological Transition in Demographic Challenge every four years, or whenever so required by the Ministry, for approval by the Council of Ministers after a report of the Nuclear Safety Council, after hearing from the Autonomous Communities with respect to territorial and environmental ordinances. The first PGRR was adopted in 1987, and the sixth, approved in June 2006, is currently in force.

The financing system in Spain for PGRR activities is based on contributions from waste-generating entities and is known as the "Fund for the Financing of the General Radioactive Waste Plan Activities". The fund is managed by Enresa and includes provisions for the decommissioning of nuclear power plants.

[8] In the case of Brazil as at the closing date, information was not available on the same basis to report this indicator according to the established criterion

Iberdrola makes contributions to the fund through a fee calculated by Enresa and approved by the government, which covers all expenses relating to managing the spent fuel and the radioactive waste generated at its plants, as well as those corresponding to the decommissioning and closure thereof, as provided in the PGRR.

Iberdrola also records a reserve on its balance sheet to cover the pre-decommissioning stage of its nuclear power plants. Pre-decommissioning refers to the period from the final cessation of operations of the plant until the decommissioning approval, at which time ownership of the plant is transferred to Enresa. The current sixth PGRR establishes a period of 3 years for this stage.

In March 2019, Iberdrola signed a protocol agreement for the closure of the nuclear plants between 2025 and 2035. This protocol includes the schedule for a gradual, orderly closure of the reactors making up the nuclear installations in Spain.

I.4. Our ESG+F proposal

- ESG+F Goals: The sustainability roadmap
- Iberdrola's contribution to the SDGs
- Our main focus: SDGs 7 and 13

ESG + F Goals: The sustainability roadmap

The group's Strategic Plan 2023-2025 integrates ESG issues within strategy and operations, thus constituting a key reference point for long-term planning.

These issues are based on **three key factors**:the **corporate purpose** that structures the company's positioning, **stakeholders' expectations**, and finally the demands of the **capital markets**, represented by the ESG indices and ratings, voting policies, and institutional investor alliances. These factors are included in the materiality analysis reflected on the preceding page.

Iberdrola's commitment to sustainable development, the **social dividend**, **and** the **generation of value shared** with all stakeholders is reflected in multiple indicators that make it possible to measure the positive impact generated by the group; such as, for example, a contribution to GDP of more than €33,000 million per year and the creation of more than 400,000 jobs globally.

In addition, Iberdrola's capacity to create value is reflected in the way in which the group conducts its operations, seeking the maximisation of positive impacts and the avoidance and mitigation of negative ones.

Iberdrola's commitment to the creation of value materialised in 2020 with the launch of its Sustainable Development Plan 2020-2022, "Energy to Advance", a roadmap with goals defined around the group's environmental, social and governance priorities. The current market context, with ever increasing investor scrutiny of the company's ESG and ever more demanding regulations, requires reviewing these goals, aligning them with best market practices, and ensuring that they are sufficiently ambitious to anticipate the various Stakeholders' demands and to ensure that Iberdrola maintains its current shared leadership position.

The company updated this roadmap in November 2022, publishing an ambitious set of goals that have a positive impact on all its stakeholders. Iberdrola thus reasserts its determination to be an active player in the creation of a more sustainable and inclusive energy model for future generations, maintaining its recognition as the leading utility in ESG.

In environmental terms, the goal is to continue to contribute to the creation of an energy system in harmony with nature and human beings, facing the threefold environmental challenge of the fight against climate change, the preservation of biodiversity, and the circularity of resources.

In social terms, the company continues to focus on maximising its positive impact through the generation of quality jobs, focusing on diversity, safety, health and education; on improving the products and services offered to our customers; on creating a responsible value chain; and on developing the communities in which we do business.

In terms of governance, the goal is to maintain robust corporate governance and compliance standards, continually revised and evaluated to ensure their adaptation to the context, regulations and best market practices.

ESG issues are thus integrated throughout the company's operations, as well as within the company's **financial** strategy and objectives. Iberdrola has provided the market with a recurring flow of green and sustainable financial instruments for years, and it intends to continue to issue the majority of its financing under green or sustainable standards.

All this has given rise to 39 global goals included in the following table.

GOALS	METRIC	2022	2025	2030	Related SDGs
ENVIRONMENTAL					
Net Zero in scopes 1, 2 and 3 before 2040	Achieve before 2040 (progress towards 2030 target)	36 %	In progress	Carbon Neutral Scopes 1 and 2 (1)	7 13
Carbon Neutral in electricity generation in 2030	Specific emissions global mix (g CO_2/kWh)	88	<70	Carbon Neutral (2)	13 17
NOx Emissions	kg/MWh	0.35	-	<0.10	7 13
Specific water consumption	% reduction vs 2021	+2 %	-18 %	-63 %	6 14
Smart solutions portfolio	Million solutions	13.0	18	21	9 12 13
Green hydrogen	Yearly production (kt H2)	0.02	35	350	9 13 17
Conservation, restoration and plantation of trees	Number of trees (Million) & No Net Deforestation in 2025	2.5	8	20	13 15
Net positive impact in 2030	% assets with biodiversity assessment and neutrality plan	0	20 %	100 % (Net positive)	13 14 15
Blade Recycling	% of blades recycled(3)	0	50 %	100 %	11 12 13
Investment in R&D	Million euros (annual)	363	420	550	7 9 13
Storage capacity	Cumulated installed storage capacity (GWh)	101.2	102	>120	7 13
Sustainable light vehicle fleet	% over total light vehicle fleet	27.7 %	-	100 %	7 9 13
Renewable electricity consumption in corporate buildings (Europe and USA)	% over total electricity consumption	49.4 %	-	100 %	11 13 17
SOCIAL					
Presence of women in relevant positions	% women	26,1 %	30 %	35 %	5
Presence of women in positions of responsibility	% women	34 %	35 %	36 %	5
Equal pay external certification	Equal pay certification	In progress	√ (4)		5
Accidentality rate (own employees)	TRIR (reduction vs 2021)	-6,4 %	- 10 %	- 21 %	3 8
Employee training	Hours per employee (annual)	67.9	≥ 55 h	≥ 55 h	4 5 8
Quality of supply	Reduce the Global SAIDI (vs 2019-21 period avg)	-4 %	-10 %	-	9
Smart Grids	% HV & MV grid	76 %	83 %	-	9
Installed charging points (5)	Thousands	34.4	110	400	7 9 13
Digital customers (with a registered user in digital channels)	% of total commercial customers	66.12	73	80	3 9 13
Beneficiaries of the "Electricity for all" program	Millions of beneficiaries (cumulative)	11	14	16	7 8 9
Beneficiaries of the foundations programs	Millions of annual beneficiaries	5.7	8	10	1 7 8
Corporate volunteering	No of annual volunteers (thousands of employees and companions)	17	15	18	2 10 13
Purchases from local suppliers	% of total purchases	87.1 %	≥ 80 %	≥ 80 %	16
Purchases from sustainable suppliers	% of total purchases	91.5 %	≥ 85 %	≥ 85 %	16
Inclusion and diversity solutions	Number of solutions	29	30	-	10
Human Rights Due Diligence procedure	Continuous review	√	√	√	7 11 13
Formal Stakeholder Engagement Process	Keep increasing the deployment of the scope of the Stakeholder Engagement Process	√	√	√	17
Cybersecurity assessments	Number of annual assessments or external verifications	1,919	2,000	2,000	8 9 17
Cybersecurity education and training	Number of annual hours	75,722	63,000	68,000	4 8 9
GOVERNANCE					
Corporate governance practices (best)	Maintain	√	√	√	5 16 17
Independent Members in the Board of Directors	Over 50%	√	√	√	16
Women in the Board of Directors	At least 40%	√	√	√	5 16
Diversity in the Board of Directors	Promote	√	√	√	5 16
Independent external certification or validation of the compliance system	Obtain/maintain (yearly)	√	√	√	16
SUSTAINABLE FINANCE					
Green financing frameworks	Annual review and update (if applicable)	√	√	√	5 6 7 13 16
ESG financing	% of ESG financing	82 %	Minimum 80 %	-	5 6 7 13 16

(1) Carbon Neutral on Scope 1 & Scope 2. The group aims to reduce its emissions on the terms described in the "Climate Action Plan" chapter of this report.
(2) <10 gr CO_2/kWh. The group aims to reduce its emissions on the terms described in the "Climate Action Plan" chapter of this report.
(3) This target is subject to the existence of a commercial feasible solution.
(4) 31/12/2024
(5) Referred to logic terminals.

Iberdrola's contribution to the SDGs

As a result of the continuing dialogue with its Stakeholders, and aware of the unquestionable economic, social and environmental impact of all its activities, Iberdrola has a sustainable development strategy aligned with the group's implementation of a business plan focused on the sustainable creation of value, primarily based on its *Purpose and Values*, and respect for human rights. Thus, it promotes initiatives that contribute to bringing about a more just, equal and healthy society, and, in particular, to achieving the SGDs, notably those relating to Affordable and clean energy (SDG 7) and Climate action (SDG 13), through specific lines of action focused on universal access (SDG 7.1), increasing renewable energy (SDG 7.2) and developing measures to improve energy efficiency (SDG 7.3) using tools such as fostering innovation (SDG 9), education (SDG 4), protection of biodiversity (SDG 15), gender equality (ODS 5) in particular, and reduced inequalities (SDG 10) in general, which essentially entails protecting disadvantaged groups. Iberdrola defends the role played by the SDGs and Agenda 2030 as a global social compact, because global problems such as climate change and the pandemic call for global solutions and agreements.

Iberdrola has linked its business and sustainability strategy to the Sustainable Development Goals (*ODS*) since they were set in 2015, and in 2018 it approved an update of its Corporate Governance System, which was mainly intended to formalise the Iberdrola group's commitment to the SDGs, underscoring the group's contribution to achieving them with the social dividend generated through its business activity.

In December 2020 Iberdrola reformulated its *Governance and Sustainability System* structuring it around ESG standards aligned with its sustainable development strategy and its social dividend, which cemented the company's position at the forefront of best international corporate governance practices.

The SDGs thus inspired or are included as a fundamental element in the following areas:

- *By-Laws*
- *Purpose and Values of the Iberdrola group* y *Code of Ethics*
- *Environmental policies.*
- *Social commitment policies.*
- *Policies and rules relating to Corporate Governance..*

Ultimately, this is an attempt to see that all Stakeholders participate in the social dividend generated by the company's activities, or shared value, which is the sum of all the economic, social and environmental impacts that a company generates through its activity, within the environment in which it does business.

The General Sustainable Development Policy introduces the principles governing the various corporate policies relating to sustainable development. Section I.3 "Policies and commitments" se describes the content and focus of these policies.

The company's commitment to contribute to the SDGs is supervised by its governance bodies. Thus, the Sustainable Development Committee of the Board (the composition and duties of which are described in the "Corporate Governance" section of chapter IV.2), is vested with the power to, among other things, "Monitor the group's contribution to the achievement of the SDGs".

Our main focus: SDGs 7 and 13

Iberdrola focuses its efforts on the SDGs where its contribution is most significant: the supply of affordable and non-polluting energy (Goal 7) and climate action (Goal 13). This commitment forms part of its governance model and of the sustainable management of the company, and is formalised in objectives tied to the remuneration of the management team: the shareholders at the 2017 General Shareholders' Meeting approved a long-term incentive plan linked to their contribution to the achievement of these two goals. At the 2020 General Shareholders' Meeting, the Board of Directors approved a new long-term remuneration plan (Strategic Bonus 2020-2022) linked to both economic/financial performance (changes in Net Profit, Financial Strength and Total Shareholder Return) and the contribution to the UN 2030 Agenda and the SDGs. In relation to the latter point, these objectives refer to the fight against climate change, the drive for sustainability in the supply chain and the commitment to equal pay for men and women, which contribute to SDGs 3, 5, 6, 7, 13, 14 and 15.

The table below summarises how the company contributes to achieving these goals and their associated targets.

Our main focus: SDGs 7 and 13

7 ENERGÍA ASEQUIBLE Y NO CONTAMINANTE	Electricity for All programme: 11 million beneficiaries were reached at the end of 2022. A global leader in renewables: At year-end 2022, the company had more than 60,700 MW of installed renewable capacity.
13 ACCIÓN POR EL CLIMA	Emissions intensity reached 88 gr CO2/kWh. Ambitious climate commitments by 2030 and 2039

Contribution to the other SDGs

1 FIN DE LA POBREZA	2022 Iberdrola Social Programme, to mitigate the consequences of the pandemic. Social programmes offered by the various foundations.
2 HAMBRE CERO	Delivery of more than 503,000 free meals in Spain, Brazil and Mexico, and more than 32 metric tons of food in Spain, Brazil, the United Kingdom, Mexico and the United States.
3 SALUD Y BIENESTAR	Iberdrola contributes to reducing the harmful health effects of greenhouse gases with its commitment to reduce these gases.
4 EDUCACIÓN DE CALIDAD	Training for our employees: more than 65 hours of training per employee trained in 2022. The master's scholarship programme continues, aiming to promote excellence and assist research.
5 IGUALDAD DE GÉNERO	Iberdrola supports the Women's Universe (Universo Mujer) programme of the Higher Council for Sports (Consejo Superior de Deportes) (CSD), supporting 16 Spanish women's federations.
6 AGUA LIMPIA Y SANEAMIENTO	Pollution prevention programmes for facilities.
8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO	Approximately 400,000 direct, indirect and induced job positions throughout the world. More than €37,000 million in impact on the GDP of the countries in which it does business.
9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA	Iberdrola is the world's leading private sector utility by volume of investments in R&D.
10 REDUCCIÓN DE LAS DESIGUALDADES	A total of 16,800 volunteers participated in the Corporate Volunteering Programme in 2022.
11 CIUDADES Y COMUNIDADES SOSTENIBLES	Iberdrola has developed a Sustainable Mobility Plan with the ultimate goal of contributing to a rational use of the means of transportation. Public support to the Cities Programme, 100 carbon-free European cities
12 PRODUCCIÓN Y CONSUMO RESPONSABLES	Circular Economy action plan presented on Capital Markets Day, with specific recycling goals.
14 VIDA SUBMARINA	Innovative measures in the construction and operation of offshore wind farms. Monitoring of marine mammals at the East Anglia ONE wind farm. Acoustic insulation techniques (bubble curtains) during the construction of offshore wind projects.
15 VIDA DE ECOSISTEMAS TERRESTRES	New Biodiversity Action Plan presented on Capital Markets Day. Overhead Lines Improvement Project, in which a large number of supports have already been adapted for birdlife protection.
16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS	The company has renewed the UNE-ISO 37001 and UNE 19601 certifications regarding anti-bribery and compliance. Delivery of 8 metric tons of humanitarian materials to Ukraine.
17 ALIANZAS PARA LOGRAR LOS OBJETIVOS	Promotion of innovative alliances, including "The Day After" initiative and the SDGs in the supply chain, by launching conceptual capsules, journeys, videos and information aligned with the group's sustainability strategy. Recognised as a LEAD participating company in the United Nations Global Compact.

OBJETIVOS DE DESARROLLO SOSTENIBLE

II. Environmental

Iberdrola has always had a firm commitment to the environment, focusing its activities on the construction of an energy model in harmony with nature and with human beings, in which the reduction of emissions, the conservation, protection and promotion of biodiversity, and the sustainable and efficient use of resources are integrated into all its activities and processes.

At the operational level, the decarbonisation of the company's activities is associated with the start-up and operation of emissions-free power generation facilities as well as supplementary initiatives like the replacement of equipment using ozone layer-reducing substances, the operation of almost 980,000 m2 of offices and work centres in accordance with the highest sustainability and efficiency standards, and the gradual replacement of the group's fleet, which currently has more than 13,500 industrial vehicles, by an emissions-free fleet. Along these lines, Iberdrola was the first Spanish company to join the EV100 initiative, intended to accelerate the transition to electric vehicles, as Iberdrola has made a commitment to electrify its entire vehicle fleet and to facilitate recharging by its employees in Spain and the United Kingdom by 2030.

The reduction of indirect emissions is also implemented through Iberdrola's commitment to the supply of green energy, products and services to its customers and the gradual decarbonisation of its supply chain. To this end, in 2022 it joined the SteelZero initiative of The Climate Group, which brings together organisations committed to speeding up the transition to a Net Zero steel industry.

Climate action is supported by a strong commitment to the protection of nature, jointly tackling the threefold environmental crisis (climate, biodiversity and overexploitation of resources).

Efficient use of natural resources to approach the energy transition is another great challenge faced by Iberdrola and the energy sector as a whole. In particular, Iberdrola pays special attention to water resources, due to their environmental and social implications, and makes efforts to make rational and sustainable use of water and face the risks associated with its scarcity.

The company also works with its supply chain and other players in its value chain on the development of circular production systems that decrease the pressure on the available resources. For example, in 2022 Iberdrola and FCC launched EnergyLOOP to lead the recycling of wind turbine blades on an industrial scale, one of the greatest medium- and long-term challenges in the sector.

Loss of biodiversity is critical for Iberdrola, as the company interacts with different ecosystems and species within a broad geographic scope. Aware of the urgent need to stop and reverse the unprecedented loss of biodiversity, and in response to demands of the scientific community, Iberdrola has launched the 2030 Biodiversity Plan, which applies to the entire Iberdrola group and sets out its commitment to have a net positive impact on biodiversity by 2030. The plan covers the impact of the group's activities on ecosystems and species throughout the life cycle, taking into account the supply chain and creating economic and social value through ecosystemic services.

Innovation is the lever that enables Iberdrola to approach all these challenges and launch the relevant action plans to benefit from opportunities as they arise. Innovation will make it possible to find solutions to currently unsolvable problems, as well as find more efficient ways to carry out the activities currently performed.

Considering these priorities, the company has set the following environmental goals:

GOALS	METRIC	2022	2025	2030	Related SDGs
ENVIRONMENTAL					
Net Zero in scopes 1, 2 and 3 before 2040	Achieve before 2040 (progress towards 2030 target)	*36 %*	*In progress*	*Carbon Neutral Scopes 1 and 2 (1)*	7 13
Carbon Neutral in electricity generation in 2030	Specific emissions global mix (g CO_2/kWh)	*88*	*<70*	*Carbon Neutral (2)*	13 17
NOx Emissions	kg/MWh	*0.35*	*-*	*<0.10*	7 13
Specific water consumption	% reduction vs 2021	*+2 %*	*-18 %*	*-63 %*	6 14
Smart solutions portfolio	Million solutions	*13.0*	*18*	*21*	9 12 13
Green hydrogen	Yearly production (kt H2)	*0.02*	*35*	*350*	9 13 17
Conservation, restoration and plantation of trees	Number of trees (Million) & No Net Deforestation in 2025	*2.5*	*8*	*20*	13 15
Net positive impact in 2030	% assets with biodiversity assessment and neutrality plan	*0*	*20 %*	*100 % (Net positive)*	13 14 15
Blade Recycling	% of blades recycled(3)	*0*	*50 %*	*100 %*	11 12 13
Investment in R&D	Million euros (annual)	*363*	*420*	*550*	7 9 13
Storage capacity	Cumulated installed storage capacity (GWh)	*101.2*	*102*	*>120*	7 13
Sustainable light vehicle fleet	% over total light vehicle fleet	*27.7 %*	*-*	*100 %*	7 9 13
Renewable electricity consumption in corporate buildings (Europe and USA)	% over total electricity consumption	*49.4 %*	*-*	*100 %*	11 13 17

(1) Carbon Neutral on Scope 1 & Scope 2. The group aims to reduce its emissions on the terms described in the "Climate Action Plan" chapter of this report.
(2) <10 gr CO_2/kWh. The group aims to reduce its emissions on the terms described in the "Climate Action Plan" chapter of this report.
(3) This target is subject to the existence of a commercial feasible solution.

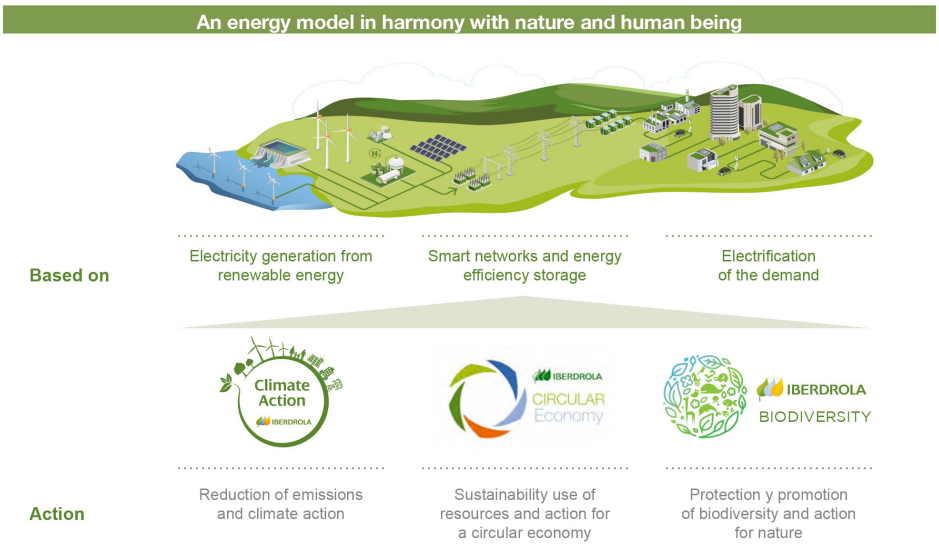
II.1. Fight against climate change and protection of biodiversity

- Iberdrola with nature
- Environmental governance and management
- Reduction of emissions
- Sustainable use of resources and the circular economy
- Protection of and action for biodiversity

Iberdrola with nature

An energy model in harmony with nature and human beings

The preservation of the planet and the well-being of people are priorities that Iberdrola includes in its business strategy and business model. Nature is the foundation of our economy, and our well-being and progress would be compromised without a robust, healthy and functional environment. This is why decades ago Iberdrola made a firm commitment to the environment, focusing its activities on building an energy model in harmony with nature and with human beings and that would be competitive, resilient, based on local sources, and a source of sustainable development. In short, a model that allows value to be created without putting the future of new generations at risk.



The group is committed to developing a sustainable energy model where the reduction of emissions, the conservation, protection and promotion of biodiversity, and the sustainable and efficient use of resources are integrated into all its activities and processes. This is a model in which Iberdrola is a leader and is based on using renewable energies, smart grids, efficient energy storage and driving the electrification of demand as an energetic vector for competitive and efficient decarbonisation.

To ensure that the group's activities are carried out in harmony with nature, Iberdrola works on three fronts that, together, address its main potential impacts:

- **Climate action plan:** establishes the strategy, work plans and goals for reducing emissions and combating climate change.
- **Circular economy plan:** aims to achieve the sustainable use of resources by increasing the life of its assets and reducing the use of raw materials and the generation of waste.
- **Biodiversity plan:** sets out the strategy, programmes, targets and mechanisms to include the conservation of biodiversity in the decision-making process, increase actions regarding conservation and restoration, and support the transformation to halt and reverse the loss of biodiversity.

The companies of the group regularly review and update the action plans associated with each line of work.

Environmental governance and management

Iberdrola's commitment to the environment and sustainable development is embodied in its *Governance and Sustainability System* which meets ESG criteria and is intended to ensure that the Company's *Purpose and Values* are achieved and that its business goals and objectives are reached.

Environmental policies

The environmental policies formally define and establish the Company's decisive response to the challenges, objectives and goals posed by climate change, preservation of the environment and the loss of biodiversity, while helping to identify and take advantage of the opportunities arising from the energy transition. They are therefore the expression of Iberdrola's commitment, shared by all its stakeholders, to create an integral business value that takes into account and respects the natural and environmental capital on which its activities are based.

These environmental policies, which are in line with the objectives of the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development, are as follows:

Sustainable Management Policy

Iberdrola implements and promotes a sustainable energy model, with its actions aimed at contributing to the Sustainable Development Goals (SDGs). Its activities are therefore designed so that they are environmentally sustainable, competitive, with high quality of service, that generate shared value, that respect human rights, and that promote the use of energy. The instruments used to reduce the environmental impact associated with its operations include an ambitious climate action, focusing on the conservation and protection of biodiversity, improving the circularity of its activities and its suppliers, promoting the rational and sustainable use of water, and avoiding or mitigating polluting emissions and their effects on human health.

■ GRI 3-3

Environmental Policy

Iberdrola's Environmental Policy sets out the principles for developing a sustainable model that respects nature, biodiversity and historical heritage and that promotes the conservation, protection and promotion of the development and growth of natural heritage through innovation and Stakeholder engagement. It therefore implements a common environmental management model for the group, which applies the precautionary principle and the principle of continuous improvement, places the environment at the centre of the decision-making process, and is in line with the Sustainable Development Goals (SDGs).

The policy also defines three high-priority lines of action, namely: the circular economy, natural capital and biodiversity protection. All of these pillars are essential to achieving fully sustainable activity in harmony with nature.

Biodiversity Policy

The *Biodiversity Policy* establishes the principles of conduct for implementing a business model in harmony with nature so that its activities protect and promote the development and growth of natural assets. In this policy, Iberdrola makes a formal commitment to ending and reversing the loss of biodiversity, and to generating a net positive impact on biodiversity in the context of its operations and activities. This *Biodiversity Policy* establishes four lines of action for these purposes: protect biodiversity and ensure the sustainable use of natural capital; identify, quantify and continuously assess the impacts and dependencies of the group's activities; work with Stakeholders; and enhance, raise awareness and communicate internally and externally with transparency.

Climate Action Policy

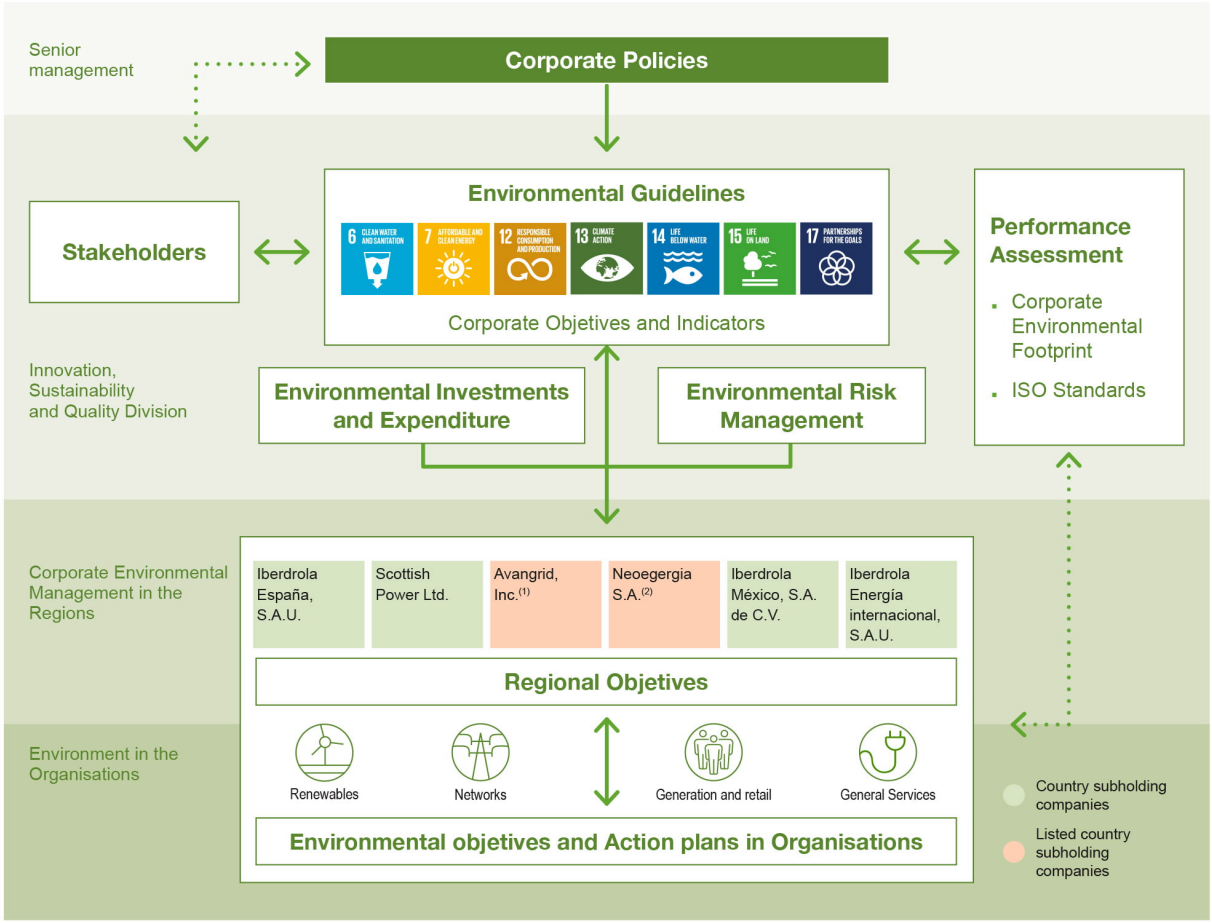
This policy establishes the framework for Iberdrola's strategy and business model,**which is in line with the Paris Agreement and the 2030 Agenda,** in the fight against climate change. Through this policy Iberdrola is committed to continue assuming a **leadership position** (directly and by establishing alliances), **promoting awareness** (impacts, challenges and benefits of its achievement) and **contributing to a carbon neutral and sustainable future.**

For more detailed information, see section "I.3. Climate action and TFCD".

Environmental Management System

The commitments made in the various environmental policies mentioned above are embodied in the Iberdrola group's Environmental Management System. This system enables the alignment of the environmental dimension within the group's sustainability model, integrating the SDGs and coordinating the mechanisms for measuring and assessing the group's environmental performance in terms of the life cycle, including the concepts of circular economy and natural capital in the group's management.

The group's Environmental Management System establishes a common, homogeneous, integrated and environmental framework that is a benchmark for all of the organisations and facilitates the development of an ongoing diagnosis of the company's environmental behaviour at each of its management levels.



(1) Avangrid, Inc. is 81.5% owned by Iberdrola, S.A.

(2) Neoenergía, S.A. is owned indirectly by Iberdrola, S.A. with 50% +1 share.

Corporate Environmental Footprint

To gauge the group's environmental performance, Iberdrola calculates its Corporate Environmental Footprint (CEF), which is a multi-criteria measure of environmental performance from a life cycle perspective (ISO/TS 14072:2014 standard).

The Corporate Environmental Footprint is part of the company's environmental management model, the ultimate goal of which is to bring the environmental aspect into line with the company's sustainability model, integrating the universality of service, safety, competitiveness, energy efficiency and the reduction of the company's environmental impact, all from a life cycle perspective.

The calculation of the Corporate Environmental Footprint at Iberdrola has meant that the Group has been able to:

- Demonstrate transparency and consistency in environmental management.
- Improve the identification of opportunities to reduce its environmental impact.
- Drive innovation and business capabilities that seek continuous improvement in environmental management.
- Obtain recognition by third parties of Iberdrola's position and achievements, including the fight against climate change, the destruction of the ozone layer, and the depletion of natural resources.

Consistent with this line of work, Iberdrola took part in the European Rules Electricity Environmental Footprint (REEF) project, which developed the Environmental Footprint (EF) product rules for the electricity sector, and will make it possible to have common rules for calculating the industry's EF.

For more information, see Iberdrola's Environmental Footprint.

Certifications

Iberdrola's environmental management system is rooted in international procedures and standards that are audited by prestigious independent agencies. The company currently holds the following environmental certifications:

- **ISO 14001-2015** This standard covers activities consisting of the product generation, transmission, distribution and marketing, office management and general services. In particular, more than 80% of its energy was generated at certified facilities in 2022.
- **Eco-Management and Audit Scheme (EMAS).** The group's thermal power generation plants hold certificates under this standard.
- **ISO 14064-2018.** Iberdrola verifies its greenhouse gas emissions under this standard.
- **ISO TS 14072-2014** under which Iberdrola verifies its Corporate Environmental Footprint. It is the only company in the industry to have obtained this certificate.
- **ISO 20121. Sustainable Event Management.** Under this standard, Iberdrola certifies the most important events for shareholders and investors, i.e. the General Shareholders' Meeting, presentations of results and Investor Day.

More information is available online, in the Certifications and Verifications section of the website.

Reserves and insurance coverage for environmental risks

Iberdrola also has insurance policies that cover environmental risks. The main types of corporate insurance policies that the company has obtained with environmental coverage are:

- Environmental Liability Insurance.
- Civil Liability Coverage for Sudden Accidental Pollution in the general civil liability policy.

Reduction of emissions

Iberdrola is a global leader in the energy transition and the fight against climate change within the energy sector. Its ambitious decarbonisation targets place it among the most advanced companies in this regard.

For more information about the Company's management with respect to climate change, see chapter "I.3. Climate action".

Intensity of greenhouse gas (GHG) emissions

■ GRI 305 ■ SASB IF-EU-110a.1 IF-EU-110a.3

The intensity of CO_2 emissions is calculated based on direct emissions from the production facilities[9] divided by the group's net output, including steam.

The following table shows the intensity of emissions.

■ GRI 305-4

CO2 equivalent emissions to be verified in 2023 (t)			
	2022	2021	2020
Specific emissions from global mix (Kg CO2/MWh)	88	96	98
Specific emissions from global mix (Kg CO2/€)[10]	0.210	0.316	0.376

In 2022, CO_2 emissions per MWh generated remained among the lowest among domestic and international energy companies, and continue to follow the downward path set out in our climate action plan.

Inventory of Greenhouse Gas (GHG) Emissions

The inventory (with data available as of the date of approval of this report) is given below.

CO2 equivalent emissions to be verified in 2023 (t)							
	Spain	United Kingdom	United States	Brazil	México[11]	IEI	Total
Scope 1: Direct emissions	4,215,912	39,373	1,375,464	105,872	6,139,830	50,668	11,927,119
Scope 2: Indirect emissions	960,030	427,292	225,440	239,689	15,588	11,343	1,879,381
Scope 3: Other indirect emissions	4,171,351	8,696,626	10,546,585	1,382,395	16,277,529	939,491	42,013,976

[9] See "Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)" section below.

[10] Direct emissions from energy generation facilities (305-1) compared to net revenues in euros.

[11] As noted in the EU2 indicator of the "Key operating figures" section of chapter I.1, Iberdrola uses the reporting criteria regarding its generation activities in this report, distinguishing between its "own" output and installed capacity and output and installed capacity "for third parties". The latter parameter reflects the particular operating conditions of some of our plants in Mexico, which Iberdrola operates as an Independent Power Producer (IPP) under the auspices of the Mexican Federal Electricity Commission (*Comisión Federal de la Electricidad*) (CFE). Under these conditions, Iberdrola believes that the IPP plants do not comply with the requirement set out in the GHG Protocol regarding "full authority to introduce and implement operating policies at the operation" in order to be included in Scope 1.

Neoenergia's Termopernambuco plant, Termope, did not enter into operation in 2022. This resulted in a dramatic drop in direct emissions in Brazil (-89%), which significantly contributed to a drop of more than 10% in the group's scope 1 emissions.

Iberdrola's inventory of emissions is verified by AENOR in accordance with UNE ISO 14064-1:2018 for the direct and indirect emissions from all of its activities.

The verified information is available in the Greenhouse Gas Inventory (Carbon Footprint) section of the corporate website.

Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)

Direct emissions are emissions from GHG sources owned or controlled by the company. They include:

- Emissions that result from the consumption of fuel and that are produced by owned facilities that generate electrical power.
- Emissions of methane (CH_4) and nitrous oxide (N_2O) associated with fuel consumption.
- Emissions from non-generation (gas storage) facilities.
- Fugitive emissions of methane (CH_4) (storage and transport of natural gas).
- Fugitive emissions of sulphur hexafluoride (SF_6) (distribution networks, substations, generation plants, etc.).
- Fugitive emissions of coolant gases.
- Emissions from facilities that provide services to buildings (fuel consumption).
- Emissions from mobile combustion sources associated with road transport of employees with fleet vehicles for work purposes.

The emission factors used to calculate each of these emissions are obtained from official sources.

The following two tables show the changes in Scope 1 emissions from production facilities and other facilities (offices, vehicle fleets, etc.).

■ GRI 305-1 ■ SASB IF-EU-110a.1

CO_2 emissions at Scope 1 production facilities (t CO_2 eq)			
	2022	2021	2020
Thermal generating plants	8,421,306	9,175,358	9,220,435
Cogeneration	2,839,174	3,515,703	3,250,773
Other emissions	85,876	63,101	47,656
Total	**11,346,356**	**12,754,162**	**12,518,864**

Stationary combustion emissions, from generation, account for more than 99% of total Scope 1 emissions.

SASB IF-EU-110a.1

- Gross global Scope 1 emissions are: 11,927,119 tCO_2 eq.
- Percentage covered under emissions-limiting regulations: 95%(Only Europe is subject to emissions-limiting regulations).
- Percentage of gross global Scope 1 GHG emissions covered under emissions-reporting regulations: 100%.
- Iberdrola reports 100% of its emissions as it is regulated in all countries where it operates.

Otras emisiones Alcance 1 (t CO_2 eq)		
	2022	**Source of emission factors**
CH_4 and N_2O emissions from combustion **(Non-renewable generating plants)**[12]	46,143	IPPC[13]
CH_4 Fugitive Emissions **(Gas storage and transport)**	237,645	IPCC
SF_6 Fugitive Emissions **(Electricity distribution)**	76,726	IPCC
Emissions in buildings **(Fuel consumption)**	72,777	MITECO: Spain. DEFRA: United Kingdom, Mexico and Brazil. EPA: United States, Mexico and Brazil. [14]
Emissions from mobile combustion **(Fleet vehicles)**	104,628	DEFRA: Spain and United Kingdom. EPA: United States, Mexico and Brazil.
Other emissions **(Gas storage, coolant gases)**	42,844	DEFRA: United Kingdom
Total	**580,763**	

For more information, see the climate action section of the corporate website.

Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)

Indirect emissions are those emissions deriving from the company's activity but generated by other entities, including emissions from the generation of electricity acquired for the company's consumption. These emissions are:

- Emissions associated with the consumption of electrical power during shutdowns of the thermal, renewable and nuclear plants, and during pumping at the hydroelectric plants.
- Emissions associated with electricity consumption in the group's buildings.
- Emissions associated with network losses during the distribution and transmission of electricity to third parties.

CO_2 is calculated by applying the emission factor of the generation mix of the respective country:

- Spain: Red Eléctrica de España
- United Kingdom: DEFRA
- United States: U.S. Energy Information Administration
- México: SEMARNAT [15]
- Brazil: Ministry of Science, Technology and Innovation for Brazil

[12] Only emissions associated with owned generation are included.
[13] IPCC: Intergovernmental Panel on Climate Change.
[14] MITECO: Ministerio de Transición Ecológica / EPA:Environmental Protection Agency (United States).
[15] SEMARNAT: Secretary for the Environment and Natural Resources in Mexico.

Iberdrola continues to reduce its indirect emissions, in particular energy emissions in buildings, due to its increased use of green energy. 100% of the electrical power consumed by offices in the United Kingdom and Spain was renewable in 2022.

■ GRI 305-2 ■ SASB IF-EU-110a.2

Emisiones alcance 2 (t CO_2 eq)			
	2022	**2021**	**2020**
Emissions associated with network losses	1,142,181 [16]	1,830,631	1,407,845
Emissions associated with consumption of electric energy during shutdowns and pumping	713,674	310,100	451,671
Emissions associated with the electricity consumption in buildings	23,526	21,253	23,138
Total	**1,879,381**	**2,161,984**	**1,882,654**

Other indirect greenhouse gas emissions. Scope 3 (GHG Protocol)

Iberdrola has incorporated the life cycle perspective into its management model, which includes knowing the long-term impacts of the value chain. New elements are thus included each year in the calculation of its Scope 3, indirect emissions that result from the company's activities at sources not owned or controlled by it. They include the following:Emissions (due to fuel consumption) from electrical power generation facilities used in production for third parties. (GHG Protocol Category 3).

- Emissions associated with the transport of employees for work purposes (hired and private vehicles, aircraft and trains). (GHG Protocol Category 7).
- Emissions associated with the supply chain. (GHG Protocol Category 1 and 2).
- Emissions associated with the transport of employees commuting from their residence to their workplace. (GHG Protocol Category 6).
- Emissions associated with electrical energy purchased from third parties for sale to end customers (GHG Protocol Category 3, Activity D).
- Emissions associated with gas purchased from third parties for sale to end customers (GHG Protocol Category 11).
- Emissions arising from activities upstream of the fuels purchased and consumed[17] (GHG Protocol Category 3, Activity A).

The emission factors used in calculating each of these emissions are obtained from official sources.

In 2022 Scope 3 emissions were as follows:

[16] The annual review and update of emission factors has led to a decrease in the figures for the United States and Brazil
[17] This category includes fuel transport as part of the lifecycle.

■ GRI 305-3 ■ SASB IF-EU-110a.2

Emisiones alcance 3 (t CO_2 eq)

	2022	2021	2020
Emissions associated with the generation of energy for third parties	12,423,624	12,171,586	13,748,340
Emissions from employee business travel	12,458	7,435	7,940
Emissions associated with the use of gas products [18]	13,641,153	14,452,313	13,895,557
Emissions associated with the supply chain	2,944,448	3,422,571	5,483,189
Emissions associated with employee commutes to/from the workplace	51,800	28,870	27,910
Emissions associated with the energy purchased from third parties for sale to end customers [19]	8,328,229	9,681,117	10,584,063
Upstream (WTT) emissions from fuel acquired and consumed	4,612,263	4,850,721	3,898,575
Total	**42,013,975**	**44,614,613**	**47,645,574**

For more information on Scope 1, 2 and 3 emissions, see the Greenhouse Gas (GHG) Report which is audited annually under ISO 14064-2018.

Reduction of greenhouse gas emissions

Initiatives to reduce emissions are undertaken through a broad range of products and services promoting energy efficiency and savings.

■ GRI 305-5

Iniciativas de reducción de emisiones

Áreas	Actions and initiatives	CO_2 avoided in 2022 (t)
Renewables	Primary energy savings through the production of renewable energy	16,716,801
Cogeneration	Savings through the supply of heat energy (steam) within the group	516,919
Network efficiency	Savings from distribution network efficiency (Spain, United Kingdom and Brazil)	54,589
Commercial	Energy savings and efficiency through green products and services (Spain, United Kingdom, United States and Brazil)	13,453,164
Total		**30,741,473**

Other atmospheric emissions

■ GRI 305-7 ■ SASB IF-EU-120a.1

Emissions of sulphur dioxide (SO_2), nitrogen oxides (NO_x) and particulate matter are also created by burning fossil fuels. Because of the changes in the generation profile discussed in the emissions section, emissions tend to decrease with the incorporation of renewable energy and the support of modern combined cycle monitoring technologies.

[18] The reported value in the United States has been adjusted in the calculation to reflect the gas actually distributed to end customers to the detriment of the gas sold. The data for 2021 and 2020 have been recalculated to improve comparability.
[19] The reported value in the United States has been adjusted in the calculation to reflect total electric power distributed to end customers to the detriment of the power sold. The data for 2021 and 2020 have been recalculated to improve comparability.

NO_x emissions

NOx emissions (t)	2022	2021	2020
Generating plants	52,761	51,630	56,232
Cogeneration plants	5,425	7,042	6,285
Total	**58,186**	**58,672**	**62,517**

Intensity of NOx emissions (kg/MWh)	2022	2021	2020
Specific emission from the global mix	0.354	0.365	0.375

Percentage of atmospheric emissions of NO_x near densely populated areas: 65%.

SO_2 Emissions

Sulphur dioxide (SO2) (t) emissions	2022	2021	2020
Generating plants	570	582	870
Cogeneration plants	441	598	482
Total	**1,011**	**1,180**	**1,352**

Intensity of SO2 emissions (kg/MWh)	2022	2021	2020
Specific emission from the global mix	**0.006**	**0.007**	**0.008**

Percentage of atmospheric emissions of SO_x near densely populated areas: 65%.

Emissions of particulates

Emissions of particulates (t)	2022	2021	2020
Generating plants	1,072	1,055	1,164
Cogeneration plants	93	119	106
Total	**1,165**	**1,174**	**1,270**

Intensity of particulate emissions (kg/MWh)	2022	2021	2020
Specific emission from the global mix	**0.007**	**0.007**	**0.008**

Percentage of atmospheric emissions of PM10 particulate matter near densely populated areas 61%.

Emissions of other compounds

A total of 468.9 tonnes of non-methane volatile organic compounds (NMVOCs) were emitted.

Sustainable use of resources and the circular economy

For Iberdrola, the circular economy is a key element to achieve sustainable development and represents an opportunity as a driver for climate action and the energy transition.

Iberdrola's circular economy model is based on the following pillars:

- Reduction of emissions.
- Use of renewable resources in production.
- Improved efficiency.
- Resource optimisation and maximisation of use of waste.

The challenges of sustainability cannot be approached in an isolated manner, but rather must be addressed holistically. Therefore, in 2019 Iberdrola defined its circular economy model, which includes the entire value chain from suppliers to customers, along with its operations.

Based on this circular economy model, in 2022 Iberdrola approved Circular Economy Plan 2030, which specifies various goals in line with its sustainable energy model.

Four levers will be available to achieve these goals: the four Rs (redesign, reduce, reuse, and recycle). The goals set are shown in the diagram below:

Use of materials

GRI 301

The consumption of fuel from non-renewable sources for generation over the last three years is shown below. Consumption of renewable fuels used in generation (CDR and Offgas) is also shown:

GRI 301-1

Use of raw materials	2022	2021	2020
Coal (t)	0	0	113,130
Fuel-oil (t)	17,362	26,327	26,227
Natural gas (Nm3)	13,066,040,385	13,719,683,127	14,649,824,720
Gas-oil (m3)	209,894 [20]	23,649	18,141
Uranium (kg)	52,238	34,899	29,899
Waste-derived fuel (WDF) (t)	1,037	2,258	—
Offgas (m^3)[21]	44,930,387	69,875,382	73,835,934

GRI 301-2

The use of waste-derived fuel (WDF) and Offgas from industrial processes accounted for 0.2% of the fuel energy consumed in the year.

Fuel use (%) by country in 2022 is shown below:

GRI 301-1

Distribution of fuel consumption in 2022 (%)	Coal	Fuel oil	Natural Gas	Gas-oil	Uranium	WDF	Offgas
Spain	0	100	14.6	1.2	100	100	100.0
United Kingdom	0	0	0	0	0	0	0.0
United States	0	0	4	0.0	0	0	0.0
Brazil	0	0	0.0	4.5	0	0	0.0
Mexico	0	0	81.1	94.0	0	0	0.0
Other countries	0	0	0.2	0.3	0	0	0.0

Apart from fuel, there is also consumption – to a much lower extent – of chemical products (in water purification, filtering of gases, etc.), oil and grease, etc.

[20] The increase in diesel consumption is caused by the unavailability of a plant in Mexico, which requires the use of emergency diesel generators.
[21] Offgas is a fuel produced at the plants of the Tarragona Power S.L. customers. The volume of gas consumed by the plant depends on the customers' activity.

Rational use of water[22]

■ GRI 303 ■ SASB IF-EU-140a.1. IF-EU-140a.3.

Water is a basic and irreplaceable natural resource in many of Iberdrola's activities. The company's awareness of this dependency and of the risks arising from water shortages has led it to set a goal of ensuring its increasingly responsible use of this resource.

The group's main actions for a more sustainable use of water are:

- Continually improving processes at facilities to reduce consumption and impact.
- Implementing and controlling ecological flows as required by government authorities at hydroelectric generation reservoirs.
- Conducting awareness-raising campaigns to achieve a more efficient and responsible use of sanitary water by employees at offices.

■ GRI 303-1 303-2

The water cycle needed to generate power at Iberdrola's thermal generation plants is based on the following three phases:

- **Withdrawal**: performed within regulatory limits.
- **Use**: Use in cooling and auxiliary services of plants.
- **Return to the environment**: the quality of effluent discharged into the environment is always within the required limits and even improving on them compared to the values of water withdrawn.

Ensuring compliance with the law and seeking methods to minimise the risk of spills applies to all of Iberdrola's facilities, including generating plants, renewables facilities and distribution substations.

To avoid the risk of polluting discharges, with a possible negative impact, Iberdrola has:

- Consolidated Environmental Management Systems: ISO 14001 and EMAS certificates, in which possible anomalies and incidents are managed, establishing plans to minimise spillage risks, by implementing predictive, preventive and corrective actions that ensure the proper condition of the water.

Water consumption and discharges by the facilities in 2022 were within the limits indicated by the relevant comprehensive environmental permit for each facility, and no anomalies were detected that might materially affect the water resources or associated habitats.

■ GRI 303-3 303-4 ■ SASB IF-EU-140a.1.

The following table gives total water consumption, considered to be the difference between total water withdrawn and water discharged, with a breakdown of total water withdrawal by the group by source and water stress area. The areas are classified according to the *Aqueduct Water Risk Atlas*.

[22] Iberdrola has changed its methodology to calculate water consumption, including two aspects that had not been considered until now: contribution of rainwater and contribution of water to customer processes. The failure to consider these two aspects was affecting the figures for the Almaraz nuclear plant, reducing its reported water consumption, and cogeneration, increasing water consumption. These changes have been applied to 2022 and those for 2021 and 2020 have been recalculated.

Water withdrawal, discharge and consumption[22]

	2022		2021		2020	
	All areas	Water stress areas	All areas	Water stress areas	All areas	Water stress areas
Withdrawal by water source (ML)						
Surface water (river, lake, reservoir or wetland)						
Fresh water	511,598	383,700	507,545	374,451	520,606	346,746
Other water	0	0	0	0	0	0
Seawater						
Fresh water	0	0	0	0	0	0
Other water	1,181,697	344,873	1,338,177	338,327	1,337,549	327,684
Groundwater						
Fresh water	2,333	2,008	2,787	2,480	2,779	2,142
Other water	0	0	0	0	0	0
Third-party water						
Fresh water	23,424	9,867	25,892	3,286	25,397	5,930
Other water	0	0	0	0	0	0
Total water withdrawal						
Fresh water	537,355	395,575	536,224	380,217	548,783	354,818
Other water	1,181,697	344,873	1,338,177	338,327	1,337,549	327,684
Total	**1,719,052**	**740,449**	**1,874,401**	**718,544**	**1,886,331**	**682,501**
Water discharge by destination (ML)						
Total	**1,630,976**	**673,092**	**1,787,111**	**648,383**	**1,789,844**	**628,926**
Total water consumption (ML)						
Total	**88,076**	**67,357**	**87,289**	**70,161**	**96,488**	**53,575**
Total Consumption/Withdrawal (%)	**5.1 %**	**9.1 %**	**4.7 %**	**9.8 %**	**5.1 %**	**7.8 %**

48% of Iberdrola's thermal plants are located in areas of high water stress, according to the water stress indicator of the Aqueduct Water Risk Atlas. 69% of the water withdrawn is seawater or saltwater that does not affect water stress.

Total water withdrawal is the sum of the various sources, and is obtained by direct measurement (flowmeters) or by estimating the output of the water withdrawal pumps.

99% of total water withdrawn is used in cooling processes. The rest of the water withdrawn corresponds to other auxiliary services of the generation plants and consumption at offices.

All of the withdrawals of water intended for use in generation are regulated strictly by government authorities, which issue the permits and determine the maximum permissible withdrawal volumes, to avoid significant negative effects.

43% of the water withdrawn and 76% of the water consumed is from high water stress areas.

GRI 303-5

The changes in the group's water use are summarized in the following table:

Water use[23]	2022	2021	2020
Total water consumption (ML)	88,076	87,289	96,488
Water use/overall production (m^3/GWh)	540	531	588
Water use/overall sales (m^3 / k€)	1.56	2.16	2.13

Water cycle in hydroelectric generation

Water used for hydroelectric power generation is not considered to have been withdrawn, and is therefore analysed separately. The following table shows the net amount of water used in hydroelectric power generation, defined as turbined water less pumped water, in Spain, the United Kingdom and Brazil, and the change in storage of reservoir water.

Water use in hydroelectric generation (ML)	2022	2021	2020
Net water volume	137,187,988	158,007,994	142,610,717
Volume of pumped water	4,665,145	3,058,700	3,266,770
Increase in reservoir water	2,250,390	-1,378,705	-571,943

For more information, see the Water usage section of the corporate website.

SASB IF-EU-140a.2.

Number of water-related incidents	2022	2021	2020
Total	5	3	N/Av.

Water discharge

GRI 303-4

After use in cooling and other auxiliary processes, 96% of the water withdrawn at thermal generation and cogeneration facilities returns to the environment.

The total discharge of water by destination type is:

Vertido de agua por destino (ML)	2022	2021	2020
Ocean	1,148,669	1,309,168	1,308,495
Rivers	139,346	144,957	153,947
Lakes and reservoirs	339,168	329,070	324,082
Purification network	3,793	3,916	3,320
Total	**1,630,976**	**1,787,111**	**1,789,844**

[23] See note included in Water withdrawal, discharge and consumption table.

Discharge of water in fresh water or other waters is:

Total discharge by water type (ML)			
	2022	2021	2020
Fresh water	482,307	477,943	481,349
Other water	1,148,669	1,309,168	1,308,495

Discharged water that returns to the receptor environment does so in physicochemical conditions allowing it to be used by other users without affecting the natural environment. The discharge by treatment level is:

Water treatment (ML)			
	2022	2021	2020
No treatment	88,295	293,418	282,199
Primary treatment	260,215	292,952	341,446
Secondary treatment	1,271,869	1,191,114	1,156,257
Tertiary treatment	10,597	9,627	9,942

Efficiency in energy consumption

■ GRI 302

The Iberdrola group optimises the use of energy throughout its entire value chain (production, transmission, distribution, marketing and end use), contemplating energy efficiency from a three-fold perspective:

- As an electricity generator and distributor, it seeks to improve efficiency by introducing the most advanced technologies, equipment and digitalisation.
- As an energy consumer, Iberdrola promotes the ongoing improvement of energy efficiency across all its activities (offices and buildings, mobility, etc.).
- As a supplier of energy solutions, the company informs, promotes and supplies comprehensive efficiency solutions aligned with the emission reduction strategy, thereby contributing to more efficient energy use by consumers, while encouraging the reduction of the environmental impact of their energy consumption habits.

Energy consumption within the organisation

■ GRI 302-1

Energy consumption within the organisation (internal consumption) includes energy consumption at all Iberdrola group facilities, buildings and offices, and is calculated as:

$$\begin{matrix}\text{Consumo interno}\\ \text{de energía (GJ)}\end{matrix} = \begin{matrix}\text{Consumo de}\\ \text{combustible}\end{matrix} + \begin{matrix}\text{Energía}\\ \text{comprada}\end{matrix} - \begin{matrix}\text{Energía vendida}\\ \text{(no renovable)}\end{matrix} - \begin{matrix}\text{Vapor}\\ \text{vendido}\end{matrix}$$

The fuel consumption figure in terms of energy (GJ), obtained by directly measuring the fuel used at each facility based on its lower heating value (LHV):

$$Consumo(GJ) = Consumo\ de\ combustible\ (kg) x PCI(\frac{MJ}{kg})/1000$$

The value of energy purchased or sold is obtained by direct measurement at the facilities, buildings and offices.

$$Consumo(GJ) = \sum consumo\ edificio/instalación\ (MWh)\ x\ 3.6\ GJ/MWh$$

Energy consumption within the organisation in recent years is shown in the following table:

GRI 302-1

Energy consumption within the organisation (GJ)	2022	2021	2020
Energy consumption by type of fuel			
Natural gas[24]	483,640,179	510,013,958	493,489,304
Uranium	266,435,615	258,565,631	270,669,733
Coal	0	0	3,222,009
Fuel-oil	701,425	1,064,873	1,037,834
Gas-oil	3,349,275	1,482,414	1,068,806
WDF	33,920	73,880	0
Offgas	1,068,132	1,469,003	1,696,466
Petrol	678,733	622,030	47,220
Ethanol	129,812	119,505	33,880
Propane	7,533	N/D	N/D
CTV Diesel	159,866	N/D	N/D
HVO	3,768	N/D	N/D
CNG Gas	147	N/D	N/D
Fuel consumption	**756,208,405**	**773,411,294**	**771,265,252**
Energy purchased	**17,981,640**	**11,815,428**	**13,393,570** [25]
Standby and pumping	17,433,811	11,326,651	12,945,390
Buildings	547,829	488,777	448,180
Non-renewable energy sold	**317,481,891**	**322,340,336**	**341,142,273**
Steam sold	**10,763,904**	**14,093,106**	**13,470,434**
Total energy consumption within the organisation	**445,944,250**	**448,793,280**	**430,046,117**

GRI EU12

The following table shows the losses in distribution and transmission networks:

Transmission and distribution network losses (%)	2022	2021	2020
Transmission			
United Kingdom	1.75	1.90	2.01
United States	1.38	1.60	1.36
Brazil[26]	1.71	N/D	N/D
Distribution			
Spain	6.29	6.42	6.50
United Kingdom	7.32	7.24	6.78
United States	4.06	3.92	3.99
Brazil	8.51	12.82[27]	14.70

[24] The 2021 gas consumption figure has been updated due to an improved calculation of the figures reported in that year's report.
[25] Data updated due to improved calculation in the report for this year.
[26] Although there are transmission assets in the country, the data for 2020 and 2021 have not been collected for this report..
[27] Neoenergia's network losses for 2021 and 2021 have taken into account the technical and non-technical losses, while in 2022 they only take into account technical losses, for purposes of homogeneity with the other countries

Efficiency in thermal generation

As in prior years, the company continues to take action to improve the efficiency of the plants, avoiding leaks, decreasing emissions, reducing internal utility consumption, optimising start-up times and procedures, and installing recirculation systems, among other things.

The following table shows the average performance of the thermal power generation facilities:

■ GRI EU11

Average efficiency at thermal generation facilities (%)				
		2022	2021	2020
Spain	*Combined cycle*	50.99	51.05	51.09
	Conventional thermal	0	0	32.84
	Cogeneration	69.01	71.37	68.14
United Kingdom	*Combined cycle*	N/A	N/A	N/A
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	N/A	N/A	N/A
United States	*Combined cycle*	N/A	N/A	N/A
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	48.07	46.87	47.53
Brazil	*Combined cycle*	42.11	54.74	54.88
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	N/A	N/A	N/A
Mexico	*Combined cycle*	53.05	53.81	56.17
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	58.13	59.79	58.45
IEI	*Combined cycle*	N/D	N/D	N/D
	Conventional thermal	N/A	N/A	N/A
	Cogeneration	N/D	N/D	N/D
Total	*Combined cycle*	**52.80**	**53.41**	**55.54**
	Conventional thermal	**0**	**0**	**32.84**
	Cogeneration	**57.91**	**56.89**	**57.72**

Reduction of energy consumption

Two cornerstones of reduced energy consumption are considered: on the one hand, the energy savings from reduced fuel consumption and, on the other hand, the savings associated with steps to improve energy efficiency.

■ GRI 302-4

Reduction of energy consumption through the generation of renewable energy and steam (energy saved, GJ)				
Areas	**Type of energy**	**2022**	**2021**	**2020**
Renewables	Annual primary energy savings through the production of renewable energy	265,931,274	270,277,248	245,031,358
Cogeneration	Annual savings through the supply of heat energy (steam) within the group	10,763,904 [28]	14,093,106	13,470,434
Total		**276,695,178**	**284,370,354**	**258,501,792**

[28] Lower energy demand from the companies associated with the cogenerations.

The reduction in energy consumption is equal to the savings of primary (non-renewable) energy generated by the production of renewable energy and cogeneration. This figure for the energy saved is obtained by direct measurement at the output terminals of the facilities.

$$Consumo(GJ) = \sum generación\,(MWh)\,x\;\; 3.6\;GJ/MWh$$

Various measures were implemented in 2022 to improve energy efficiency within buildings and infrastructure elements. The energy savings produced by these measures is presented below:

Reduction of energy consumption associated with increases in efficiency (energy saved, GJ)

Areas	Item	2022	2021	2020
Efficiency in the distribution network	Savings due to efficiency in the grid	1,379,273	1,522,071	1,098,490
Efficiency in generation	Savings due to efficiency improvement at plants	7,656 [29]	1,654	703
Efficiency in buildings	Savings due to efficiency in buildings	6,239	5,370	7,162
Total		**1,393,168**	**1,529,095**	**1,106,355**

Reductions in energy requirements of products and services

Iberdrola sells new products and services to encourage energy and financial savings by its customers, efficiency and environmental protection.

■ **GRI 302-5** ■ **SASB IF-EU-420a.3.**

Energy savings from green products and services

	2022		2021		2020	
	GJ	MWh	GJ	MWh	GJ	MWh
Photovoltaic solar energy	672,095	186,693	208,886	58,024	137,192	38,109
Energy audits and plans	1,188,267	330,074	0	0	0	0
Gas maintenance service	0	0	0	0	0	0
Other savings and efficiency activities	558,968	155,269	371,899	103,305	499,640	138,789
Green energy supplied	243,281,238	67,578,122	265,553,475	73,764,854	221,612,321	61,558,978
Total	**245,700,568**	**68,250,158**	**266,134,260**	**73,926,183**	**222,249,154**	**61,735,876**

Energy consumption outside of the organisation

■ **GRI 302-2**

The most significant consumption of energy outside the organisation is associated with trips to/from work by the group's employees and with business travel (flights and motorways). All of this information forms part of Scope 3 of the calculation of greenhouse gas emissions. Energy consumption outside the organisation is estimated based on the distance travelled via each means of transport and is transformed using the conversion factors obtained from official sources. The energy consumption for these items was on the order of 786,343 GJ in 2022.

[29] The increase is due to the installation of solar panels for self-consumption at the generation plants.

Waste management

GRI 306 306-1 306-2

As part of its circular economy plan, waste is managed in accordance with the following principles:

- Minimise the generation of waste at source.
- Maximise the reuse, recycling and recovery of waste.
- Promote awareness-raising campaigns regarding the minimisation of waste.
- Specific treatment and management of hazardous waste.

Waste generated

GRI 306-3

Nuclear waste

In keeping with its commitment to transparent disclosure to its Stakeholders, Iberdrola provides additional information about its nuclear power generation park ("General Radioactive Waste Plan", Enresa[30]). The radioactive waste that is generated undergoes reduction, reuse, segregation, recycling and recovery processes as part of the safe management thereof.

Iberdrola's nuclear power plants are covered by the Environmental Radiological Monitoring Programme of the Nuclear Safety Council of Spain, the purpose of which is to monitor the dispersion into the environment of controlled discharges from facilities and to determine and monitor radiological quality throughout the country.[31]

Low-low level and medium-low level radioactive waste generated in 2022 is shown in the following table:

Hazardous waste generated at nuclear facilities in 2022

	Net production (GWh)	Low-low level waste		Low-medium level waste	
		Produded (m^3)	Produced (m^3 / GWh)	Produced (m^3)	Produced (m^3 / GWh)
Cofrentes nuclear power plant	8,328	18	0.002	144	0.017
Partially-owned nuclear plants	15,559	137	0.009	58	0.004

As to high-level waste, 260 fuel elements (FEs) were generated at Cofrentes and taken to Individual Temporary Storage (Almacén Temporal Individualizado) (ATI) during 2022.

Apart from radioactive waste, hazardous waste (HW) and non-hazardous waste (NHW) generated consisted of:

[30] Enresa: Empresa nacional de residuos radioactivos, S.A.
[31] For more information, see the technical reports on environmental radiological monitoring issued by the Nuclear Safety Council, available at www.csn.es.

Total waste by type (t)

	NHW 2022	HW 2022	NHW 2021	HW 2021	NHW 2020	HW 2020
Electrical/electronic waste	152	7,390	76	7,097	235	5,348
Construction waste	123,344	1,796	176,458	2,133	234,646	1,261
Urban solid waste	21,474	36	12,239	62	21,975	65
Thermal-process waste	2,889	44	2,097	3	17,229	6
Oils and liquid fuels	0	4,598	0	4,262	0	4,518
Batteries	24	248	4	195	2	171
Other waste	196,152	3,600	265,614	2,308	237,698	4,337
Total waste	**344,036**	**17,713**	**456,489**	**16,058**	**511,785**	**15,706**

Classification of use of waste

■ GRI 306-4

The following tables show waste that is diverted from disposal, specifying the type of operation involved (e.g. reuse, recycling and other).

Waste diverted from disposal

Total waste diverted from disposal, by recovery operation (t)

	NHW 2022	HW 2022	NHW 2021	HW 2021	NHW 2020	HW 2020
Reuse	42,954	2,875	49,095	2,058	1,084	3,227
Recycling	123,980	7,636	121,871	7,476	207,335	4,294
Other recovery operations	18,362	1,167	8,878	1,184	42,161	1,469
Total	**185,296**	**11,678**	**179,845**	**10,718**	**250,580**	**8,990**

Residuos no destinados a eliminación por tipo (t)

	NHW 2022	HW 2022	NHW 2021	HW 2021	NHW 2020	HW 2020
Electrical/electronic waste	146	6,031	76	5,334	203	4,052
Construction waste	109,359	601	162,074	455	213,321	302
Urban solid waste	13,270	28	5,906	50	12,126	30
Thermal-process waste	6	12	75	0	15,438	4
Oils and liquid fuels	0	3,932	0	3,124	0	3,844
Batteries	24	247	4	195	2	167
Other waste	62,490	827	11,709	1,559	9,490	590
Total	**185,296**	**11,678**	**179,845**	**10,718**	**250,580**	**8,990**

Residuos no destinados a eliminación (t)

	2022		2021		2020	
	NHW	HW	NHW	HW	NHW	HW
Total waste diverted from disposal	**185,296**	**11,678**	**179,845**	**10,718**	**250,580**	**8,990**

GRI 306-5

The following tables show waste directed to disposal, specifying the disposal operation (e.g., incineration, landfilling and other).

Waste directed to disposal

Waste directed to disposal, by disposal operation (t)

	NHW 2022	HW 2022	NHW 2021	HW 2021	NHW 2020	HW 2020
Incineration (with energy recovery)	1,002	942	895	1,765	3,588	2,532
Incineration (without energy recovery)	1,549	475	569	169	299	1,953
Landfilling	108,109	2,375	196,761	564	163,740	599
Other disposal operations	48,079	2,243	78,422	1,843	93,568	1,631
Total	**158,739**	**6,035**	**276,646**	**4,341**	**261,194**	**6,716**

Residuos destinados a eliminación por tipo (t)

	NHW 2022	HW 2022	NHW 2021	HW 2021	NHW 2020	HW 2020
Electrical/electronic waste	6	1,360	0	1,762	32	1,295
Construction waste	13,985	1,194	14,384	1,676	21,326	959
Urban solid waste	8,205	8	6,333	11	9,849	34
Thermal-process waste	2,883	32	2,022	3	1,791	2
Oils and liquid fuels	0	667	0	137	0	674
Batteries	0	1	0	0	0	4
Other waste	133,661	2,773	253,906	747	228,197	3,747
Total	**158,739**	**6,035**	**276,646**	**4,341**	**261,194**	**6,716**

Waste directed to disposal, by disposal operation (t)

	2022		2021		2020	
	NHW	HW	NHW	HW	NHW	HW
Total waste directed to disposal	**158,739**	**6,035**	**276,646**	**4,341**	**261,194**	**6,716**

Protection of and action for biodiversity

Governance and biodiversity management

■ GRI 304

The degradation of ecosystems and the unprecedented decline in biological diversity, which the scientific community universally considers to be a direct result of the impact of human activities, entail grave environmental, economic and social risks. This requires urgent action to revert the loss of biodiversity.

Given the location of our infrastructure and their interaction with the territory, Iberdrola has believed for more than fifteen years that biodiversity is a material issue for its Business Model, and for this reason places respect for biodiversity and ecosystems in a key place within its business strategy.

Since 2007, Iberdrola has had a *Biodiversity Policy* which forms part of its "I.2. Governance and Sustainability System". In this policy, which was strengthened in 2021, Iberdrola commits to assuming a position of leadership in the fight against the loss of biodiversity and in generating a positive net impact on biodiversity from its activities.

These commitments involve integrating biodiversity into strategic planning, managing risk through continuous assessment of impacts and dependencies throughout the life cycle, applying the mitigation hierarchy (avoid, mitigate, restore and offset) in all our activities, avoiding the placement of new infrastructure in protected areas, implementing biodiversity action plans, working together with Stakeholders, and encouraging awareness and communication. It also entails promoting, along with its Stakeholders, a social culture in which biodiversity is valued, preserved, restored and sustainably used, maintaining ecosystem services, favouring a healthy planet, and providing essential benefits for all.

Iberdrola supports ambitious objectives in the negotiations of the new global framework of the Convention on Biological Diversity approved in Montreal in December 2022. The Biodiversity Plan 2030, approved in October 2022 after being presented to the company's corporate bodies, is aligned with the goals approved in the Global Biodiversity Framework. Of particular importance is Goal 15, relating to the reporting of impacts and biodiversity impacts covered by Iberdrola in this report and in its *Biodiversity Report*. Moreover, Iberdrola is already working with the Task Force of Nature related Financial Disclosure (TNFD) and WBCSD to evaluate the draft recommendations and provide feedback.

In addition to the *Biodiversity Policy*, Iberdrola has the following mechanisms to integrate the protection and conservation of biodiversity within management, and for it to be taken into account in decision-making processes:

- *Biodiversity Policy*
- Comprehensive Risk Control and Management System
- Environmental Management System of the group
- Tools for evaluating impacts and dependencies
- Biodiversity Plan
- Environment and biodiversity committees

Objectives and Biodiversity Plan 2030

At Iberdrola, we have strengthened our commitment to nature and set ourselves the goal of having a positive net impact on biodiversity by 2030, i.e. the year by which our activities have contributed to preserving and improving biodiversity.

2030 Goal: Net positive impact on biodiversity.

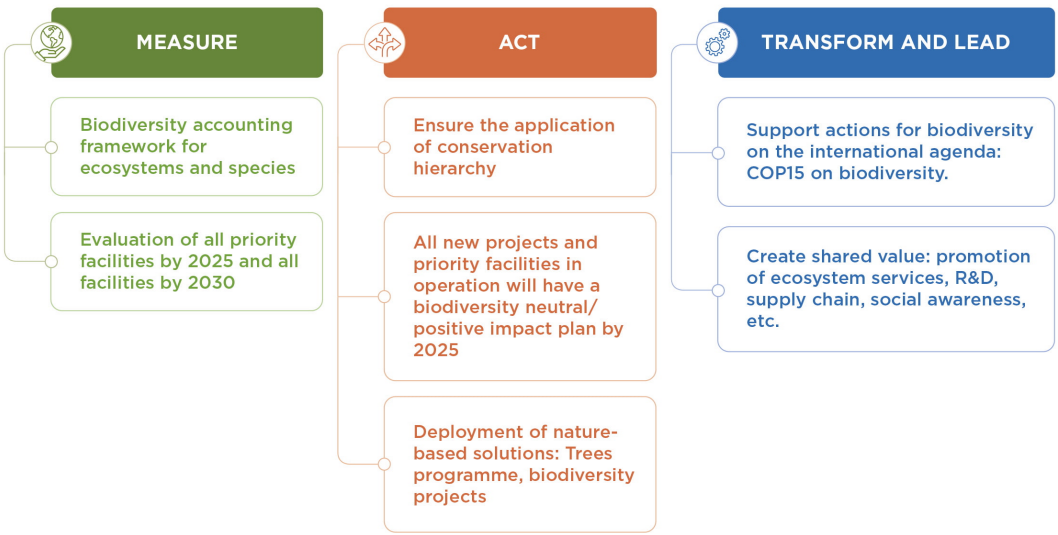
This goal considers the impacts on species and ecosystems derived from the Iberdrola group activities throughout its entire facilities life cycle and is based on the application of the conservation hierarchy, as well as the implementation of mechanisms for its identification, quantification of impacts and monitoring of compliance.

Objective 2025: No net deforestation

As part of its actions to achieve this goal by 2030, Iberdrola also commits to ensuring that its activity does not generate net deforestation by 2025. This commitment applies both to direct actions and to actions in the group's supply chain.

Biodiversity Plan 2030

To achieve this ambitious goal, Iberdrola has launched the Biodiversity Plan 2030 (the "Plan"), which applies to all of the Iberdrola group's facilities and activities, and which has three areas of action: measure, act and transform.



This approach is aligned with the Science-Based Targets for Nature (SBTNs) and its vision of the Framework for Action "AR3T1" and with the landmark pillars provided by the Taskforce on Nature-related Financial Disclosures (TNFD).

The Biodiversity Plan 2030 is a continuation of years of work on the protection and preservation of biodiversity, and its integration into the strategic planning and decision-making of the group. The commitments and procedures derived from this Plan are:

i. conservation hierarchy;
ii. equal compensation for impacts (i.e. with the same type of habitat and species affected);

iii. application of solutions based on the preservation of nature; and

iv. supply chain involvement.

All of them, together with other measures, constitute adequate tools to guarantee the achievement of the objectives of the Plan in 2030.

Interaction with biodiversity

Main impacts and dependencies

■ GRI 304-2

Iberdrola identifies impacts and dependencies stemming from the interaction of these activities on biodiversity and natural capital, in order to avoid, minimise, remedy and/or offset these impacts and dependencies. Iberdrola has been working on developing and implementing tools to identify, quantify and assess the impacts and dependencies of its activities on natural capital since 2012. The identification of these impacts and dependencies is an iterative process. Below are some of the information sources and tools used:

- Corporate Environmental Footprint
- Assessments of environmental impact at new projects
- Impact surveillance, monitoring and re-evaluation programmes
- Matrix of impacts and dependencies by technology developed in the Natural Capital and Energy Working Group
- Matrix of materiality of activities with regard to drivers of biodiversity loss
- Results of pilot natural capital assessment projects at Iberdrola's facilities.

In this regard, in 2022 Iberdrola continued work on the pilot projects to quantify the net effect of our activities on biodiversity at several of our facilities in Spain, Brazil, the United Kingdom and Mexico, using international benchmark methodologies and obtaining the initial results of the projects.

Identification of dependencies

Carrying out operations and maintenance activities requires, in addition to raw materials, the services that nature provides. By identifying these dependencies, we are able to assess those services and plan actions to prevent their modification and to protect and preserve them. An analysis of the group's activities makes it possible to identify dependencies on the following ecosystem services:

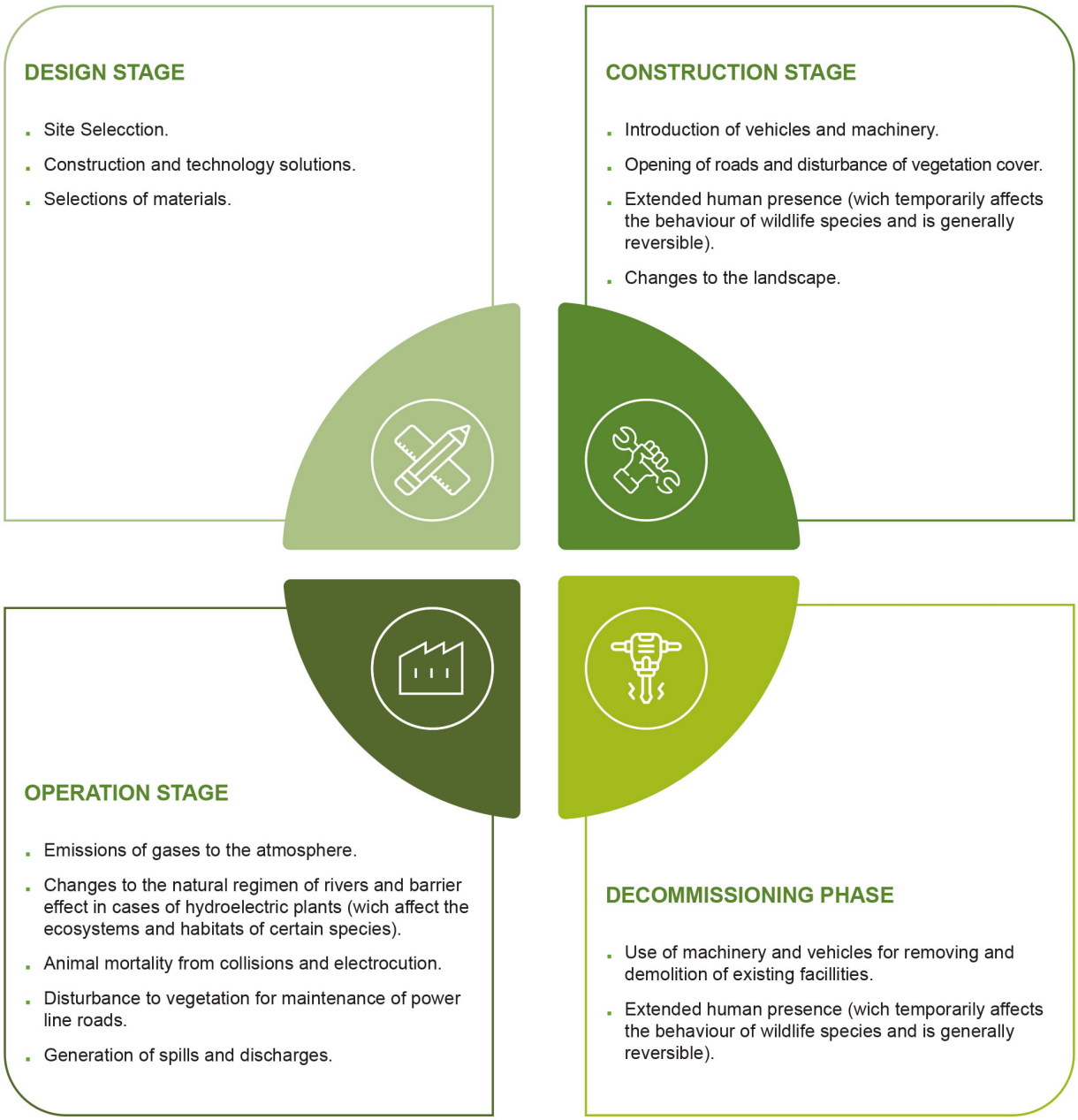
- Waterway maintenance service, through the hydrological cycle. The water cycle makes it possible to recover river flows, which is necessary to produce energy at hydro plants and for cooling processes at thermal plants.
- Climate regulation service, which is obtained through nature by means of the long-term storage of carbon dioxide in soils, plant biomass and the oceans. This service is important for all generation facilities.
- Terrain stabilisation and erosion control. Vegetation on slopes prevents avalanches and landslides. This service is important for hydroelectric plants and transmission and distribution grid facilities.
- Protection against floods and storms, through the buffer provided by vegetation during such events. This service is important for hydroelectric plants and grid facilities.

In addition, there are also dependencies on abiotic resources, the most important of which are:

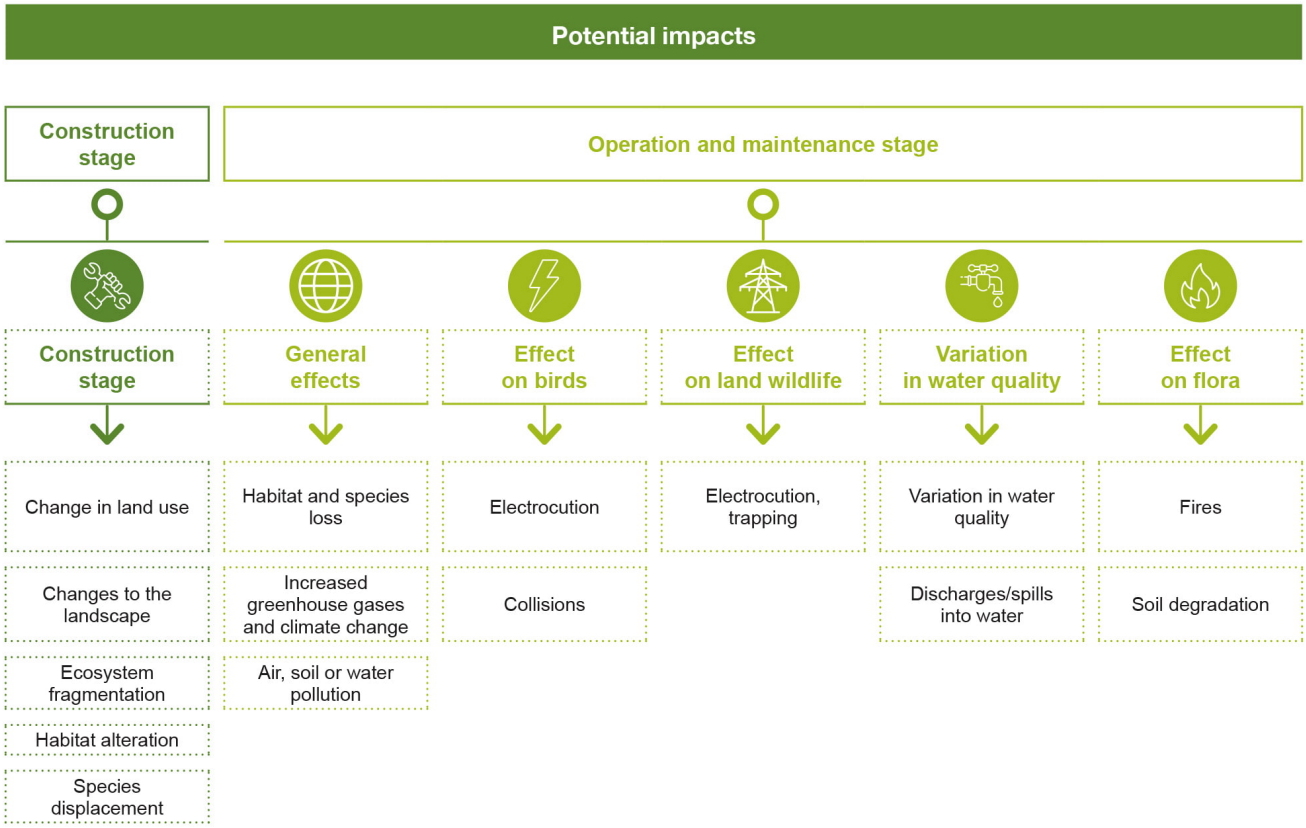
- Water. This resource is the source of production at hydroelectric plants, and it is necessary for cooling at thermal plants.
- Mineral and non-mineral (gas and uranium) resources as fuel in power generation at thermal plants.
- Gas as a product served to customers and users of gas networks.

Identification of impacts

Activities and operations that may have impacts during the different phases of the life of facilities are identified in order to avoid, minimise and appropriately correct such potential impacts, as shown in the figure below:



Based on these actions, the potential significant impacts on biodiversity arising from the group's activities, products and services are in turn identified:



■ GRI 304-1

Facilities in protected spaces or high biodiversity-value areas

The areas in which Iberdrola conducts its activities serve as habitats for a variety of flora and wildlife, some of which are under some form of protection. This is mainly due to the fact that the construction work was performed prior to the issuance of the declarations of protection by the public authorities. This is the case of certain hydroelectric plants in Spain. There are also facilities for which – after an analysis of the alternatives, giving priority to avoiding protected areas, and after an environmental assessment process in which the mitigation hierarchy was applied – the competent authorities authorised the project. Such authorisation is based on the consideration that while the protected areas or high biodiversity-value areas could not be avoided, the preventive and palliative measures prevented the activities from having significant impacts on the protected habitats and species.

Therefore, following the impact assessment process, it was determined that the presence of such facilities in protected spaces or in high biodiversity-value areas was compatible with the protected elements, with the consequent implementation of measures to prevent, mitigate and compensate possible adverse effects.

The following table shows the Iberdrola facilities within or adjacent to protected spaces or in high biodiversity-value areas:

Facilities within or adjacent to protected spaces (PS) or in high biodiversity-value (HBV) areas.

Facility	Surface area inside PS or HBV	Surface area inside PS	Adjacent facilities	Type of protection
Spain				
Hydroelectric plants - Reservoirs	38,982 ha	26,397 ha	1 unit	Biosphere reserves, Ramsar Wetlands, Nature 2000 Network, National Parks, Natural Parks, Important Bird and Biodiversity Areas, and National Monuments.
Power lines	27,865 ha	14,481 km	.-	Nature 2000 Network, Ramsar Wetlands, National Parks, Natural Parks and Biosphere Reserves.
Substations	265 units	142 units	.-	Nature 2000 Network, Ramsar Wetlands, National Parks, Natural Parks and Biosphere Reserves.
Transformer centres	15,084 units	7,243 units	.-	Nature 2000 Network, Ramsar Wetlands, National Parks, Natural Parks and Biosphere Reserves.
Onshore wind farms	568 ha	244 ha	.-	Nature 2000 Network, Important Bird and Biodiversity Areas.
Photovoltaic plants	2,207 ha	96 ha	4 units	
Nuclear plants	82 ha	82 ha	3 units	Nature 2000 Network.
Combined cycles and cogeneration	0	0	6 units	Nature 2000 Network, Protected Landscapes, Biosphere Reserves and Protected Offshore Areas.
United Kingdom				
Power lines	3,826 km	3,067 km	.-	National Park, Nature 2000 Network, Ramsar Wetlands, National Nature Reserve (NNR) and Sites of Special Scientific Interest (SSSI).
Substations	369 units	293 units	.-	National Park, National Scenic Areas (NSA), Nature 2000 Network, Ramsar Wetlands, National Nature Reserve (NNR) and Sites of Special Scientific Interest (SSSI)
Transformer centres	7,480 units	6,312 units	.-	National Park, National Scenic Areas (NSA), Nature 2000 Network, Ramsar Wetlands, National Nature Reserve (NNR) and Sites of Special Scientific Interest (SSSI).
Offshore wind farms	21,710 ha	21,710 ha	.-	Nature 2000 Network and Protected Offshore Areas (MCZ)
Onshore wind farms	10,001 ha	0	8 units	Sites of Special Scientific Interest (SSSIs) and High-Priority Habitats, per Annex 1 to the Habitats Directive (92/43/EEC)

Facilities within or adjacent to protected spaces (PS) or in high biodiversity-value (HBV) areas.

Facility	Surface area inside PS or HBV	Surface area inside PS	Adjacent facilities	Type of protection
United States				
Onshore wind farms	32 ha	0	.-	National Forest Systems
Power lines	481.1	481.1	.-	National Forest (USFS), Natural reserve, State Forest Reserve, State Conservation Area, National Wildlife Refuge, State Forest, Wildlife Sanctuary, National Trail (NPS), National Scenic Trail.
Brazil				
Power lines	85,353 Km	85,265 Km	.-	Environmental Protection Areas (EPAs).
Substations	134 units	134 units	.-	Environmental Protection Areas (EPAs).
Transformer centres	110,560 units	110,560 units	.-	Environmental Protection Areas (EPAs).
Hydroelectric plants	4,813 ha	0 ha	1 unit	Important Bird and Biodiversity Areas (IBAs), High-Biodiversity Wilderness Areas (HBWAs), UNESCO-declared Biosphere Reserves, Key Biodiversity Areas (KBAs), Private Nature Park Reserves (RPPNs) in Brazil
Wind Farms	11.41 ha	1.3 ha	1 unit	Key Biodiversity Areas (KBA)
Greece				
Wind and solar farms	161 ha	159 ha	.-	Nature 2000 Network and Important Bird and Biodiversity Area (IBA)
Hungary				
Wind farms	0	0	1 unit	Near Nature 2000 Network and Ramsar Wetlands areas
Portugal				
Wind farms	0.09 ha	0.09 ha	.-	Nature Reserve
Cyprus				
Onshore wind farm	0.18 ha	0.18 ha	.-	Nature 2000 Network
Germany, Italy, France, Poland, and Romania				
None				

Threatened species in the vicinity of the facilities

■ GRI 304-4

Awareness of the species that live in the vicinity of the facilities is fundamental to the prevention of effects on them - all the more so if they are protected.

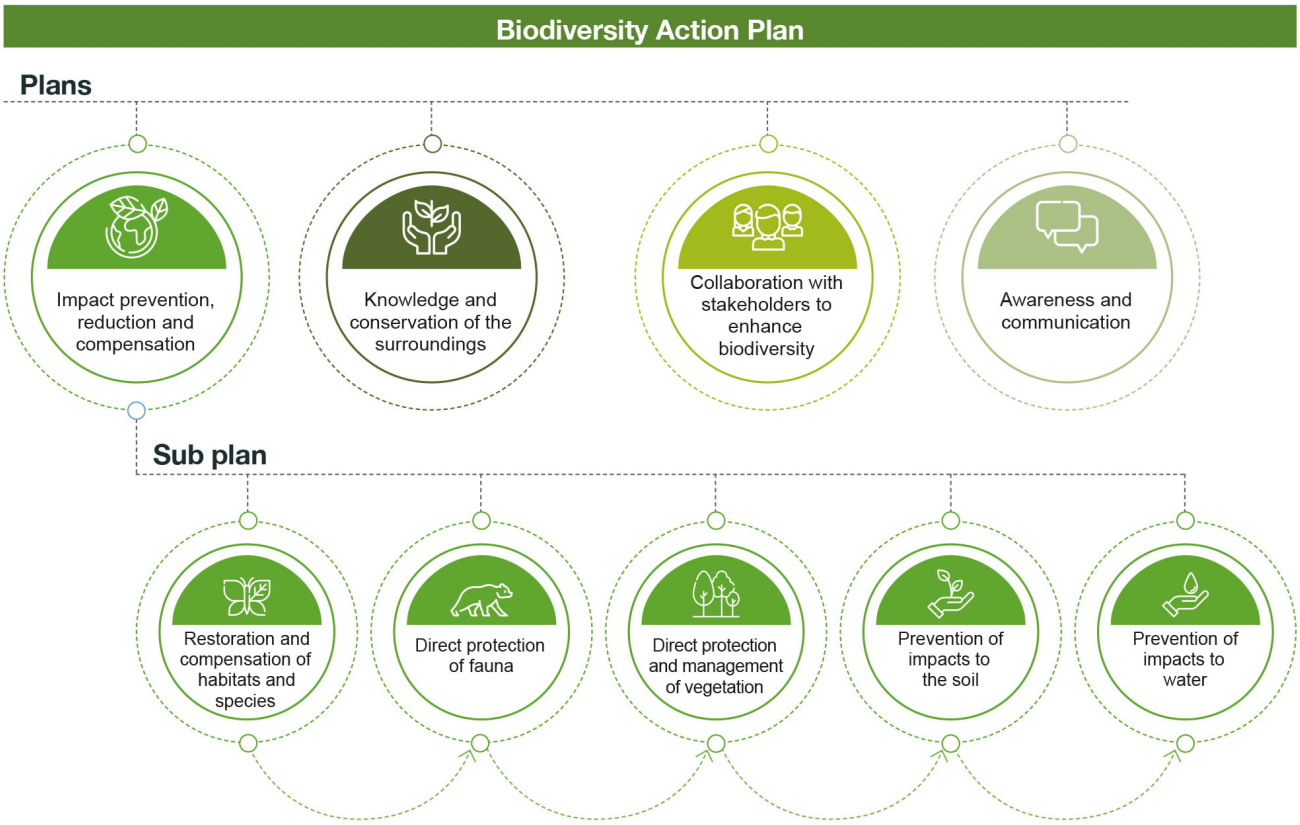
Iberdrola has identified threatened species included on the IUCN Red List and on the national and regional lists of the areas in which it operates that potentially could be affected by our facilities. It also conducts species monitoring programmes and research projects at many of its facilities with a view to learning more about their patterns of behaviour and incorporating this knowledge into its operations (see indicators **GRI 304** and **GRI 304-3**).

IUCN Red List Classification	
	No. of species
Critically endangered (CR)	15
Endangered (EN)	69
Vulnerable (VU)	121
Near threatened (NT)	116
Least concern (LC)	1,865

Action for biodiversity

In its *Biodiversity Policy,* Iberdrola establishes its priority lines for action, which are integrated in management of the operational units in action programmes and specific actions. These are:

- Protecting biodiversity and making sustainable use of natural capital, adopting a conservation hierarchy, integrating into its management the best practices along the entire lifecycle and promoting actions in favour of regenerating and conserving natural heritage.
- Continuously identifying, quantifying and evaluating the impacts and the dependencies of the Group's activities on natural capital, with a focus on biodiversity during the entire lifecycle of facilities, by promoting research and improving knowledge of the ecosystems in the environments of the territories in which it operates.
- Partnering with Stakeholders, considering their needs and expectations regarding biodiversity in order to integrate these needs and expectations in action plans, and participating in research projects.
- Commitment to raising awareness and reporting on the importance of biodiversity and internally and externally communicate the impact of our activities and actions for the preservation of biodiversity.



Iberdrola engages in more than 800 activities for the protection of biodiversity each year and publishes its *Biodiversity Report* which includes many of these activities, on a regular basis.

Tackling the drivers of biodiversity loss

The analysis of the impact of the group's activities on these drivers enables Iberdrola to take the measures required to prevent or minimise them. The drivers of biodiversity loss identified by the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) that can be tackled by Iberdrola are analysed below, as are the measures taken to prevent and minimise the impact of its activities.

Changes in land use

In a context of increased energy demand and decarbonisation, it is necessary to build new clean energy facilities, which must be environmentally friendly. This infrastructure often causes changes in land use and potential habitat loss, displacing species.

The Biodiversity Plan 2030 intensifies the company's efforts to integrate the search for opportunities to make the generation of renewable energies compatible with other uses and improve biodiversity in those territories in which it operates.

The Plan also reinforces the work done by the company to implement the mitigation hierarchy (avoid, reduce, mitigate, and compensate as a last option) in all project phases, from the design and Environmental Impact Assessment (EIA) processes to decommissioning after operation.

Most impacts resulting in diversity loss can be prevented in the design phase, for which reason we support knowledge of the area as the best tool to prevent or minimise effects on the environment. To properly select a site, Iberdrola avoids locating new infrastructures in protected areas (including World Heritage sites, national protected areas, Nature 2000 Network, and the respective International Union for the Conservation of Nature (UICN) categories, as well as unprotected areas of high biodiversity value, unless there are no alternatives or the only alternatives are less compatible with the environment. If significant impacts are identified during the evaluation process, the project is modified to the extent possible, and the best available techniques and any measures identified as necessary are employed to correct and minimise these impacts. Stakeholders are involved and consulted with throughout the entire design process, which makes it possible to incorporate good construction practices, going beyond the applicable legal requirements in each case. Once this process has ended, and during construction, Iberdrola continues to work with stakeholders, seeking to ensure that the environmental impact is as low as possible, restoring the affected areas and offsetting residual impact.

Iberdrola works to ensure that new infrastructure projects are a shelter for biodiversity while preserving local jobs. One example is photovoltaic plants in Spain, which have gone from being agricultural land to becoming biodiversity reservoirs thanks to the measures taken.

Habitat and species loss

■ GRI 304-3

A proper habitat is essential for ensuring the successful survival of local species, for which reason Iberdrola implements specific programmes and actions to avoid, reduce, restore and offset effects on habitats and species at its infrastructure, as well as to monitor their interactions in order to remedy the impacts. It also promotes volunteer programmes that contribute to reversing the loss of biodiversity in ecosystems. The most noteworthy actions and programmes carried out in 2022 are listed below. More information can be found in Iberdrola's *Biodiversity Report*.

Habitat conservation, restoration and compensation programmes

Iberdrola is committed to preserving and restoring forest ecosystems. For this reason, in 2020 it created the Trees Programme in 2020 for forest biodiversity and ecosystems in order to promote the conservation and planting of 20 million trees by 2030. Since its launch, the group has promoted the planting of 2.5 million trees.

Of particular note is the work carried out in Brazil in recent years, where conservation and regeneration activities have been carried out on more than 8,975 hectares and monitoring and conservation actions on more than 18,400 hectares in Permanent Preservation Areas. Activities in 2022 include a continuation of the creation of the Biodiversity Corridor in order to establish connectivity between the forest areas of Iguaçu National Park (PNI) and the Direct Influence Areas (AID) of the Lower Iguaçu Hydroelectric Plant, in the environs of the reservoir. Conservation activities have been carried out on 1,135 hectares as well as planting on 50 hectares to date. The corridor will comprise more than 3,000 hectares. Work has also continued to develop the Permanent Preservation Areas of Corumbá, Telespires and Itapebi. 25,000 trees were also voluntarily planted in partnership with Fundación SOS Mata Atlântica, as part of the Florestas do Futuro Programme, in the municipality of Marabá Paulista.

In the United Kingdom, more than 520,000 trees were planted in 2022 in the Kilgallioch, Mark Hill, Hare Hill, Black Law, Halsary and Glen App wind farms to improve habitats, provide benefits to wildlife, and to offset the construction of wind farms. Restoration work was also carried out on the land taken up by the landline cable at the East Anglia One offshore wind farm, where more than 1,600 trees were planted, 35 ha of grassland were sown, and 3,500 linear metres of hedges were recovered.

In Spain, monitoring works continued on nearly 2,000 hectares of voluntary reforestation, and an additional 57 hectares were planted in 2022 in Toledo and Ciudad Real.

In Mexico, the more than 25 hectares already planted in 2019 at the La Venta III wind farm continued to be maintained.

Iberdrola also promotes the restoration of other ecosystems. In 2022, work continued on the Habitats Management and Monitoring Plan with respect to the wind farms in Scotland, covering a total area of more than 10,000 hectares.

Iberdrola also works to ensure that new infrastructure projects are a shelter for biodiversity while preserving local jobs. This is exemplified by photovoltaic plants in Spain, as, for example, the creation of a new flora reserve to preserve orchids and other singular species at the Núñez de Balboa photovoltaic plant and the measures to encourage the settlement of species such as the lesser kestrel, vegetation management through sheep, and the promotion of ecosystemic services and local jobs, such as the placement of beehives at several of the photovoltaic plants during certain months of the campaign.

Fauna and flora species protection and conservation programmes

Iberdrola is working to minimise the impacts of its facilities on fauna and is taking actions to foster the protection and conservation thereof. Special attention has been paid to the effects of our windfarms and grids on fauna, particularly birdlife. Numerous actions have been taken in this regard, from adapting supports – more than 123,000 in Spain since 2018 – to implementing new bird protection methodologies, such as the installation of biological distancers to dissuade *Furnarius rufus* from building nests on distribution network poles in Brazil. Work continues to be carried out to reduce the risk of wind farm impact, implementing innovative detection and stoppage measures for wind farm turbines when birds and bats fly by, such as the installation of artificial intelligence surveillance cameras and deterrents such as painted blades and the placement of eye-patterned vinyls, among others.

Significant fauna and flora protection actions were taken at the Tâmega hydroelectric plant in Portugal, including the installation of 5 bat shelter boxes, reaching a total of 55 boxes in late 2022 and the restoration of 13 fish egg-laying sites. Reproduction work within the river mussel reproduction centre at the Tâmega Environmental Interpretation and Awareness-Raising Centre also advanced by 26% in 2022. The cumulative total of the reproduction work is 63%.

Wildlife protection materials were also installed at the substation transformer and other substation equipment at onshore wind farms in the United States to minimise the risk of wildlife incidents and plant shutdowns.

In the implementation of new projects, there are numerous activities to conserve and improve the habitats of threatened or unique species. In France, birds were protected through actions to fight the depredation of sea birds by carrion crows in Cap Fréhel at the Saint-Brieuc offshore wind farm. Measures to protect sea life, particularly sea mammals and sea turtles, are implemented at offshore wind farms in the United States. The purpose of the actions is to protect such species as *Balaenoptera borealis*, *Balaenoptera musculus*, *Balaenoptera physalus*, *Caretta caretta*, *Chelonia mydas*, *Dermochelys coriacea*, *Eretmochelys imbricata*, *Eubalaena glacialis*, *Lepidochelys kempii* y *Physeter macrocephalus*.

Wildlife tracking and monitoring programmes

Iberdrola carries out programmes to track threatened species or habitats that may be affected by its activities, in order to evaluate the success of its corrective measures, identify possible impacts and implement new measures to reduce such impacts where necessary. In addition to the tracking of birdlife and chiroptera at the group's wind farms, measures are underway to monitor fish and water bodies so as to protect the water environment in Spain, in addition to monitoring programmes with respect to herpetofauna, ichthyofauna and mastofauna at the hydro plants in Brazil, monitoring of feline species at the combined cycle plant in Altamira and benthic and marine mammal monitoring at offshore wind farms.

Vegetation management programmes

Iberdrola applies the best techniques to minimise effects in the form of soil loss due to erosion and acidification. These techniques include maintaining the vegetation cover at photovoltaic plants and refraining from using herbicides as well as avoiding the mass cutting of trees for street cleaning work related to fire protection lanes.

Programmes to foster knowledge and research for habitat and species conservation

Iberdrola is committed to supporting knowledge and research as key measures to protect and conserve biodiversity. Along these lines, the company continued in 2022 to support research such as the work carried out through the Coralizar Project on the effects of climate change on coral reefs and the Flyways Project to monitor wading and migratory birds, some of which are at risk of extinction, in northeastern and southern Brazil.

In Spain, studies on the evolution of biodiversity were carried out at several photovoltaic plants, the accounting framework for diversity was developed to monitor the group's Biodiversity Plan 2030, and work was done on the assessment of the natural capital at several facilities. The Migra Project also continued, the objective of which is to study the migratory movements of birds in Spain, with the launch of a project with the Migres foundation to analyse actions for the recovery of ospreys in Spain. Work is also under way to conserve habitats and species, such as the protection of feline species and mangroves in Mexico.

In addition, Iberdrola actively participated in the Montreal Biodiversity Summit, COP15, in the working groups of the National Commission of the Environment (CONAMA), and promoted conferences such as the one on biodiversity and offshore wind held on World Oceans Day through Scottish Power Renewables and in partnership with the UN Compact and the UICN, as well as conferences on ornithology, and has also sponsored the international conference of the International Association for Impact Assessment (IAIA21) , among other activities.

Climate change

All information on Climate Action can be found in chapter " I.3. Climate action."

Pollution

Eutrophication and eco-toxicity are problems derived from pollution. Iberdrola applies the precautionary principle and its environmental guidelines include preventing water and soil pollution through spillage or dumping.

To this end, pollution prevention programmes have been implemented within all organisations of the group, through actions to improve the safety and containment measures to prevent harm. These planned actions include building tanks to collect oil in the event of a mass spillage at substations and transformation centres, the insulation of retaining troughs, and the installation of containment barriers in sensitive environments.

Invasive species

Invasive species are animals, plants, or other organisms that develop outside their natural area of distribution, in habitats that are not their own or in an unusual abundance, causing alterations in ecosystem richness and diversity.

Control of these species is fundamental for the equilibrium of ecosystems. Iberdrola contributes to reducing these species both in the operation of its facilities (vegetation management and zebra mussel control programmes) and through dedicated volunteering actions.

III. Social

In the social dimension, Iberdrola focuses on continuous improvement of its engagement with its various Stakeholders and management of their expectations, as well as on respect for Human Rights in all its activities and those of its partners in the value chain.

Iberdrola works on creating and maintaining quality jobs. Its pillars in employee management are equality of opportunity, non-discrimination and talent development and management, without forgetting the concern for the health and safety of all its workers.

Iberdrola seeks to continuously improve the quality of the products and services offered to its customers through digitalisation and sustainability, developing solutions that take its customers' actual needs into account and provide them with increased independence.

Finally, in its commitment to the generation of value for all stakeholders, Iberdrola collaborates in the development of the communities in which it has a presence through various initiatives channelled through its subsidiaries or investees and its foundations in different countries.

In its commitment to continuously improve its relations with its stakeholders and management of their expectations and needs, Iberdrola has set the following goals as part of its sustainability roadmap:

GOALS	METRIC	2022	2025	2030	Related SDGs
Presence of women in relevant positions	% women	26.1 %	30 %	35 %	5
Presence of women in positions of responsibility	% women	34 %	35 %	36 %	5
Equal pay external certification	Equal pay certification	In progress	√ [1]		5
Accidentality rate (own employees)	TRIR (reduction vs 2021)	-6.4 %	- 10 %	- 21 %	8
Employee training	Hours per employee (annual)	67.9	≥ 55 h	≥ 55 h	4 5 8
Quality of supply	Reduce the Global SAIDI (vs 2019-21 period avg)	--4 %	-10 %	-	9
Smart Grids	% HV & MV grid	76 %	83 %	-	9
Installed charging points [2]	Thousands	34.4	110	400	9 13
Digital customers (with a registered user in digital channels)	% of total commercial customers	66.12	73	80	8 9 13
Beneficiaries of the "Electricity for all" program	Millions of beneficiaries (cumulative)	11	14	16	8 9
Beneficiaries of the foundations programs	Millions of annual beneficiaries	5.7	8	10	1 8
Corporate volunteering	No of annual volunteers (thousands of employees and companions)	17	15	18	4 10 13
Purchases from local suppliers	% of total purchases	87.1 %	≥ 80 %	≥ 80 %	16
Purchases from sustainable suppliers	% of total purchases	91.5 %	≥ 85 %	≥ 85 %	16
Inclusion and diversity solutions	Number of solutions	29	30	-	10
Human Rights Due Diligence procedure	Continuous review	√	√	√	8 13
Formal Stakeholder Engagement Process	Keep increasing the deployment of the scope of the Stakeholder Engagement Process	√	√	√	17
Cybersecurity assessments	Number of annual assessments or external verifications	1,919	2,000	2,000	8 9 17
Cybersecurity education and training	Number of annual hours	75,722	63,000	68,000	4 8 9

1 31/12/2024
2 Referred to logic terminals.

III.1. Protection of human rights

- Iberdrola's commitment to human rights
- Human rights due diligence system

Iberdrola's commitment to human rights

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Iberdrola has a firm commitment to the defence of human rights, and has a set of tools that ensure and promote the protection of and respect for people, in order to prevent, mitigate and redress any negative impact on human rights.

To achieve this, the company's practices are aligned with:

- the Principles underlying the United Nations Global Compact,
- the United Nations Guiding Principles on Business and Human Rights (GPBH),
- the OECD Guidelines for Multinational Enterprises,
- the Tripartite Declaration of Principles concerning Multinational Enterprises and the Social Policy of the International Labour Organization,
- the conventions of the International Labour Organization (ILO) (including convention 169 concerning indigenous and tribal peoples), and
- the Sustainable Development Goals (SDGs) approved by the United Nations.

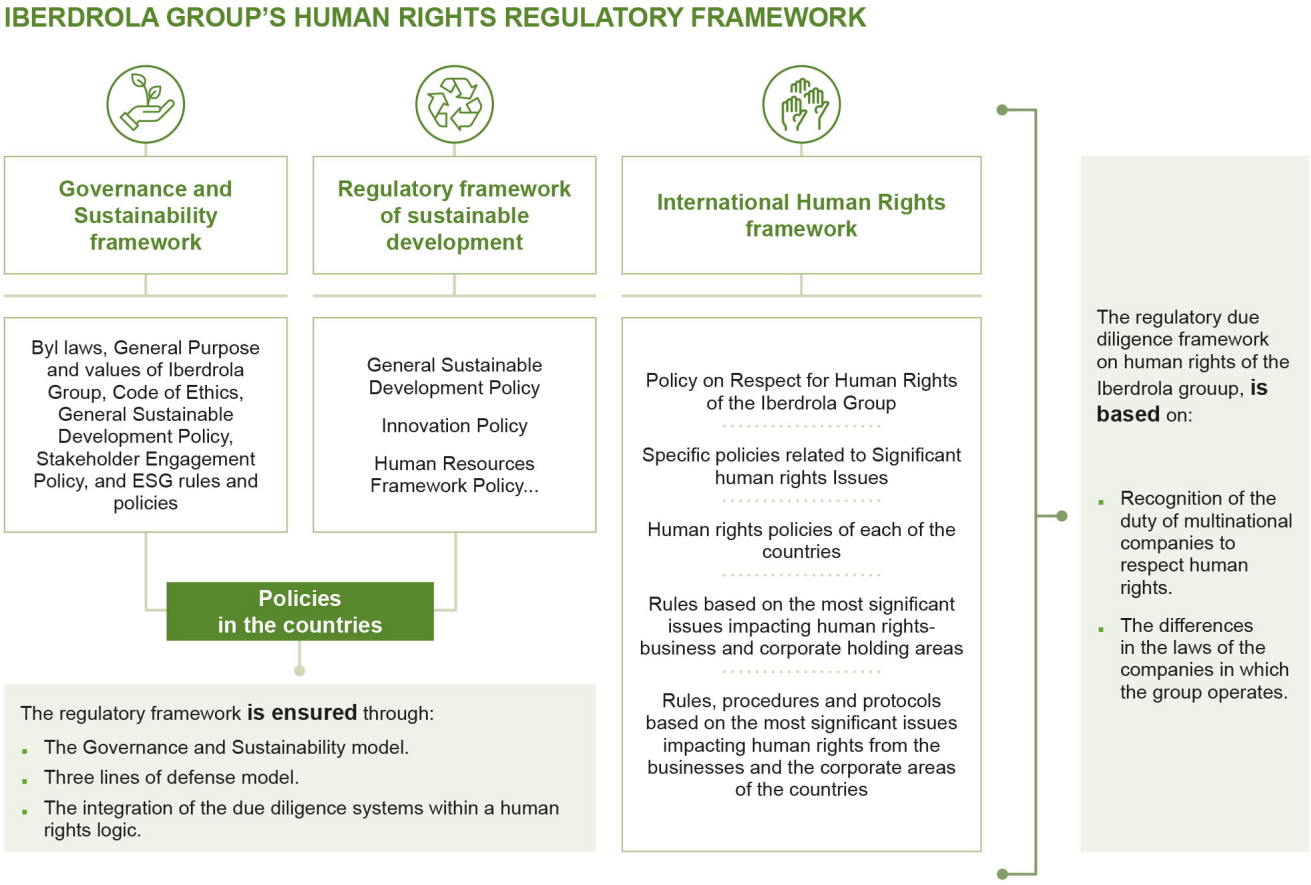
Iberdrola's commitment to human rights is formalised in its *Policy on Respect for Human Rights,* approved by the Board of Directors in 2015 and last revised in December 2022. This policy establishes the mandatory principles of conduct for all the group's professionals, as well as the need to have the governance procedures and systems required to ensure respect for human rights in relation to the company's business, the countries where it operates, and its value chain.

Through this policy, the company has made the following commitments, among others, associated with international human rights standards:

- To respect human rights, including the labour rights recognised in domestic and international law, as well as comply with international standards in those countries in which human rights legislation has not reached an adequate level of development.
- To reject child labour and forced or compulsory labour or any other form of modern slavery and to respect freedom of association and collective bargaining, as well as non-discrimination, the freedom of movement within each country, and the rights of ethnic minorities and of indigenous peoples in the places in which it does business.
- To respect the right to the environment of all communities in which it operates, considering their expectations and needs and understanding access to energy as a right related to and linked to other human rights.
- To advance a culture of respect for human rights and promote awareness-raising in this field among its professionals within all companies of the group, and especially at those where there may be a higher risk of violation of such rights.

To guarantee compliance with these commitments, Iberdrola has established the adequate governance and management structures to ensure that duties and responsibilities in this area have been assigned.

Human Rights regulatory framework of the Iberdrola group



The Company has also defined an overall human rights due diligence framework with the aim of better integrating all issues relating to human rights into a single system.

This system is in turn based on the *Governance and Sustainability System* and on the Control Model of the Company based on three lines of defence (prevention, monitoring, and human rights management assessment). It is a process of continuous review that seeks to promote the implementation of the UNGPs, adjusted for the size of the company and the diversity and particularities of the facilities in the various countries. (For more information, see the: "Human rights due diligence system" section of this chapter).

The cross-dimensional nature of the due diligence system is assured through specific management policies for significant human rights issues. The *Policy on Respect for Human Rights* is thus reflected in various policies and operational procedures that apply across all group companies, as well as in non-integrated investees over which the Company has effective control, within legal limits.

Other policies and standards that directly affect or are related to the company's commitment to human rights have also been approved: *Regulations of the Board of Directors and Regulations of the Sustainable Development Committee*, *Code of Ethics and Suppliers' Code of Ethics, General Sustainable Development Policy, Stakeholders Engagement Policy People Management Policy; Equality, Diversity and Inclusion Policy; Recruitment and selection policy; Knowledge Management Policy; Corporate Risk Policies* and *Senior Management Remuneration Policy, Cybersecurity Risk Policy, Corporate Security Policy, Environmental policies: Sustainable Management Policy, Environmental Policy, Biodiversity Policy* y *Climate Action Policy.*

Human rights risk map

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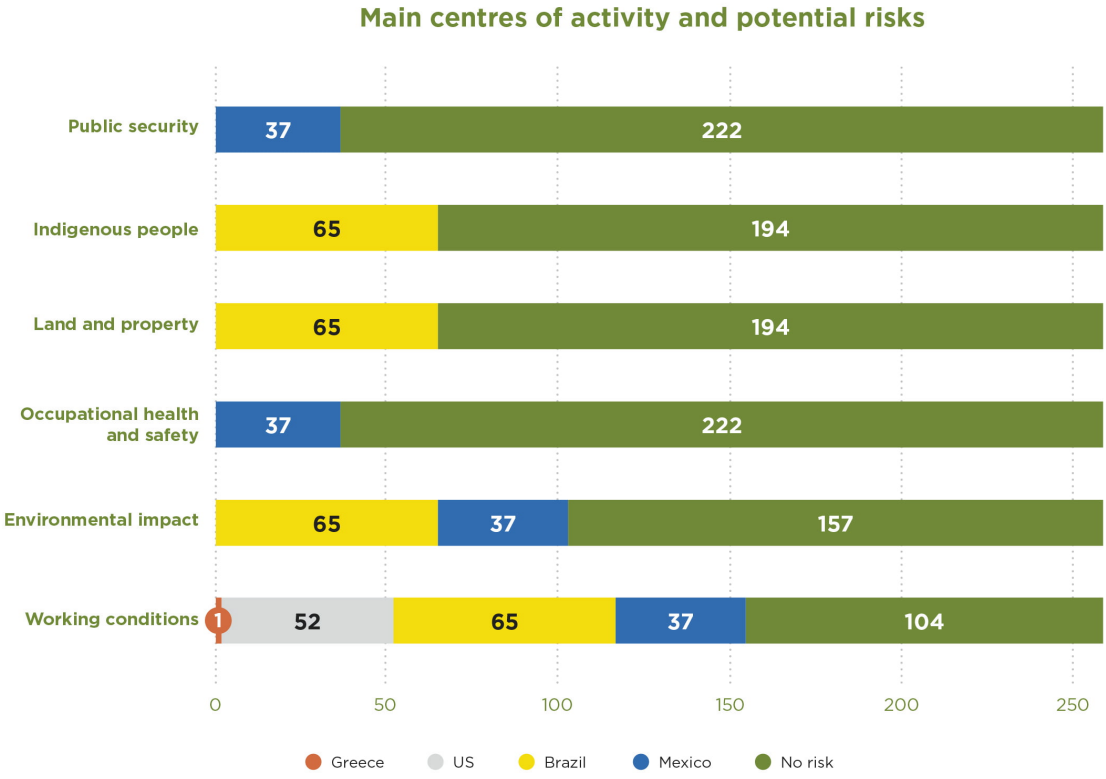
Iberdrola has a human rights risk map that covers both the country in which the group operates and those from which it obtains its supplies.

The map is updated on a regular basis through independent external specialists. Unlike other generic indices on the market, it allows the risks specific to the energy sector to be weighted and supplemented with the particular characteristics of Iberdrola's activities, providing results more closely aligned with the company's reality.

The results of the risk map are cross-checked with the list of the main locations of operation to identify those facilities where there may be a greater risk of human rights violations.



Iberdrola carries out a human rights risk analysis at 100% of its main locations of operation (259 locations of operation). The result of this analysis in 2022 showed that 60% of these locations, in the United States, Brazil, Mexico and Greece, present possible risks in one or more of the following human rights issues: labour conditions; environmental impact; occupational safety and health; public safety; indigenous peoples; and lands and property.

Likewise, Iberdrola evaluates 100% of its main providers of general supplies and fuels regarding compliance with certain corporate social responsibility principles established in their contracts, which consider human rights among other aspects. The results of this analysis are included in the "Suppier social assesment" section of this report.

Human rights due diligence system

Iberdrola understands the Human Rights Due Diligence System as an ongoing process intended to identify and manage the risks and impacts associated with the performance of all phases of its operations (planning, construction, operation, maintenance, and closure of electricity and energy sector facilities), considering the geographic and social context and the characteristics of its supply chain.

As a result of a broad definition of human rights, the due diligence system is based on various subsystems and their procedures (e.g., Compliance, Health and Safety, Purchases, and Cybersecurity, among others), which manage the matters for which they are responsible.

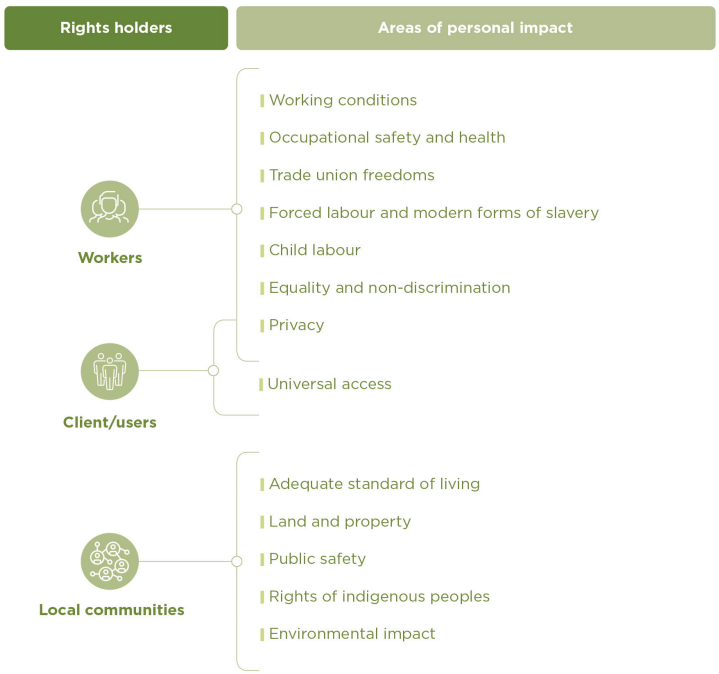
The implementation of the due diligence system ensures the identification of actual and potential impacts on human rights, the integration of the conclusions of this analysis and relevant action, follow-up on the company's responses, and communication of the way in which negative consequences are dealt with.

Identification of impacts

Identification of impacts is the first step in the implementation of the system. The methodology employed for this purpose adopts the UNGP recommendations and allows for the evaluation of potential impacts, significant issues, and issues of priority regarding human rights.

1. **Potential impacts,** understood as those impacts that might be caused by the very nature of the business and the countries in which the company operates, as well as other additional factors. According to the risk map, the areas of potential impact and the Stakeholders that might be affected would be the following:

Areas of potential impact and rights-holding stakeholders



2. **Relevant impacts** for the company, determined on the basis of the severity, reach, and possibility of remediation, as well as their likelihood and the extent of the company's connection to them. In accordance with these criteria, the main relevant human rights impacts for Iberdrola pertain to:
    - Labour practices (including the supply chain).
    - Local communities and the rights of indigenous peoples (including the environment).
    - Cybersecurity and information privacy.
    - Citizen insecurity and labour practices in the hiring of security services.
3. **Priority impacts**, for which an action plan is established based on their significance.

After identifying the potential impacts, Iberdrola triggers measures to prevent and mitigate them, which are horizontally integrated across all levels of the company.

■ GRI 2-25

However, even valid risk prevention systems are unable to prevent adverse impacts in all cases. For this reason, when the due diligence system detects an actual negative impact, mitigation plans are implemented to reduce the magnitude of the impact. In those cases in which this is not fully possible, remedial action is required. Iberdrola implements **remedial actions or measures** to ensure that victims and affected people have access to an effective remedy through legitimate processes and active cooperation. Remedial actions are intended to restore one or more of the affected rights, returning the affected people to the situation prior to the impact or, if this is not possible, reestablishing it as much as possible through various types of remedy.

Along these lines, Iberdrola has taken certain actions to prevent and mitigate its main human rights impacts.

As regards its **employees**, the company has worked, for instance, to ensure that their labour conditions provide them with a decent wage, a safe workplace that takes their mental health into account, as well as respect for diversity, inclusion, non-discrimination and equality of opportunity. These measures are described in the "Commitment to quality employment", "A safe work environment" and "Diversity and inclusion" sections of this report.

In the area of Labour Practices, Iberdrola has also taken action to ensure that the labour practices adopted in its **supply chain** make it possible to prevent or mitigate the impacts identified. Thus, the company has integrated various factors to ensure respect for human rights in the various stages of its engagement with its suppliers, together with other support and training initiatives for their improvement. Both types of measures are described in the chapter "III.5. Promotion of socially responsible practices in the supply chain".

Within Labour Practices, other relevant issues are modern slavery and forced labour, which are some of the most serious human rights impacts that may arise, both regarding company employees and those in its supply chain. The group pays special attention to the potential risk of forced labour, due to its seriousness and to the fact that ScottishPower is bound by the UK Modern Slavery Act and Iberdrola Australia is bound by the Commonwealth Modern Slavery Act. For this reason, in 2022 the company modified its *Policy on Respect for Human Rights* to specifically state its commitment on this matter. Iberdrola also worked to better understand and assess this risk and incorporate its management into the good practices already existing within the group, in particular those arising from Australia and the United Kingdom.

Local communities are other stakeholders on whom Iberdrola's activities can have potential or actual impacts. The company has taken various actions to prevent and/or mitigate, including measures to reinforce safety at power grids, ensure that the displacement of populations respect the affected parties' rights, guarantee responsible supply that takes into account the rights of communities in access to natural resources, and, finally, respect the rights of indigenous peoples and ethnic minorities in accordance with applicable law. These measures are specified in the "III.6. Contribution to the well-being of our communities" section, as well as in this chapter of the report.

The hiring of security services with potential impacts on the physical safety of communities is another significant risk identified by Iberdrola. The company has a *Corporate Security Policy*, as well as various procedures to ensure that its implementation is compatible with the applicable regulations. It has also specified protocols of conduct for all the activities provided by the Security Division. This management approach goes hand in hand with other actions, as well as with a significant effort in training for own and subcontracted personnel performing security activities, as described later in this chapter.

Iberdrola has also launched several initiatives pertaining to the potential impacts that may affect the **customers and users of its services**. In this context, cybersecurity and information privacy are a priority, which the company manages with a unique governance model, specific technical and organisational techniques in each business and area, and a data protection management system, among other actions. Each of them is described in more detail in the "Cybersecurity and information privacy" chapter.

The company also considers supply quality and universal access to energy as another area that could produce various impacts in terms of human rights, which have been worsened by the COVID-19 pandemic, the latest increase in energy prices due to the rise in commodity prices, and other international factors. The main measures implemented by Iberdrola in this area are described in the "III.6. Contribution to the well-being of our communities" chapter.

In addition to these actions to manage specific impacts on human rights, Iberdrola has developed a wide range of **management measures that are generally integrated** into the relevant functions and internal processes across the group. Examples include the establishment of incentives associated with sustainability and responsible fiscal conduct (see "IV.1. Governance, transparency, and stakeholder engagement" section), training and qualification in human rights (described in this chapter), as well as the analysis of indices and rankings and participation in multi-player initiatives relating to human rights that make it possible to identify trends and integrate lessons learned.

Finally, in accordance with the UNGP, Iberdrola has also implemented a system to monitor the due diligence measures adopted, allowing for examination of the way in which the company has responded to an impact, and whether this response served to prevent and mitigate it and the extent to which it did so.

To achieve this goal, regular assessments are carried out through internal monitoring of all relevant human rights information, independent experts are consulted, and quantitative and qualitative indicators are used to specify potential improvement actions. This monitoring is based on internal and external sources of information, including ethical mailboxes and channels for complaints and grievances, among others. The Company's *Human Rights Report* summarises the methodology to conduct this monitoring, as well as the main conclusions reached (See section 3.4).

Complaint and grievance mechanisms

■ GRI 2-25

Iberdrola has developed mechanisms to file complaints and grievances in accordance with the UNGP, to face any potential negative consequences early, and carry out remedial actions where applicable.

These mechanisms allow the affected parties to convey their concerns, complaints and grievances to the company, and also play a key role in monitoring the effectiveness of the measures previously implemented to mitigate and/or remedy impacts.

The main mechanisms are the ethical mailboxes available online and on the intranet, on-site complaint channels, corporate inboxes, and judicial and/or administrative complaints, among others.

There is a **procedure in place to classify, monitor, and report complaints and reports with a potential impact regarding human rights,** which facilitates the classification of the complaints received through the different channels and ensures that all cases are resolved.

The information related to human rights complaints and grievances received in the area of Compliance are described in the chapter on "Ethics and Integrity" and those relating to workplace discrimination of company employees in indicator **GRI 406-1**.Complaints and grievances relating to human rights are specified in the "Social Assessment of Suppliers" section as it is a case pertaining to a contractor.

Those relating to the Environment are reported in the " II. Environmental" chapter and in the "III.6. Contribution to the well-being of our communities" section, while those on Cybersecurity and Information Privacy are included in indicator **GRI 418-1**.Finally, those relating to Social and Economic Compliance are reported in indicator **GRI 2-27**.

This report also provides some examples of remedial actions carried out during the year to respond to the complaints and grievances that required this type of response. These actions are described in the "Population displacement management", "Social impact assessments" and "Development programmes for local communities".

Progress and results

Iberdrola's achievements in human rights management in 2022 include:

- Modification of the *Governance and Sustainability System* to attribute to the Sustainable Development Committee the power to regularly report on human rights to the Board of Directors regarding the measures and procedures adopted by the group to implement and monitor the policy on respect for human rights.
- Specific inclusion in the *Policy on Respect for Human Rights* of the company's commitment to preventing modern forms of slavery and also requiring this of its suppliers.
- Update of the human rights risk maps in operations and countries of supply based on the specific methodology implemented.
- Communication and reporting on advances in the due diligence system is one of the key pillars of an effective due diligence system, for which reason accountability on human rights management was increased in 2022 by means of Iberdrola's first *Human Rights Report,* which was externally assured by an independent third party.
- Incorporation of specific modern slavery issues to analyse this risk in the registration of new suppliers.

III.2. Stakeholder engagement

- Stakeholder engagement

Stakeholder engagement

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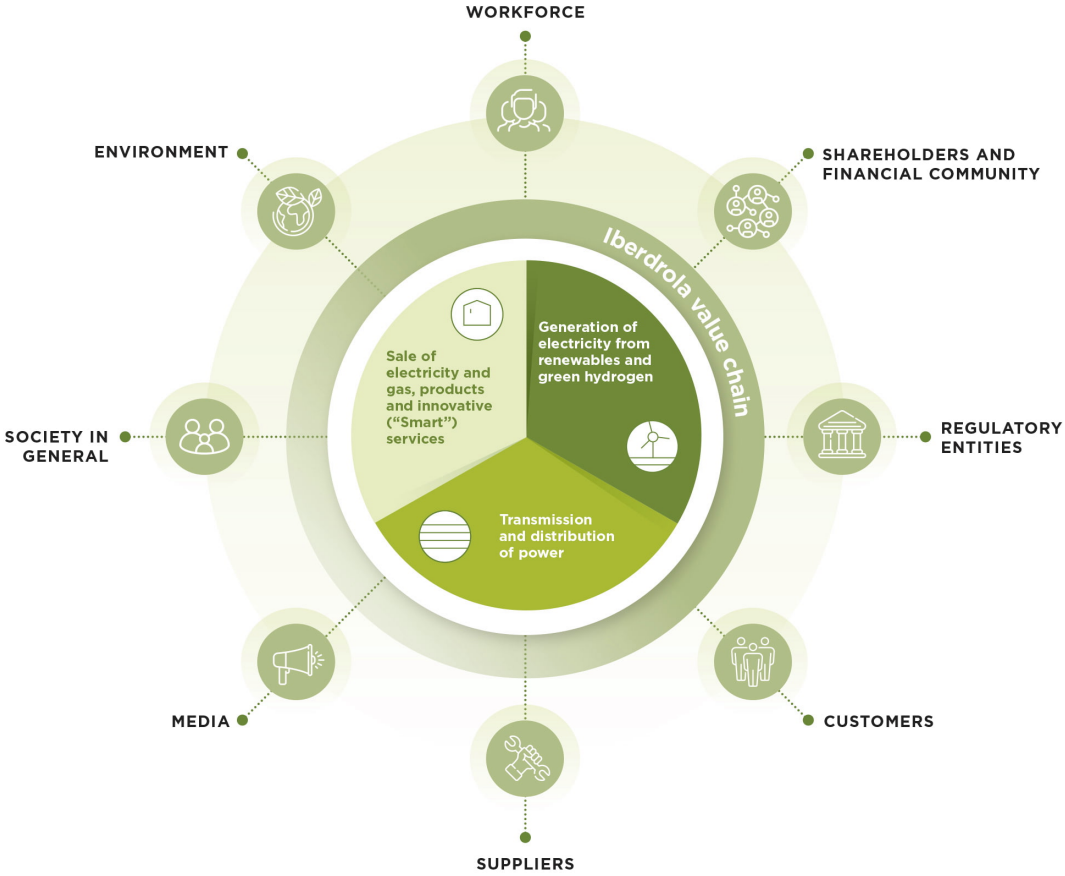


Iberdrola's *Stakeholder Engagement Policy* –approved by the Board of Directors in February 2015 and last amended in December 2021– emphasises that "it is not possible to achieve the social interest and develop a responsible and sustainable business model without the strong engagement of the Company's Stakeholders, which are defined as those groups and entities whose decisions and opinions have an influence on Iberdrola and who, at the same time, are affected by the Iberdrola group's activities". The value chain comprised of Iberdrola's businesses means that there is a large number of these groups, for which reason the company has decided to group them into eight different categories that constitute its Stakeholders.

The initial identification and selection of Iberdrola's Stakeholders was carried out through processes of internal reflection conducted by the management team. *The Stakeholder Engagement Policy* later ratified the Stakeholder categories described in the preceding section in 2015 and subsequent updates.

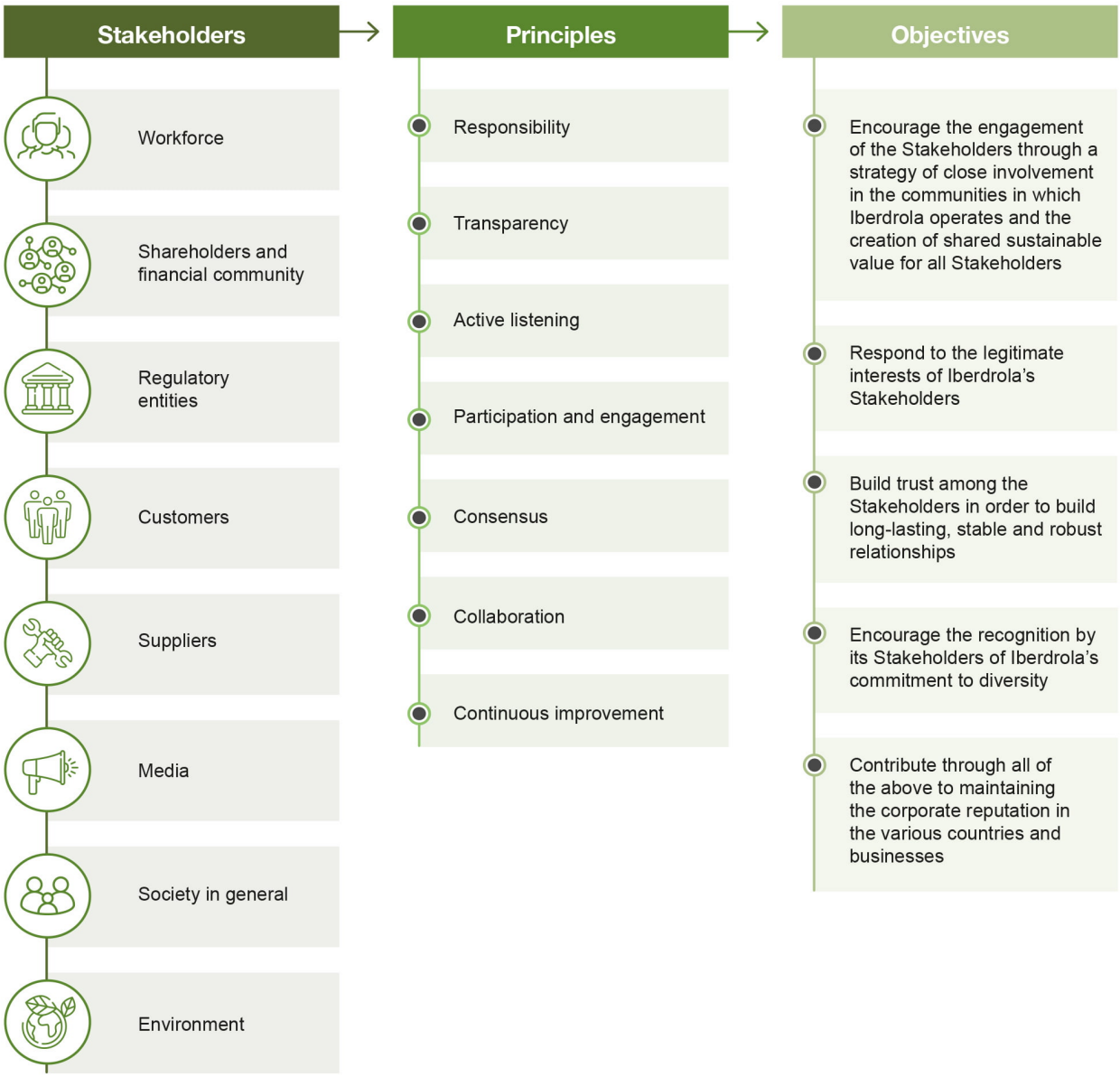
On this basis, for the proper management of each of the Stakeholders, Iberdrola's various areas and businesses identify different subgroups that they deem relevant for more specific treatment.

Approach to Stakeholder engagement

Iberdrola has a responsible, sustainable and resilient business model that puts *Stakeholders* eat the centre of its decisions. The company's objective is thus to build relations of confidence with the various Stakeholders, as well as to deepen their participation, engagement and collaboration.

The *By -Laws*, the *Purpose* of the Iberdrola group and the various *corporate policies* express the company's focus on the creation of shared sustainable value for Stakeholders related to our business activities and our institutional reality in view of the commitments made in the *Code of Ethics*.

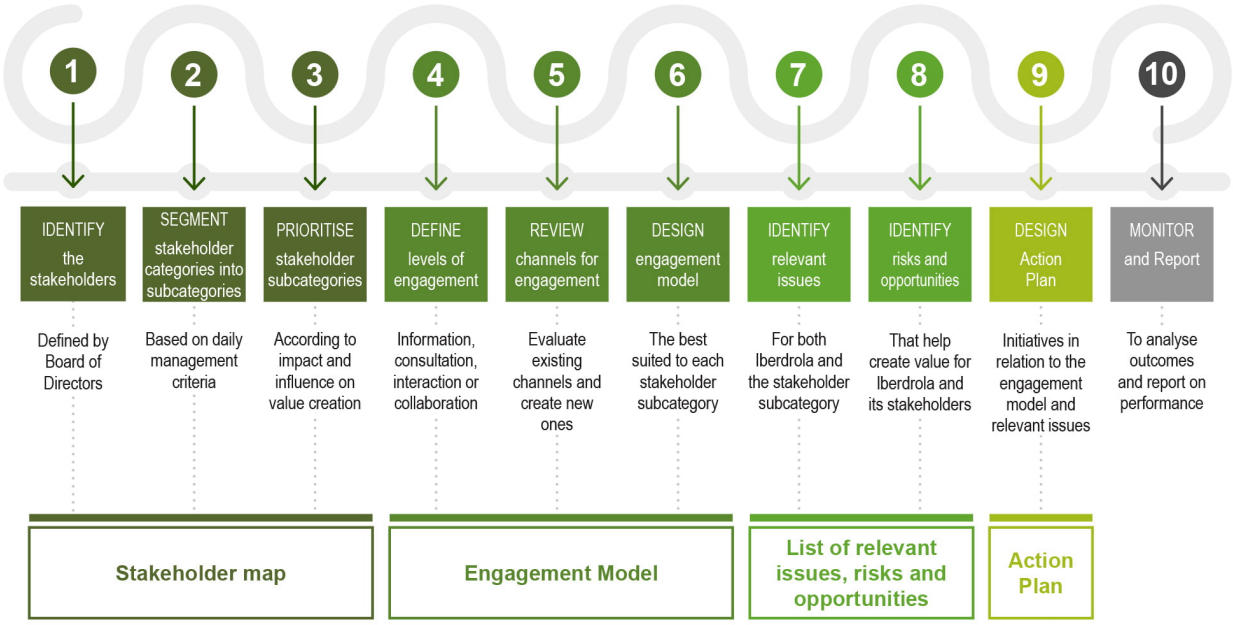
In this regard, the *Stakeholder Engagement Policy* further develops this business philosophy and establishes five objectives and seven principles of conduct, which serve as a guide for all the group's professionals to act and engage with Stakeholders.



Iberdrola has decisively driven compliance with its *Stakeholder Engagement Policy* (mentioned above), through a Global Stakeholder Engagement Model based on the AA1000 Stakeholder Engagement Standard 2015 (AA1000SES 2015), the AA1000 AccountAbility Principles 2018 (AA1000AP 2018) standard, and in its four principles of inclusiveness, materiality, responsiveness and impact.

Among other objectives, this Model seeks to systematise Stakeholder relations throughout the Iberdrola group, in all countries and businesses, and to create a corporate culture with respect to the significance of dialogue with the Stakeholders for more sustainable performance by the company. The Model constitutes a process of continuous improvement in and of itself, as shown below:

Stakeholder engagement model ensuring a process of continual improvement



This process is implemented in the management of Iberdrola's eight Stakeholder group in the five main countries and at most of the Generation and Sustainable Energy facilities, as well as in the various geographic areas of the Networks business.

It should be noted that the Model addresses the concept of impact from three different points of view: the impact of reputational risks on Iberdrola; the impact of the action plans on Stakeholders; and the impact of significant events on Stakeholders. This last aspect was recently introduced in the Model, taking into account the latest reporting trends and standards. The ultimate goal is to enhance positive impacts and minimise/mitigate those that are more negative for Stakeholders and the company itself.

Relationship channels, significant topics and best practices

Iberdrola keeps the relationship channels[32] with its Stakeholders updated and makes continuous efforts to identify the issues that are most important to each of them. An analysis of these issues shows that, while there are issues exclusive to each geographical area, most are common to Iberdrola's five main countries. The company also identifies best practices in relation to Stakeholders, which are shared by the entire group.

[32] The *By-Laws* state that "the Company´s corporate website its presence on social media and its digital communication strategy generally are channels of communication serving the *Stakeholder Engagement Policy*"

Set out below is a summary of the most important Stakeholder engagement channels, both face-to-face and online, and the main global issues detected, both generally among all Stakeholders and specific to each Stakeholder group. Also included is a best practice example for each of the main countries in which Iberdrola does business:

Significant general channels and issues for all Stakeholders

GENERAL CHANNELS	FREQUENCY
Telephone, email, website and intranet	Constant
Meeting and interviews	Periodic

SIGNIFICANT GENERAL ISSUES
Ethics, integrity and transparency
Fight against climate change and energy transition
Innovation, digitalisation and cybersecurity
Electricity prices
Vulnerable customers
Strategy, investment plans, financial outlook and regulatory changes
Local communities and respect for human rights
ESG Performance
Sustainable Development Goals

Relevant Stakeholder-specific channels and issues

Workforce

SPECIFIC CHANNELS	FREQUENCY
Meetings with CEO and management team	Periodic
Intranet, newsletter and employee management platform	Constant
Volunteer Channel and Unique Employment Channel	Constant
Labour climate surveys	Periodic
WhatsApp for employees	Constant
Ethics mailbox	Constant

SIGNIFICANT SPECIFIC ISSUES
Talent recruitment, development and retention
Occupational health and safety
Diversity, inclusion and equal opportunities
Work-life balance, social benefits and digital disconnection

Shareholders and financial community

SPECIFIC CHANNELS	FREQUENCY
General Shareholders' Meeting	Periodic
Shareholders' Club, shareholders' website, exclusive OLS channel	Constant
Shareholders' Bulletin	Periodic
Earnings presentations, Capital Markets & ESG Day and roadshows	Periodic
Investor Relations App	Constant
Corporate reports	Periodic
Shareholders' Ethics Mailbox	Constant

SIGNIFICANT SPECIFIC ISSUES
Economic and financial performance
Evolution of share price and dividends
Socially responsible investment and green finance
ESG indices, ratings and rankings

Regulatory entities

SPECIFIC CHANNELS	FREQUENCY
Queries and procedures	Constant
Informational websites and capsules	Constant

SIGNIFICANT SPECIFIC ISSUES
Present and future regulatory framework of the energy sector
Remuneration of the businesses
Public policy issues
Supply quality

Networks Business customers

SPECIFIC CHANNELS	FREQUENCY
Digital channels (customer website, app)	Constant
Remote channel (telephone)	Constant
Satisfaction surveys	Constant
Complaint systems	Constant
Communication and dissemination campaigns	Periodic

SIGNIFICANT SPECIFIC ISSUES
Service quality
Management of complaints, claims and incidents
Smart grids
Access and connection to the network
Customer experience and satisfaction

Liberalised Business customers

SPECIFIC CHANNELS	FREQUENCY
Digital channels (customer website, social media, chat, Iberdrola Customers app, Public Recharge app)	Constant
Remote channel (telephone)	Constant
Customer service desks, pop-ups	Constant
Satisfaction surveys	Constant
Communication and dissemination campaigns	Periodic

SIGNIFICANT SPECIFIC ISSUES
Customer experience and satisfaction
Management of complaints, claims and incidents
Smart solutions (Smart Mobility, Smart Home, Smart Home, Smart Climate)
Energy efficiency and customised plans

Suppliers

SPECIFIC CHANNELS	FREQUENCY
Supplier registration and classification platform	Constant
Satisfaction survey	Periodic
Bidding software systems Supplier Service Centre	Constant
Suppliers' website	Constant
Suppliers' ethics mailboxes	Constant

SIGNIFICANT SPECIFIC ISSUES
Supply chain sustainability (including the circular economy)
Procurement, contracting and payment conditions
New projects and facilities
Stimulus campaigns

Media

SPECIFIC CHANNELS	FREQUENCY
Corporate website	Constant
Press releases/announcements	Periodic
Events and meetings	Periodic
Social media	Constant

SIGNIFICANT SPECIFIC ISSUES
Economic and financial performance
New investments, projects and facilities
Social impact and contribution
Environmental and corporate governance issues
Equality and diversity

Society in general

SPECIFIC CHANNELS	FREQUENCY
Media and social media	Constant
Working events and groups	Periodic
Partnership agreements	Periodic
Network of institutional delegations in the autonomous communities	Constant

SIGNIFICANT SPECIFIC ISSUES
Iberdrola's impact on community development (employment, investment, taxes, local procurement, etc.).
Engagement of local communities and Stakeholders in operations
Fostering relations with institutions and organisations, agreements and alliances
Awareness-raising, disclosure and training on specific industry issues

Environment

SPECIFIC CHANNELS	FREQUENCY
Corporate website and reports	Constant
Inspections and audits	Periodic
Alliances, partnerships, events and conferences	Periodic

SIGNIFICANT SPECIFIC ISSUES
Biodiversity and natural resource management
Decarbonisation
Circular economy
Water availability and management

Iberdrola's Generation, Networks and Sustainable Energy facilities mainly manage three Stakeholders: Regulatory entities, Society and Environmental[33]. The most significant issues of interest refer to regulatory compliance, the economic and social impact of the facilities on local communities, and environmental impacts and the mitigation thereof.

Best practices by country

Spain	Special Stakeholder Engagement Plan for the Duero River Basin (Castilla y León) Over the past two years, Iberdrola has developed a special Engagement Plan for the area surrounding its facilities in the Duero river basin, the purpose of which has been to strengthen relations with Stakeholders in the area. This Plan is based on a process of active listening and has allowed Iberdrola to gain an in-depth understanding of the expectations of the main players in the area, and to explain in detail the technical management of the reservoirs by our company. This initiative has been a beneficial exercise in communication with local and regional authorities, business associations and local groups (fishermen, sports clubs, irrigation users, etc.). Iberdrola has therefore launched various initiatives related to sustainable mobility (such as the installation of recharging points), the commitment to the environment and the fight against climate change (reforestation in various municipalities), and sports activities (hiking).
United Kingdom	People-centred employee networks ScottishPower's employee networks are created and managed with a real drive and interest in bringing people together, since their different backgrounds and experiences make the teams stronger. Supported by ScottishPower and run entirely by employees, the growing number of networks have helped to build the business and also to attract and retain diverse talent and to create an open and supportive workplace where everyone can grow. There are currently several specific networks, including those related to professional development, LGBT, gender, parenting and care, climate, multi-ethnicity, people with disabilities, etc.
United States	Campaigns for active listening and public dissemination of projects Community information and involvement work is carried out by specialised public outreach teams for each of AVANGRID's Network Business projects. The community is therefore given a voice and a communication channel is created through which the needs and expectations of the Stakeholders on the different projects are identified. This allows important issues to be addressed at an early stage in order to avoid potential obstacles in the future and achieve positive results. The different public outreach campaigns include face-to-face meetings with the community, distribution of information brochures, website, surveys and billboards, among other activities.
Brasil	Public safety awareness campaign in relation to the electricity grid Neoenergia companies launched the Safe Community Programme in 2022, which focuses on the safety of the population through proper use of electricity. The campaign aims to improve how people coexist on a daily basis with the distribution network through awareness-raising actions. These actions are based on identifying the main causes of accidents involving the grid and will be carried out mainly at schools, community organisations, social institutions and companies. They promote training and conferences, including the distribution of accident prevention bulletins. As a result, the number of accidents and fatalities fell considerably during the year.
México	Responsible and sustainable partner company Iberdrola Mexico carries out various social and environmental projects that are of common interest to all stakeholders. These programmes most notably include Luces de Esperanza, which brings electricity through solar power to rural communities that do not have an electricity supply; Impulso STEM, which encourages women to pursue STEM careers; and Huertos Comunitarios, which seeks food self-sufficiency, among other programmes. To enhance the connections with our stakeholders, the Sustainable Partnerships Programme was created with the aim of strengthening this relationship, especially among our customers, through volunteering, workshops and webinars. All of these programmes have a positive impact on the communities, and significantly improve the public's knowledge and opinion of the Company.

Iberdrola's response to all of these issues is reflected not only in the various indicators of this *Statement of non-financial information. Sustainability report*, but also in the various *Annual reports of the Company*. The corporate website and the websites of the businesses and the foundations also contain information in this regard.

[33] In the case of the cogeneration plants, the main Stakeholder group is 'Customers', for whom the most significant issue is customer satisfaction and experience.

Similarly, this *Statement of non-financial information. Sustainability report* includes Iberdrola's main impacts on its various Stakeholders, in line with the "social dividend" concept established by Iberdrola's *Governance and Sustainability System*, understood as "the direct, indirect or induced contribution of value that its activities represent for all Stakeholders".

In recent years, Iberdrola has launched numerous measures to strengthen internal culture regarding the importance of stakeholder engagement throughout the group. These measures include the global working group called the **Iberdrola Stakeholders' Hub** and the internal dissemination of ten guidelines on how to relate to and engage with its Stakeholders.

The methodology described in the preceding sections enables the company to identify material issues through direct sources. This analysis is completed with analysis through indirect sources, such as the Dow Jones Sustainability Index (DSJI), the Carbon Disclosure Project, the Materiality Analysis, etc., described in the "Defining report content" section.

Considering all of the foregoing, Iberdrola has a complete Stakeholder management system, subject to a process of continuous improvement, which allows it to increasingly engage all of the groups with which it relates and to encourage their participation in all of the company's decisions[34].This is shown by the fact that Iberdrola achieved the highest rating in the "stakeholder engagement" section of the DJSI index in 2022, for the third year in a row.

[34] Con carácter anual, Iberdrola elabora el Informe de gestión sobre las relaciones de Iberdrola con los Grupos de interés, que resume los asuntos de interés detectados en los diferentes canales de comunicación, así como la respuesta de la compañía a través de planes de acción.

III.3. Commitment to quality employment

- Commitment to quality employment
- Safe work environment
- Diversity and inclusion
- Stable labour environment
- Professional training and development

Commitment to quality employment

Policies and commitments

■ GRI 401 402

Iberdrola has established a *People Management Policy* to define, design and disseminate a resources and human capital management model for the Group making it possible to attract, promote and retain talent. This policy also aims to foster the personal and professional growth of all individuals that are part of the group's workforce, making them participants in its successful business enterprise and guaranteeing them dignified and safe employment in a diverse and inclusive environment.

This policy is further developed in the following specific policies:

- *Equality, Diversity and Inclusion Policy*
- *Recruitment and selection policy*
- *Knowledge Management Policy*
- *Occupational Safety and Health Risk Policy*[35]
- *Senior Management Remuneration Policy*

Objectives

Iberdrola has identified as the following especially significant issues in relations with its employees:

- Culture: the strengthening of a group corporate culture.
- Recruitment and hiring of professionals: developing a global framework for the homogenisation of recruitment and hiring procedures at the Group's companies.
- Training: the implementation of an integrated training management system.
- Diversity: raising the awareness of our workforce with respect to diversity.
- Design of an employment value proposition for the recruitment, hiring, promotion and retention of talent, based on competitive remuneration and a diverse, inclusive work environment, fostering work-life balance and the professional growth of the group's workforce.

Our workforce

The group has 40,721 employees at year-end 2022, with the following breakdown by country.

[35] Policy included as a section within the Corporate Risk Policies.

GRI 2-7

Employees [36]

	2022	2021	2020
Spain	9,702	9,727	9,594
United Kingdom	5,755	5,708	5,563
United States	7,579	7,349	7,031
Brazil	15,406	15,058	12,814
Mexico	1,305	1,296	1,307
IEI	974	817	818
Total	**40,721**	**39,955**	**37,127**

The distribution by types of employment and contract is reflected in the following table:

Employees by type of employment and contract[37]

		2022			2021			2020		
		Men	Women	Total[38]	Men	Women	Total	Men	Women	Total
By employment type	Full-time	30,676	9,066	39,748	29,753	8,607	38,360	27,298	7,944	35,242
	Part-time	436	537	974	919	676	1,595	1,189	696	1,885
By type of contract	Permanent	30,999	9,545	40,550	30,516	9,242	39,758	28,365	8,599	36,964
	Temporary	114	58	171	156	41	197	122	41	163
Total		**31,112**	**9,603**	**40,721**	**30,672**	**9,283**	**39,955**	**28,487**	**8,640**	**37,127**

Distribution by gender, age and professional category is reflected in the table below:

GRI 405-1

Employees by gender, age and professional category

		2022		2021		2020	
		No.	%	No.	%	No.	%
By gender[39]	Men	31,112	76	30,672	77	28,487	77
	Women	9,603	24	9,283	23	8,640	23
By age group	Up to 30 years old	7,515	18	7,247	18	6,432	17
	Between 31 and 50 years old	25,156	62	24,163	60	21,958	59
	Over 50 years old	8,050	20	8,545	21	8,738	24
By professional category	Leadership	2,278	6	2,898	7	2,837	8
	Qualified technicians	16,610	41	14,988	38	14,056	38
	Skilled workers and support personnel	21,833	54	22,069	55	20,234	54
Total		**40,721**	**100**	**39,955**	**100**	**37,127**	**100**

[36] The figures in the table reflect the number of employees at year-end 2022, regardless of the type of work day. The average number of contracts is not reported because there is an insignificant change with respect to contracts at the end of the year owing to the high percentage of full-time permanent contracts and low turnover.
To perform statistical analysis regarding labour costs, it is recommended to use the number of employees in terms of Full Time Equivalents (FTEs): 35,923 in financial year 2020, 39,788 in financial year 2021 and 40,237 in financial year 2022.

[37] We do not have employees working non-guaranteed hours.

[38] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

[39] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

Employees by category and age group (%)

		2022	2021	2020
Leadership	Up to 30 years old	0.04	0.08	0.06
	Between 31 and 50 years old	3.67	4.69	5.02
	Over 50 years old	1.88	2.48	2.57
	Total	5.59	7.25	7.65
Qualified Technicians	Up to 30 years old	6.62	5.63	5.37
	Between 31 and 50 years old	25.67	23.68	23.81
	Over 50 years old	8.50	8.17	8.72
	Total	40.79	37.49	37.90
Skilled workers and support personnel	Up to 30 years old	11.79	12.39	11.89
	Between 31 and 50 years old	32.43	32.13	30.32
	Over 50 years old	9.39	10.74	12.24
	Total	53.62	55.27	54.45
Total		**100**	**100**	**100**

Employees with disabilities

	2022	2021	2020
Men	452	453	366
Women	252	234	188
Total	**704**	**687**	**554**

Information on ethnic diversity is included in the Iberdrola *Diversity and Inclusion Report.*

Non-employee workers

■ GRI 2-8

Iberdrola encourages the use of technology in renewable and smart grids, which allows for progress in the energy transition towards cleaner energy. It does so in part with the support of third-party specialists ((contractor personnel), whose main jobs include those characteristic of Iberdrola's own activity: operation and maintenance, as well as inspections at technical facilities, activities regarding preparedness and emergency response. They can also carry out maintenance work not characteristic of Iberdrola's main activity (maintenance of administrative buildings). Activities include support to nuclear operation, mechanical, electrical and usage maintenance, onshore and offshore wind farm construction activities, solar and cogeneration facilities, civil works, electromechanical assembly, and startup. General services include staff for industrial cleaning, decontamination, painting, and civil works. There are staff for IT, administrative, surveillance, and training support. As regards security, there are physical security, radiological control, and fire protection personnel.

At some companies, we also have workers from Temporary Employment Agencies, who usually carry out short-term jobs, helping to cover the positions of workers on leave or due to an occasional increase in work, usually administrative work. They can also provide specialised work required for a specific project, such as transmission, distribution and renewables.

At year-end 2022 there were 53,401 non-employee workers (221 of whom are part-time workers), broken down as follows:

Non-employee workers

	2022
Contractors	**53,033**
Temporary employment agencies	**368**
Total	**53,401**

Salary

Average salary by professional level

Iberdrola (EUR)	Includes: Fixed salary Variable Supplements	Includes: Fixed salary Variable Supplements	Includes: Fixed salary Variable
	2022	2021	2020
Leadership	150,832	126,126	120,891
Qualified technicians	65,808	57,472	55,863
Skilled workers and support personnel	34,763	30,194	32,773
Total average salary	**53,792**	**47,307**	**48,038**

Average salary by age group and gender

Iberdrola (EUR)	Men			Women			Total		
	Fixed salary Variable	Fixed salary Variable	Includes: Fixed salary Variable	Fixed salary Variable	Fixed salary Variable	Includes: Fixed salary Variable	Fixed salary Variable	Fixed salary Variable	Includes: Fixed salary Variable
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Up to 30 years old	31,898	25,273	23,994	31,428	26,391	26,093	31,779	25,530	24,451
Between 31 and 50 years old	48,825	42,242	43,650	55,832	49,474	51,371	50,452	43,921	45,509
51 or older	86,979	78,584	77,943	81,837	70,885	69,766	85,754	76,722	76,054
Total average salary	**53,100**	**46,529**	**47,232**	**56,020**	**49,857**	**50,679**	**53,792**	**47,307**	**48,038**

■ GRI 202-1

Entry-level wage vs. legal minimum wage (%)

	2022	2021	2020
Spain	110.0	126.1	107.7
United Kingdom	100.04	100.1	101.8
United States	118.0	123.5	128.7
Brazil	124.0	138.9	141.7
Mexico [40]	278.0	312.1	399.3

As a general principle of conduct of its human resources management model, Iberdrola promotes respect for the human and labour rights recognised in domestic and international law, guaranteeing a decent job and a living wage.

[40] In Mexico, the minimum wage is generally not used as a reference for market wages; it is applied to penalties imposed by the labour authority, fines and limits on tax deductibility.

Stable labour environment

Recruitment and selection: new hires

■ GRI 202 401-1

Iberdrola considers talent to be key factor in ensuring the organisation's success each day. For this reason, all of the companies forming part of the Iberdrola group work together to attract, select, empower and retain their professionals, whose performance, knowledge and skills are aligned with the company's purpose, values and current and future needs.

The group has specific policies approved by the Board of Directors that regulate recruitment activities (such as the *Recruitment and selection policy* and the *Equality, Diversity and Inclusion Policy*), as well as a broader recruitment and selection process applied at the global level. This process also relies on local practices in order to ensure that the best talent is attracted and selected in line with the needs of each specific territory and is adapted to the specific legal system.

In 2022, in keeping with the reality of the global social context following the COVID-19 pandemic, Iberdrola engaged in various activities to attract, select, empower and retain the best and most diverse talent pool across its various territories. These actions include the following:

- The Iberdrola International Graduate Programme was launched in 2022. It is aimed at recent graduates starting their professional careers, and its goal is to create an international pool of graduates to meet future needs across the group. This 2-year programme includes a development plan structured in a number of rotations, accelerating the acquisition of knowledge and the learning curve. 164 vacancies were offered globally in 2022, 75% of which had been filled by professionals by the end of the year.
- Attendance at job forums and holding talks and conferences, both in person and virtually, to share the values of our company with students and encourage them to take part in our selection processes. Iberdrola also has a presence at leading universities, taking part in talent groups, round tables and specialised forums.
- A global campaign to recruit profiles for the offshore wind farm renewables business was launched in 2022 to incorporate experienced professionals so as to develop new international projects in the United Kingdom, the United States, Brazil, Spain and Asia Pacific, as well as the European market. 3,600 candidates applied through this campaign.

We have also continued with the following projects:

- Agreements with prestigious universities such as Comillas Pontifical University, Universidad de Salamanca, the Massachusetts Institute of Technology (MIT), Yale University, Strathclyde University, Instituto Tecnológico de Monterrey, Universidade Federal de Pernambuco and Hamad Bin Khalifa University.
- Training programmes at the company. A combined total of 198 vocational students and 798 university students have begun their training at Iberdrola España, ScottishPower, AVANGRID, Neoenergia, Iberdrola México and Iberdrola Energía Internacional.
- International scholarship programmes for master's studies. In 2022, Iberdrola awarded 33 scholarships for master's degree studies in the company's areas of interest, and 10 more scholarships are still to be awarded in Brazil.
- Encouraging the use of internal employee channels to promote opportunities for internal promotion and international mobility: in 2022, 43.6% of published vacancies were filled internally.

All of these initiatives form part of the activities that Iberdrola performs to attract and select talent.

The lesser degree of representation of women in the labour market, for certain technical profiles, makes it difficult to achieve gender parity in new hires. These limitations are specific to the energy sector, for which reason Iberdrola is engaging in numerous activities to promote an interest in technical studies among school-age girls. Some examples of these initiatives are:

- STEAM alliance for female talent. *Girls for science*: Iberdrola España has joined this initiative of the Ministry of Education and Vocational Training, which includes, among other activities, promoting teacher's training in these areas, STEAM projects for education institutions, and the creation of a quality stamp for companies and entities that engage in activities to promote these disciplines.
- *Eureka!*, a five-year educational programme sponsored by AVANGRID, aimed at girls from low-income families, minorities, and those who would be the first to go to university in their family (in partnership with *Girls Inc.*, a programme for young women with an interest in STEM careers).
- In the United Kingdom, ScottishPower partners with *Forth Valley College* to design an online programme with useful educational resources so that students can receive the best STEM training.
- In Brazil, the *Escola de eletricistas* for women seeks to encourage women to join the industry through learning programmes in theory and practice.
- Iberdrola México has developed the STEM Promotion Programme with the Institute for Renewable Energy (IER) at Universidad Nacional Autónoma de México (UNAM) and Universidad Tecnológica de los Valles Centrales de Oaxaca (UTVCO), seeking to encourage the study of engineering among Oaxaca youth, particularly young women.

The principles described in the "Diversity and equal opportunity" and "Non-discrimination"" sections of this report apply both to remuneration and to the selection of professionals. The current collective bargaining agreements at the companies of the Iberdrola group ensure equality in starting wages for men and women.

New hires

		2022[41]		2021		2020	
		Men	Women	Men	Women	Men	Women
By age, in numbers	Up to 30 years old	1,440	700	1,814	562	1,308	387
	Between 31 and 50 years old	1,567	723	1,932	552	1,462	412
	Over 50 years old	182	77	136	58	99	54
Total number out of total workforce		**3,189**	**1,500**	**3,882**	**1,172**	**2,869**	**854**
By age, in %	Up to 30 years old	25.64	36.90	32.47	33.86	26.19	26.91
	Between 31 and 50 years old	8.11	12.40	10.40	9.88	8.73	7.92
	Over 50 years old	2.95	4.10	2.09	2.85	1.47	2.70
Total % out of total workforce		**10.25** [42]	**15.62**	**12.66**	**12.63**	**10.07**	**9.87**

[41] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.
[42] Of the total turnover reported in Mexico, 46 were temporary positions of union personnel, which is governed by the union contract with SUTERM, and due to the nature of the temporary employment itself there are discharges and subsequent returns of the same worker. They should therefore not be considered as final terminations or new hires.

Employee turnover

Personnel leaving the company		2022[43]		2021		2020	
		Men	Women	Men	Women	Men	Women
By age, in numbers	Up to 30 years old	533	229	366	132	262	115
	Between 31 and 50 years old	1,217	566	911	276	731	258
	Over 50 years old	1,005	395	1,033	230	712	176
By age, in % [44]	Up to 30 years old	9.49	12.07	6.55	7.95	5.25	8.00
	Between 31 and 50 years old	6.30	9.71	4.90	4.94	4.36	4.96
	Over 50 years old	16.29	21.03	15.87	11.30	10.57	8.80
By seniority, in numbers	Up to 10 years old	1,617	659	1,151	381	905	309
	Between 11 and 20 years old	340	280	281	93	223	130
	Over 20 years old	798	251	877	164	576	110
By seniority, in %	Up to 10 years old	8.35	10.76	6.35	7.04	5.55	6.44
	Between 11 and 20 years old	5.08	13.47	3.95	4.00	3.48	5.58
	Over 20 years old	15.84	17.91	16.14	10.59	9.99	7.25
Total number		**2,756** [45]	**1,190**	**2,310**	**638**	**1,705**	**549**
Total % out of total workforce		**8.86**	**12.39**	**7.53**	**6.87**	**5.99**	**6.35**

Dismissals at the company

		2022		2021		2020	
		Men	Women	Men	Women	Men	Women
By age, in numbers	Up to 30 years old	165	33	143	24	85	26
	Between 31 and 50 years old	489	200	374	65	289	67
	Over 50 years old	145	112	125	26	90	15
By age, in %	Up to 30 years old	2.94	1.74	2.56	1.45	1.70	1.81
	Between 31 and 50 years old	2.53	3.43	2.01	1.16	1.72	1.29
	Over 50 years old	2.35	5.97	1.92	1.28	1.34	0.75
By seniority, in numbers	Up to 10 years old	539	117	442	77	348	79
	Between 11 and 20 years old	160	165	98	24	60	20
	Over 20 years old	100	63	102	14	56	9
By seniority, in %	Up to 10 years old	2.78	1.91	2.44	1.42	2.13	1.65
	Between 11 and 20 years old	2.39	7.94	1.38	1.03	0.94	0.86
	Over 20 years old	1.99	4.50	1.88	0.90	0.97	0.59
By professional category	Leadership	20	9	22	12	17	7
	Qualified Technicians	165	134	137	50	97	51
	Skilled workers and support personnel	614	202	483	53	350	50
By professional category (%)	Leadership	2.57	1.43	1.05	1.49	0.83	0.89
	Qualified Technicians	1.21	2.34	1.39	0.98	1.04	1.08
	Skilled workers and support personnel	1.52	6.23	2.58	1.58	2.05	1.60
Total number[46]		**799**	**345**	**642**	**115**	**464**	**108**
Total % out of total workforce		**2.57**	**3.59**	**2.09**	**1.24**	**1.63**	**1.25**

[43] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.
[44] Of the headcount of this group at year end.
[45] Of the total turnover reported in Mexico, 46 were temporary positions of union personnel, which is governed by the union contract with SUTERM, and due to the nature of the temporary employment itself there are discharges and subsequent returns of the same worker. They should therefore not be considered as final terminations or new hires.
[46] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

Average seniority of workforce by region (years)[47]

	2022			2021			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Spain	16.7	12.6	15.8	18.1	13.7	17.1	18.3	14.0	17.4
United Kingdom	13.3	13.3	13.3	16.2	16.2	16.2	16.9	15.7	16.5
United States	10.2	10.8	10.3	11.3	12.4	11.6	12.4	13.0	12.6
Brazil	7.2	6.8	7.1	6.9	7.0	6.9	7.3	7.5	7.3
Mexico	8.1	5.8	7.6	7.5	5.7	7.1	6.5	4.5	6.1
IEI	4.7	3.9	4.4	4.3	3.7	4.2	5.0	4.0	4.7
Total	**10.8**	**10.1**	**10.6**	**11.4**	**11.3**	**11.3**	**13.6**	**12.2**	**13.3**

■ GRI EU15

Employees eligible to retire

	In the next 5 years (%)			In the next 10 years (%)		
	2022	2021	2020	2022	2021	2020
Total	**6.72**	**7.44**	**11.37**	**14.44**	**15.81**	**19.99**

Collective bargaining agreements

■ GRI 2-30

The relationship between the company and trade unions is based on respect and recognition of the legitimacy of these institutions as workers' representatives, within the principles and ethical values that guide good trade union practices. The parties rely on negotiation as the main form of establishing mutual rights and duties. Trade union negotiations are part of the labour relations management model at group companies, and collective bargaining agreements are established to reflect modern and advanced labour practices, while respecting the regional characteristics and areas of activity of the various group companies and seeking to go beyond compliance with legal requirements.

In this regard, the Company has significant experience in trade union relations and has worked with these entities in accordance with the ethical and transparent principles that guide good negotiation practices, which has resulted in reaching collective bargaining agreements.

Generally speaking, the collective bargaining agreements of the Iberdrola group apply to all employees working under an employment relationship and for the account of the companies of the group, regardless of the type of contract entered into, the professional group to which they are assigned, their occupation or the job performed.

[47] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

However, issues relating to corporate organisation, the law of each country or even the practices and customs in each country lead to certain groups being expressly excluded from the scope of collective bargaining agreements (for example, executive officers in Spain are not covered by the agreement). In most situations the working conditions of these employees are determined by collective bargaining agreements covering all other employees or by personal contracts based on individual bargaining (e.g. salary, benefits, etc.), with all other conditions based on the collective agreement itself. In the case of Brazil, Neoenergia has a national Human Resources Policy for those cases in which employees may not be covered by collective bargaining agreements, on which the premises of this policy are applied until an agreement is reached with the local trade union.

This is why there is not 100% coverage, as indicated in the table below:

Personnel covered by a collective bargaining agreement, by region

	2022		2021		2020	
	No. of employees	%	No. of employees	%	No. of employees	%
Spain	8,475	87.4	8,578	88.2	8,383	87.4
United Kingdom	3,480	60.5	3,680	64.5	3,674	66.0
United States	3,486	46.0	3,504	47.7	3,438	48.9
Brazil	15,406	100	15,092	100	12,808	100
Mexico	371	28.4	349	26.9	348	26.6
IEI	394	40.5	178	21.8	261	31.9
Total	**31,612**	**77.6**	**31,381**	**78.5**	**28,912**	**77.9**

There are 9 collective bargaining agreements in Spain, 2 in the United Kingdom, 11 in the United States, 37 in Brazil, 10 in Mexico, y 4 in the other countries of Iberdrola Energía Internacional.

■ GRI 402-1

The different organisational changes and significant events are formally reported in compliance with the various legal provisions applicable at both the global and local level, as well as any applicable terms of the collective bargaining agreements with regard to the labour relations of the group companies. The minimum periods for giving notice, if they apply, range from less than one week to a maximum of four weeks in the main countries in which the group operates.

Benefits

■ GRI 401-2

Iberdrola offers a number of benefits to its employees, including:

- Life insurance
- Medical insurance
- Disability insurance
- Maternity/paternity leave
- Pension fund
- Remuneration in the form of company shares

Diversity and inclusion

Governance model

■ GRI 405

Iberdrola has demonstrated its commitment to diversity and inclusion, and aims to reflect as faithfully as possible the diversity of the communities of which it is part. The company seeks to strengthen individual capabilities based on the firm belief that each person brings a special and unique talent that enriches everyone. This commitment is shared with the Stakeholders with whom the company interacts directly or indirectly: employees, partners, shareholders, suppliers, and customers.

To achieve a truly inclusive workplace, it is crucial to take action regarding the company culture, for which reason diversity is integrated in the corporate values and conduct that define the way in which the leaders and employees of Iberdrola conduct themselves.

With this goal in mind, the organisation has a robust governance system that specifies and promotes the diversity and inclusion strategy, and has specific mechanisms that guide actions in this area, such as, for example:

- *Equality, Diversity and Inclusion Policy*: seeks to create a good environment that facilitates and promotes equality of opportunity, non-discrimination, diversity, and inclusion for the professionals in group companies, consequently seeking a human resources management model committed to professional excellent and quality of life
- *Boards of Directors Diversity and Member Selection Policy*: its purpose is to ensure that proposals for the appointment of Company directors ensure a diversity of skills, knowledge, experience, origin, nationality, age and gender within the composition thereof.
- *Global Diversity and Inclusion Committee*: Executive committee seeking to propose, promote, and coordinate the company's Diversity and Inclusion positioning in line with the group's strategy, and to involve the Senior Management of each of the subsidiaries in these issues.

To guarantee a discrimination-free work environment, and in line with the *Code of Ethics*, the Group is explicitly committed to not discriminate by reason of any condition (gender, sexual orientation, age, disability, origin, or any other characteristics not related to the requirements to perform the job) and has procedures to prevent conduct that violate this standard.

In addition to the global guidelines, the companies of the group have additional policies and mechanisms to expand their commitment and adjust to country requirements.

Strategy and Commitments

To ensure proper coordination in the execution of the strategy established by the group, a common working framework has been defined that considers the organisation's current and future needs and those of the communities in which it operates. Its scope focuses on gender, age, disability, origin, sexual orientation, and war veterans, although the goal is to encompass all individual characteristics.

The group promotes diversity, equity and inclusion (DE&I) through initiatives focused on talent, culture, customers, and social contribution, partnering with its employees and other Stakeholders to achieve an inclusive, innovative and sustainable energy future for all.

The group published its ESG commitments at the 2022 Capital Markets & ESG Day, as described in section "I.4. Our ESG+F proposal". In the Social pillar, goals have been included that drive diversity and inclusion and contribute to the Sustainable Development Goals of the 2030 Agenda, as mentioned in the "Targets ESG Social" section, including diversity and inclusion goals like women in leadership positions and positions of responsibility, inclusive solutions for our customers, the Electricity for All Programme, strong social activities with vulnerable groups through our Foundations and volunteers, as well as with our suppliers, emphasising local purchases and the robust sustainability and ESG policies and practices.

Apart from the global goals, these commitments are supplemented at the country level, taking into account the social context.

Iberdrola has worked with major institutions for years, joining the United Nations Global Compact in 2002, and continues to support UN WOMEN, the UN body that supports progress towards equality between women and men. It also supports the European Round Table for Industry (ERT), acting in the working group that seeks to give greater visibility and support and connect large companies in this regard.

2022 performance

The management of diversity and inclusion is seen not only as an urgent issue of equity or fairness, but also as an opportunity for value creation from different perspectives. In this context, the company launched its annual work plan under the motto "*Our differences make our strength*", the main activities of which include:

a. Global Diversity and Inclusion function: Creation of a global organisational structure to articulate D&I commitment across the organisation.
b. Creation and implementation of an internal index to measure subsidiaries' performance in this area, identifying strong points and opportunities for improvement, so as to guide action and share internal best practices. Review of processes aimed at ensuring a discrimination-free work environment, taking into account the requirements of the market indices.
c. Review of alliances and partnerships with external entities that promote D&I to maximise results and continue to influence social change.
d. Identification of opportunities to improve in Human Resources processes and more robust data management - evaluation of the internal procedures to reach the goals set and systematisation of D&I metrics.

e. Strengthening of internal communications and celebration of significant dates, through activities that seek to raise awareness, foster dialogue, make role models from minority groups more visible, and ensure the commitment of the workforce. There is a full week of D&I activities at the main geographical locations.

f. Training programmes mainly focusing on promoting inclusive leadership and providing the knowledge to value individual differences.

To the company's commitment are added: Employee activities in the corporate volunteering programme, through various D&I initiatives and the work of the foundations (ScottishPower Foundation, AVANGRID Foundation, Fundación Iberdrola México, Instituto Neoenergia, and Fundación Iberdrola España) to promote equality of opportunity in access, education, and the job market, particularly for vulnerable people.

Results

Iberdrola has been committed to diversity and inclusion for many years, leading to specific events and recognition:

- Iberdrola has been included once again in the Dow Jones Sustainability Index, the only European utility to be included in its 23-year history. Its social score increased in the following areas: Gender Pay and Workforce Breakdown.
- Bloomberg recognised Iberdrola for the fifth year in a row by including it in the Bloomberg Gender-Equality Index (GEI) of organisations committed to equality between women and men.
- The Workforce Disclosure Initiative (WDi) recognised Iberdrola for its various initiatives to promote a high-quality work environment among its employees.
- Iberdrola was named one of the 25 leading companies in terms of sustainability worldwide by Global 100
- In the field of gender diversity: Iberdrola is a leader among IBEX-35 companies, with 43% en female representation on the Board of Directors. Moreover, at the end of 2022, women occupy 26.1% of leadership positions at Iberdrola, with 34.0 % of positions of responsibility held by women
- Improved procedures to protect customers at risk of exclusion or in vulnerable situations so as to promote energy access for the most disadvantaged groups: Implementation of inclusive channels of communication and development of services to meet the specific needs of our diverse customers.
- Strengthening of social contribution: purchases from sustainable suppliers. Support to 600,000 athletes, doubling the number of partnerships with National Federations, reaching a total of 32 partnerships since 2016. The Iberdrola Supera 2022 Awards to the best projects launched in Spain in favour of gender equality and women's empowerment through sport donated €300,000 across its six categories. In 2022 alone, 16,877 volunteers took part in the Corporate Volunteering Programme.

In addition, due to the considerable impact of local context on the management of diversity and inclusion, the group's companies implement many other activities at the various geographical locations:

Main diversity and inclusion activities in 2022

Spain	
1st Diversity Week, encouraging reflection, dialogue and commitment among the workforce.	Development of new training resources: Appropriate treatment of people with disabilities and inclusive leadership in an immersive format.
Renewal of our commitment to #CEOPorLaDiversidad Alliance, whose mission is to bring the CEOs of the main Spanish companies together in a common and innovative vision of D&I.	67 families benefited from the Family Plan, the goal of which is to facilitate the social and work integration of children with disabilities who are relatives of employees.
United Kingdom	
External awards / recognitions: SUSE Inclusive Employer, Promoting Diversity' Award - Large Employer, Carer Positive, Disability Confident and Armed Forces Covenant accreditations.	All employees covered by the parent coaching programme, providing support to employees who are preparing for or back from parental leave.
Creation of the 7th affinity group for employees: SPARC (ScottishPower Are Recognising Capabilities). More than 15% of employees are part of at least one group.	Promotion of STEM careers, with more than 48,000 schoolchildren impacted through face-to-face and online activities.
United States	
Social impact goal: Full gender parity: 50% of women in senior leadership roles* by 2030	Named one of the 100 leading companies in the JUST Capital's 2022 Workforce Equity and Mobility Ranking
Training for the leaders and Executive Sponsors of the 7 affinity groups in the organisation.	Webinars to raise awareness and provide education on how to approach disabilities in the workplace, focusing on neurodiversity.
Brazil	
Definition and publication of specific goals seeking to increase the presence of women and black people in the company.	The Diversidad Junt+s programme won the Prêmio Aberje 2022 award.
Escola de Eletricistas (Electricians' School). In 2022, women amounted to 33% of the certified total, 30% of whom joined the company's workforce.	Launch of the "Villarejo" programme, creating safe spaces for employees to dialogue on gender, race, sexual orientation, and disability matters.
Mexico	
Signing by the CEO of top ten commitments and activities for progress on this issue.	Holding of the first Diversity and Inclusion week, with various activities focusing on employees, leaders and the community.
Joining in the Aequales Community, an organisation with more than 100 organisations committed to gender equality in Latin America.	Expansion of parental leave, establishing longer periods than required by law, also applicable in cases of adoption and same-sex parents.
IEI	
Partnership agreements with external entities and participation in major forums (PWN Italy, Women's Forum in France).	Scholarship programmes. Of particular importance is the company's commitment to indigenous communities through Scholarship with aboriginal people in Australia
Expansion of the commitment to the development of women professionals: engagement of leaders, partnership with other companies, and external positioning associated with the brand.	Internal campaigns to raise awareness of the value of D&I, empowering and training leaders to act as spokespeople on this topic

More detailed information can be found in the *Diversity and Inclusion Report*, as well as in the Diversity and inclusion section on the corporate website.

Relating to labour practices (including the supply chain)

Non-discrimination was an issue that was particularly significant for Stakeholders in this regard.

■ GRI 406

The principles of non-discrimination and equal opportunity applied within the Iberdrola group are set out in both the *Code of Ethics* and the global policies and procedures that have been approved and implemented (*People Management Policy, Recruitment and selection policy,* E*quality, Diversity and Inclusion Policy,* etc.) and they are intended to avoid any discrimination on the basis of gender, gender identity, age, origin, race, colour, language, religion, political opinion, social status, belonging to an indigenous community, disability, health, marital status, pregnancy, sexual orientation or other personal circumstances unrelated to requirements for performing one's job.

In addition, specific plans and policies are in place in each country to ensure that the most relevant challenges are addressed at the local level (policies to prevent discrimination against any type of group, harassment prevention policies, etc.).

Group employees can report behaviour that may constitute labour discrimination both through the ethics mailbox and through their respective supervisors or Human Resources.

The group received 50 grievances regarding labour discrimination through the various channels in 2022. 17 are under review and the other 33 have already been closed. Of the grievances already closed, none ended in a written warning and 12 ended in dismissals as a result of improper action relating to human rights. In addition, three complaints were received in Spain concerning the right to organise. The Human Resources area is in charge of taking the appropriate disciplinary action.

■ GRI 406-1

Incidents of discrimination reported (no.)			
	2022	2021	2020
Iberdrola total	50	29	34

Although there has been an apparent increase in the number of claims alleging discrimination, this does not have a correlation with the actual number of cases.

Work-life balance and labour disengagement policies

Iberdrola promotes a work-life balance, as well as co-responsibility in the performance of family obligations, providing measures for looking after family members and children, maternity leave and breastfeeding benefits.

The most recent organisational dynamics and the implementation of new technologies promote organisational efficiency, but at the same time blur the boundaries between work and private life. As indicated in the *People Management Policy*, the group has made it a priority to ensure that its professionals can fully enjoy their personal lives in a way that is compatible with their work.

This Policy therefore establishes guidelines that allow employees to effectively separate their personal and work life, with special attention paid to disconnection from digital devices, without favouring or discriminating against those professionals.

The uninterrupted schedule in Spain and Mexico is noteworthy of mention, with the company being the first IBEX-35 company in Spain to establish this type of shortened workday. Flexible hours, remote working and out-of-office work have also been implemented. Other measures that are applied locally include the freedom for employees to choose the most appropriate workplace depending on their function and measures to control overtime, switching off lights and computers after certain working hours.

As a result of COVID-19, and to ensure safety, productivity and expectations in unprecedented circumstances, the importance of communication between all levels of the Company was emphasised. This has resulted in a more flexible working environment and hybrid and/or remote job positions. In addition, policies to care for the health of employees were improved and actions to promote quality of life and the well-being of its professionals were expanded. All this was carried out while ensuring the quality of the essential service for the community provided by Iberdrola 365 days a year, 24 hours a day, despite COVID-19.

■ GRI 401-3

Parental leave and return to work

	2022		2021		2020	
	Men	Women	Men	Women	Men	Women
Employees entitled to parental leave (No.)	31,112	9,603	30,672	9,283	28,486	8,640
Employees entitled to parental leave (%)	100	100	100	100	100	100
Number of employees taking parental leave	1,102	452	977	366	743	332
Number of employees who returned to work after parental leave ended	1,260	355	1,135	327	830	264
Number of employees who returned to work after parental leave ended and who were still employed after 12 months	1,141	216	970	268	825	272
Return-to-work rate	96.9	78.4	94.8	89.3	97.2	79.5

Defending salary equality

Iberdrola facilitates and promotes equality of opportunity, non-discrimination, diversity, and inclusion for Group professionals through its *Equal opportunity and reconciliation policy*, which calls for equal pay for men and women for equal work and a wage review with uniform criteria for both genders. The current collective bargaining agreements at the companies of the Iberdrola group ensure equality in starting wages for men and women.

The total average salary of men and women at Iberdrola is quite similar. The ratio of men's average salary to that of women is 94.8% in 2022, taking into account fixed and variable salary and salary supplements.

The salary gap in 2021 and in 2020 was 93.3% and 93.2% respectively, taking into account that average salary, composed of base and variable salary, was used for the calculation thereof in 2020.

The underlying cause of the salary gap in certain age groups is the smaller presence of females within the staff, a common situation in the energy sector, and which is more pronounced in management and technical positions.

To mitigate this reality, Iberdrola is working in the following areas:

- On equitable professional development through the implementation of specific training plans for women.
- On including new generations and promoting STEM careers in groups within the industry with a higher minority representation.
- On promoting scientific careers among youth and women students, who will go on to form part of the talent pool that Iberdrola will access in the future.
- On promoting measures of work-life balance that equally benefit men and women, so that they can exercise co-responsibility in family duties and thus establish the conditions required for parity.
- On gradually increasing the presence of women in positions of responsibility. As regards Iberdrola's current situation, positions of responsibility held by women in 2022 rose to 34.0%, compared to 33.7% at the close of the prior year.

As regards leadership and other positions reporting to the Board of Directors or its committees, the percentage of women in significant positions increased by year-end 2022 to 26.1% compared to 24.4% at the close of the prior year.

■ GRI 405-2

Average salary by age group and gender

Iberdrola (EUR)	Salary men/Salary women			(Salary men –Salary women) / Salary men		
	Includes: Fixed salary Variable Supplements	Includes: Fixed salary Variable Supplements	Includes: Fixed salary Variable	Includes: Fixed salary Variable Supplements	Includes: Fixed salary Variable Supplements	Includes: Fixed salary Variable
	2022	2021[48]	2020	2022	2021	2020
Up to 30 years old	101.5	95.8	92.0	1.5	-4.4	-8.7
Between 31 and 50 years old	87.5	85.4	85.0	-14.4	-17.1	-17.7
51 or older	106.3	110.9	111.7	5.9	9.8	10.5
Total	**94.8**	**93.3**	**93.2**	**-5.5**	**-7.2**	**-7.3**

[48] In 2021 there was internalisation of core network services in Brazil (approximately 2,300 contracted employees), which is reflected both in average salary of skilled workers and support personnel as well as in the total average salary.

Safe work environment

The safety and health of people is a top priority for the Iberdrola group and therefore strongly influences how all its activities are designed and carried out. This commitment forms part of the group's vision and values, and is formally set out in the *Occupational Safety and Health Risk Policy* approved by the company's Board of Directors, the basic goals of which are to:

- Achieve a gradual reduction in accident rates at the Iberdrola group's businesses.
- Continue to improve safety conditions at work and make workplaces increasingly healthier.
- Promote a culture of excellence and coordinate global preventive actions at the group's companies.

Occupational Health and Safety Management System

■ GRI 403 403-1

The Iberdrola group has implemented Occupational Health and Safety Management Systems with different scopes (country subholding, businesses), which allows it to comply with both current legal provisions in the territories in which it operates and with the ISO 45001:2018 international standard.

All staff, workplaces and activities under Iberdrola's control are covered by these systems, which ensure that all requirements of the ISO 45001:2018 standard and local legal obligations in this regard are covered.

The systems rely on a number of tools to meet these requirements:

a. prevention plans
b. operating procedures
c. management standards

In which the following are perfectly defined and identified:

a. duties and responsibilities
b. applicable policies
c. targets and indicators
d. desirable goals and resource requirements

All of the above aims to comply with local and international health and safety regulations in the company's different areas of operation, including aspects such as management of employees and interested parties, leadership and commitments, policies, responsibilities, consultation with employees, planning, identification of hazards and opportunities, legal requirements, resources, skills, communication, document management, operations, change management, purchasing, performance evaluation, management review, emergency response measures, ergonomic and psychosocial risk management, continuous improvement, etc.

In recent years, the Iberdrola group, through its various subsidiaries and businesses, has also implemented specific management and prevention measures in connection with COVID-19 focusing on the protection of individuals and groups, as well as mental and emotional health tools for its employees.

Examples of these measures include adjustment of sanitary, communication, cleaning and disinfection measures; adjustment of spaces and compliance with safety distances in the new COVID-19 environment; the establishment of prevention protocols; monitoring infected and recovered persons on a biweekly basis; launching awareness campaigns; distributing questionnaires to identify and assess psychosocial risk factors; creating specific well-being and early intervention programmes and applications; proposing physical activity challenges for employees; and providing a number of training resources, including a course on managing psychosocial factors for mental health, face-to-face workshops on emotional management, online workshops on personal well-being at work, the Más Apoyo programme, the COVID-19 helpline and the quality of life week.

Workers covered by the occupational health and safety management system

■ GRI 403-8

The Occupational Health and Safety Management Systems are designed in accordance with current legal and regulatory requirements and apply to the entire workforce, contractors, suppliers and visitors to protect their health and safety.

Information on incidents is collected, assessed and reported based on the procedures established by law and internal company regulations. Certification under the ISO 45001:2018 management system is a tool used to ensure uniformity with regard to the methodology for implementing these protocols.

In general, all employees are covered by the occupational health and safety system in their respective locations. However, there may be exceptions in certain locations as a result of specific local norms. In Brazil, steps continue to be taken for 100% of the employees to be included in the scope of the ISO 45001 certification. Although 75% of employees at Iberdrola Energía Internacional are covered by the management system, it does not reach the minimum number of employees to certify management systems in many of the countries in which it has a presence.

Coverage of the health and safety management system (own personnel)

	2022		2021		2020	
	No.	%	No.	%	No.	%
Employees covered by occupational health and safety management system	40,141	99	38,913	97	35,471	96
Employees covered by an occupational health and safety management system subject to internal audit	40,092	98	38,857	97	35,466	96
Employees covered by an occupational health and safety management system subject to third-party audit or certification	32,103	79	29,561	74	26,692	72

Main elements of the health and safety systems						
	Spain	**United Kingdom**	**US**	**Brazil**	**Mexico**	**IEI**
Is there a system?	Yes	Yes	Yes	Yes	Yes	Yes
Reference regulation	Law 31/1995	UKHS-GSP-SMS2008 Health & Safety Legal Register - Lists all the Legal Requirements	Only for offshore wind	Decree Law 5454/43 - Consolidation of Labour Laws	None	Depending on the country
Scope	All 15 companies covered by the collective bargaining agreement	All employees	Networks and renewables businesses, Rest of the Corporation	Celpe, Cosern, Elektro, Termopernambuco and renewables business	Electricity generation businesses. Coverage of employees at corporation in process	IEI, ICI and IRI. Renewables and Retail
Certification	ISO 45001	ISO 45001	ISO 45001	ISO 45001 in	ISO 45001	ISO 45001
Are there formal risk identification procedures?	Yes	Yes	Yes	Yes	Yes	Yes
Are there action plans linked to risks?	Yes	Yes	Yes	Yes	Yes	Yes
Are there formal procedures for giving notification of hazards?	Yes	Yes	Yes	Yes	Yes	Yes
Are there policies and procedures for withdrawing from situations that may cause injuries, ailments or illness?	Yes	Yes	Yes	Yes	Yes	Yes
Are there processes for investigating work-related incidents?	Yes	Yes	Yes	Yes	Yes	Yes

Hazard identification, risk assessment and incident investigation

■ GRI 403-2

A process has been established to identify occupational safety and health hazards, which includes the evaluation and prevention of occupational risks, in all the countries in which Iberdrola operates. The procedures established by standardised institutions are followed in each country, as well as those under the ISO 45001 standard. To manage this process, tools such as the following are used:

- Workplace risk assessment questionnaires.
- Regular risk assessments.
- Regular assessments identify the information needed for the annual review of the occupational health and safety management systems, and are used to develop action plans to mitigate risk.
- Safety inspections.
- Information sessions, regular training for employees identified as at risk, etc.
- Internal and external audits to ensure the effectiveness of their processes.
- Expanded analysis of causes that affected other systems in order to apply the findings and prepare preventive and corrective actions to eliminate the causes of the event.
- Comprehensive assessment of low- and medium-potential incidents, investigation reports for incidents with high potential or major consequences. All with a view to determining corrective actions and lessons learned.

Iberdrola has and promotes the use of mechanisms to enable its employees, partnering companies and other personnel affected to report any identified occupational health and safety hazards. These mechanisms include various communication channels such as: telephone hotlines, computer applications, ethics mailboxes, etc., but under no circumstances may these communications lead to reprisals or adversely affect an employee, given that they are part of Iberdrola's preventive culture. All new employees are informed of this possibility, both in their orientation courses and in the safety manual and instructions given prior to accepting the job position.

In line with this prevention culture, workers are always instructed to not proceed with work, or give priority under any circumstance to performing any task that involves a risk without having the means and knowledge needed to mitigate or eliminate the effects of the risk. Hence, at all locations, employees have the right to speak out and to stop work or refrain from working if they feel that a situation is unsafe. Lastly, when an incident is reported in any country, an investigation is carried out on the possible root causes and contributing factors. In addition, general procedures are implemented to monitor and complete the corrective actions resulting from the investigation (through the hierarchy of controls stemming from applicable law).

■ GRI 403-7

One of the Iberdrola group's pillars of action is to promote the health and safety of its employees. This includes strict compliance with labour law, integrating occupational safety at all levels of the hierarchy, and the use of systems to mitigate any impact on occupational health and safety.

These systems include the evaluation of occupational risks (including psychosocial risks), providing theoretical and practical courses, carrying out regular health exams, designing mechanisms to detect possible negative impacts on the health of staff, and implementing specific plans to mitigate the negative impacts of work on health and safety.

This internal procedure must also be implemented by all partnering companies to manage the health and safety of their contractors. This includes pre-qualification, selection, approval, supervision and management of contractors to reduce risks and ensure the well-being of the employees.

Occupational health services

■ GRI 403-3

Iberdrola has occupational risk prevention policies that include regular legal assessments, hygiene measurements, internal and external audits, ISO 45001 management system controls, health monitoring, and accredited medical services.

These programmes include professional occupational health services, advice and support to effectively manage occupational health and safety risks, absence management, drug and alcohol testing, health monitoring, international travel assistance, sick leave management, first aid, rehabilitation, specialist health counselling, overseas employee services, overseas business travel health assessment, voluntary medical exams, employee self-referrals, early intervention, specialist support services, wellness programmes, mental health programmes, skills development programmes and healthy eating programmes. These services are protected by medical confidentiality and files are kept in such a way so as to guarantee the confidentiality of the information contained in the files.

Worker participation, consultation and communication on occupational health and safety

GRI 403-4

The Iberdrola group companies strive to implement a culture of communication, consultation and participation on topics relating to occupational health and safety. This is achieved through the dissemination of prevention plans, the creation of joint and collective occupational health and safety committees (with regular meetings), the provision of formal and informal channels for consultation by employees, training plans on occupational risk prevention, general communication and consultation procedures, panels of qualified employees, strategic safety meetings, the use of the corporate intranet, and other media such as magazines, display screens at the plant, etc. On this basis:

In Spain, there is a Central Occupational Health and Safety Committee.

In the UK, there is a Health and Safety Governance Committee, as well as executive teams, a Health and Safety Department, and Health and Safety Forums.

In the United States, the company has employee-qualified panels and a Strategic Safety Board that meets on a monthly basis.

Brazil has Health and Safety Committees, as does Mexico, which has a Health and Safety Committee. Iberdrola Energía Internacional (IEI) has committees that vary from country to country.

Own staff represented on safety and health committees (%)

	2022	2021	2020
Spain	96.2	95.9	97.1
United Kingdom	100.0	98.2	100.0
United States	100.0	100.0	100.0
Brazil	100.0	100.0	95.1
Mexico	99.1	100.0	85.9
IEI	0.7	0.0	12.4
Iberdrola total	**96.7**	**96.9**	**95.1**

Worker training on occupational health and safety

GRI 403-5

Iberdrola España has training courses that cover the needs regarding information and training on and awareness of occupational risks at the workplace.

In the United Kingdom, new employees are invited to a corporate introduction event and are introduced to a number of senior executives who present various aspects of Iberdrola's business. They are also offered training on the Health and Safety Management System, along with technical and operational training and assistance from experts in the field and suppliers.

In the United States, employees at AVANGRID receive technical and safety training through a combination of fieldwork, classroom instruction and online training.

In Brazil, employees at Neoenergia receive training on the hazards, risks and controls associated with each job function, and are not allowed to perform the work until they demonstrate the skills and knowledge necessary to do so safely.

In Mexico, a training plan is established based on the performance evaluation.

At Iberdrola Energía Internacional (IEI), all employees take specific health and safety training courses.

Promotion of health among workers

■ GRI 403-6

The Iberdrola group has established various procedures, measures and programmes to ensure better occupational health and well-being of its employees. This includes human and material resources, functions and responsibilities in the medical, monitoring and control areas.

In addition, there are flu vaccination campaigns, programmes for promoting health and preventing diseases such as colon cancer, prostate cancer, cardiovascular diseases, hypertension, diabetes and glaucoma, as well as recommendations for healthy diets, access to physical exercise and seasonal vaccination campaigns.

At Iberdrola España, Occupational Medicine activities fall within the scope of the Prevention Service. Employees are offered a comprehensive benefits package that includes medical, dental and vision coverage. These benefits are also extended to the immediate family members of employees. In addition, the company assists in providing external medical therapies and treatments.

At the international level, access to medical services is managed by the Human Resources divisions. These benefits include doctor's visits, surgery, hospitalisation, medical exams and dental care.

In the United Kingdom, two strategic initiatives were launched to improve the mental health of employees, along with a plan to prevent and reduce physical problems at the workplace.

Furthermore, in Brazil there are outsourced contracts for flu vaccination, doctor's visits and screening services through a health plan, prevention campaigns and access to benefits from physical exercise.

Two specific programmes to promote health were developed at Iberdrola Mexico: Total-pass (benefit to promote the physical activity of personnel members) and Cuadro Médico (an electronic medical file database containing the medical examinations and recommendations from the doctor at the plant).

In the other countries, the Iberdrola group offers campaigns and programmes to promote health, as well as psychosocial risk assessments and psychological support to employees.

Injury and absenteeism rates

■ GRI 403-9 ■ SASB IF-EU-320a.1

Work-related injuries (own personnel)

	2022	2021	2020
Number of injured workers	**797**	**599**	**497**
Men	706	547	442
Women	91	52	55
With leave	**83**	**83**	**78**
Men	*74*	*73*	*72*
Women	*9*	*10*	*6*
Fatalities	0	3	4
Men	*0*	*3*	*4*
Women	*0*	*0*	*0*
With major consequences	17	3	3
Men	*15*	*3*	*3*
Women	*2*	*0*	*0*
Without leave	**714**	**516**	**419**
Men	*632*	*474*	*370*
Women	*82*	*42*	*49*
Number of hours worked	**81,203,502**	**78,455,175**	**65,504,577**
Men	62,769,743	61,053,122	49,928,451
Women	18,429,423	17,402,053	15,576,126
Number of days lost	**5,958**	**4,646**	**4,070**
Men	5,232	4,397	3,922
Women	726	249	148
Injury rate (IR)[49]	**1.02**	**1.06**	**1.20**
Men	1.18	1.20	1.44
Women	0.49	0.57	0.39
Severity index[50]	**0.07**	**0.06**	**0.06**
Men	0.08	0.07	0.08
Women	0.04	0.02	0.01

Compared with the data for 2021, and taking into account the increase in hours worked in 2022, the injury rate for accidents with leave improve significantly, and there was only a small increase in the number of accidents not requiring a leave, which nevertheless did not affect the improvement in the rate of work-related injuries.

The frequency rate of near misses[51] for own staff for the year 2022 is 2.49 based on the number of hours worked in the period.

[49] Injury rate (IR) = (number of accidents with leave*1,000,000) / hours worked
[50] Severity index = (number of calendar days lost per accident, as from first day of leave/hours worked)*1,000
As the percentage interests in certain companies may not be 100%, sums may not correspond to the total presented due to rounding
[51] Near miss frequency rate = Number of near misses / Number of hours worked × [200,000].

Rates of work-related injuries (own personnel)

	2022	2021	2020
Rate of fatalities[52]	**0.00**	**0.01**	**0.01**
Men	0.00	0.01	0.02
Women	0.00	0.00	0.00
Rate of high-consequence work-related injuries[53]	**0.04**	**0.01**	**0.01**
Men	0.05	0.01	0.01
Women	0.02	0.00	0.00
Rate of work-related injuries[54]	**0.73**	**0.78**	**0.90**
Men	0.86	0.91	1.06
Women	0.28	0.33	0.39

Work-related injuries (sub-contracted personnel)

	2022	2021	2020
Number of injured workers	**733**	**812**	**645**
Men	689	786	642
Women	44	26	26
With leave	**167**	**212**	**201**
Men	*163*	*204*	*192*
Women	*4*	*8*	*9*
With major consequences	20	10	6
Men	*20*	*10*	*6*
Women	*0*	*0*	*0*
Fatalities	7	4	4
Men	*7*	*4*	*4*
Women	*0*	*0*	*0*
Without leave	**565**	**600**	**467**
Men	*525*	*582*	*450*
Women	*40*	*18*	*17*
Number of hours worked	**110,867,432**	**114,924,556**	**103,686,300**
Number of days lost	**10,090**	**9,770**	**7,656**
Injury rate (IR)[55]	**1.51** [56]	**1.84**	**1.94**

[52] Rate of fatalities = Number of fatalities as a result of work-related injuries / Number of hours worked x [200,000]
[53] Rate of high-consequence work-related injuries (excluding fatalities) = Number of high-consequence work-related injuries (excluding fatalities) / Number of hours worked x [200,000]
[54] Rate of recordable work-related injuries = Number of recordable work-related injuries (except first aid) / Number of hours worked x [200,000]
[55] Methodology used for calculating the indicators:
Injury rate (IR) = (number of accidents with leave*1,000,000)/hours worked

Severity index = (calendar days lost per accident, as from first day of leave/hours worked)*1,000

As the percentage interests in certain companies may not be 100%, sums may not correspond to the total presented due to rounding.
[56] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

The rate of frequency of near misses[57] for contractors in 2022 is 1.52 based on the number of hours worked in the period.

Rates of work-related injuries (sub-contracted personnel)

	2022	2021	2020
Rate of fatalities[58]	0.01	0.01	0.01
Rate of high-consequence work-related injuries[59]	0.04	0.02	0.01
Rate of work-related injuries[60]	0.60	0.84	1.04

A risk assessment is carried out in the event of a high-consequence work-related injury, where each type of risk is assigned a score determined by evaluating the probability of occurrence and the consequences of the risk (FINE method). The two are multiplied to give the final classification, which will be low, medium or high. Based on these scores, the relevant measures will be taken to eliminate and/or minimise such risks.

Absenteeism among own personnel (missed hours)

	2022	2021	2020
Occupational injury and disease	65,656	55,991	37,997
Common illness and COVID-19	1,501,416	1,438,538	1,289,351
Total	**1,567,072**	**1,494,529**	**1,327,348**

■ GRI 403-10

Occupational diseases among own personnel (no.)

	2022	2021	2020
Deaths due to occupational diseases	0	0	0
Occupational diseases[61]	1	1	1
Total	**1**	**1**	**1**

Occupational diseases among subcontracted personnel (no.)

	2022	2021	2020
Deaths due to occupational diseases	0	0	0
Occupational diseases	0	0	0
Total	**0**	**0**	**0**

[57] Frequency rate of near misses = Number of near misses / Number of hours worked × [200,000].
[58] Rate of fatalities = Number of fatalities as a result of work-related injuries / Number of hours worked x [200,000]
[59] Rate of high-consequence work-related injuries (excluding fatalities) = Number of high-consequence work-related injuries (excluding fatalities) / Number of hours worked x [200,000]
[60] Rate of recordable work-related injuries = Number of recordable work-related injuries (except first aid) / Number of hours worked x [200,000]
[61] In compliance with Law 11/2018, it is hereby noted that the gender of the person with an occupational disease is male

Professional training and development

GRI 404

Iberdrola's commitments to the training and development of its professionals extend to all professional categories and all levels of responsibility.

Implementation of the Strategic Training Framework

The implementation of our **Learning Strategy** was strengthened in 2022 with new solutions that reinforce the development of strategic skills. The main goal is for the training offering to cover strategic priorities, adapting to all group companies.

Ongoing learning is a key element for promoting innovation, competitiveness and the progress of Iberdrola's professionals. For this reason, Iberdrola has a solid training model that reaches all of its professionals in all categories. This firm commitment to training translated into more than 2.7 million employee training hours in 2022. Along these lines, we continued to strengthen our ongoing learning culture through initiatives like "Keep Learning", which promotes employees' active involvement in their training.

It includes the following activities:

- The Group's companies continued to adjust training plans and actions to the social and economic context to meet employee needs.
- Training activities were carried out in Spain in 2022 in connection with our company's current activity and strategic orientation, focusing on key aspects of digitalisation, particularly through the use of Multiplayer spaces with Digital Twins, which provide greater autonomy in content creation, shortening the student's learning curve and improving the benefits from the training. Special efforts were made in actions with senior talent, through contrast activities at the Networks business , in order to transfer the technical knowledge of more experienced professionals while sharing good practices.
- In the United Kingdom, face-to-face training resumed in 2022 after the lifting of pandemic-related restrictions, including the new awareness-raising programme on security for the Networks business, and training in frequency converters for the technicians in the Renewables business who will face the growth of the solar business.
- In 2022, the LinkedIn Learning offering continued to expand in the United States by means of training courses designed to reinforce development programmes and initiatives, e.g., the *Engineering Development Program and Unconscious Bias Training.* Furthermore, training in "How to have difficult conversations" was launched, and resources were expanded to help leaders to manage teams remotely.
- In Brazil, language programmes, integration for new employees, MBA/Postgraduate courses, actions focusing on skills, as well as mandatory technical training are being offered, covering strategic lines in our business, face-to-face and remotely, through the incorporation of more digital tools.
- Mexico is using new learning methodologies, such as gamification, which have made it possible to significantly reinforce training in D&I, through the LinkedIn Learning catalogue, and in languages, through the Go Fluent platform.
- Due to geographic and linguistic dispersion, Iberdrola Energía Internacional has opted for online training, through multilanguage platforms like Learning Light and LinkedIn Learning.

Professional Development Programmes

At the Iberdrola group, we will continue to train and develop our employees in accordance with the commitments specified in the model designed by the company in 2019. The behaviours are inspiring guidelines for professionals to act at each stage in their professional career.

Locally, the implementation of the model continues to be strengthened through various training, development, and internal communication initiatives.

In Spain, several activities have continued due to their success and popularity, including "Development Conversations". Interviews in digital format with leaders in various fields, in line with our values and principles of conduct, focusing on STEM professionals in 2022. Training itineraries based on our principles designed in LinkedIn Learning. "An idea in 5 minutes" – development videos with well-known speakers in areas of expertise relating to business and general issues aligned with our principles. Team Leader Programme, with a four-year modular structure that is based on our principles. "The change show" – internal videos where employees who are a leaders in each of the principles recount their first-hand experiences and challenges. There was work in 2022 on "Simplifying to be agile" and "Empowering to grow".

All these resources are available to employees on a self-development platform structured around the behavioural principles, while the Savia programme offers training courses based on their needs.

In the United Kingdom, the self-assessment process continued so that all employees have a clearer vision of where they stand in relation to each of the six principles, including areas to be developed and suggested training activities.

In the United States, the behaviours have been reinforced in the various learning tools and through internal communications, as well as through the design of LinkedIn Learning pathways. A system of questions was created for the selection processes that is in line with the behavioural model and adapted to the different levels.

In Mexico, in addition to the internal communication initiatives, there have been several "TED Talks", an online conference format with internal leaders in each of the six behavioural principles. Each leader gave a live talk where they shared their challenges and professional experiences related to each principle, providing a space for questions and dialogue with those attending.

In Brazil, several internal communication initiatives are being developed, as well as the "letters of recognition" programme, linked to each of the six principles of behaviour, the aim of which is for leaders and employees to be able to make acknowledgements by sharing these letters, by email, WhatsApp, Yammer or LinkedIn.

Promoting an environment where our employees can manage their own growth and development is a priority for Iberdrola. To this end, in 2022 we continued to work globally to support our future leaders in their development journey, as well as our established leaders, with multiple initiatives that seek to offer opportunities to develop their skills. These are some of the global talent initiatives: *IB Talent Talks*, conversations between established company leaders and high-potential employees in the early stages of their careers. *Leader for a Day Training*: a work day in which a high-potential employee shadows an experienced executive to experience situations that facilitate learning and the development of leadership skills. *Global Talent Mentoring Program*, described below, is a mentoring programme aimed at high-potential professionals. *Leadership Academy*: we offer our professionals access to specific leadership development resources in partnership with Coursera. Finally, the *Experts Academy* is aimed at very experienced specialist employees, with knowledge groups in 3 strategic areas: Cybersecurity, Smart Grids, and Smart Solutions.

Mentoring Programmes

Mentoring programmes — which involve pairing up an employee with a long professional career or specific knowledge and a less experienced employee or an employee who needs to broaden their knowledge in a specific area — facilitate the ongoing training of employees, strengthen a collaborative culture, and promote the exchange of ideas and knowledge.

The following initiatives were carried out across the group:

The second global Digital Mentoring programme was completed in May 2022. This initiative seeks to contribute to the digital transformation process at Iberdrola by connecting employees who need support in innovation and digital transformation projects with others who have previous experience in these areas. In this second year, more than 2,500 hours were dedicated to the programme, with a participant satisfaction rating of 4.9 out of 5.

The initiative also contributes to the company's inclusion strategy by connecting employees of different generations, genders and cultures. In this second year, 44% of the 94 pairs were from different countries, and 47% from different generations. Because of its success and popularity, the programme has been strengthened within the development offering, and was held for the third time in October 2022.

Two new global mentoring initiatives were also added in 2022:

- *Women in leadership mentoring Program*: its purpose is to boost these women's careers, providing them with leadership role models, strengthening their networking, and contributing to their preparation to take on greater professional challenges. It was launched as a pilot programme with 14 pairs, connecting high-potential female workers with executives in senior positions across the Group. User satisfaction was 4.9 out of 5.
- *Global Talent Mentoring program*: with a similar goal as the previous programme, targeting high-potential employees, and it also seeks to speed up their development by providing them with training and leadership role models. 26 pairs took part, spending more than 560 hours in the sessions.

Both through local and global initiatives, skills have been developed relating to the strategic needs of the business, including: new technologies, knowledge management, transformative leadership, change management, resilience, and diversity and inclusion.

Programmes to support transition

At the Iberdrola group, we are committed to our professionals throughout their careers, and in those cases in which a career transition is necessary, we provide programmes to support transition, to facilitate continued employability as well as career-end management.

In Spain, qualification plans are carried out on a planned basis, both in terms of training and of methodologies, anticipating new production and/or environmental needs (greater digitisation, green jobs, etc.) This allows workers to have the knowledge to remain at excellent levels of internal employability.

Both in the United States and in the United Kingdom, outplacement services are offered through a partner company that assists employees to identify and prepare their next professional move. It is a tailor-made service that adapts to the employee's specific needs to benefit as much as possible from opportunities for employment.

Iberdrola Energía Internacional has developed a transition and support programme, comprising a set of techniques worked on together with the employee in three fundamental aspects: improving the employability of their profile through training; defining a job search strategy; and assistance in an enterprise of self-employment, should the employee so desire.

Programmes for skills management and lifelong learning

GRI 404-2

The Iberdrola group is convinced that professional development helps the company achieve its results and makes the organisation more efficient, by equipping employees with the skills and competencies they need to perform their work efficiently today, while preparing them to undertake greater responsibilities and challenges down the line.

All of Iberdrola's training and development activities are based on the 70% experience / 20% relationships / 10% training learning model.

- Iberdrola has various programmes aimed at high-potential professionals, including the MBA in the Global Energy Industry, which is offered by Comillas Pontifical University in Madrid and Strathclyde University Business School in Glasgow. This is a global programme that lasts two and a half years, in which professionals from Spain, the United States, the United Kingdom, Brazil and Mexico, and other locations take part. In 2022, this programme was carried out for the fifth time, and more than 130 employees have been trained since it launched in 2017.
- Iberdrola has an extensive training and development catalogue for professionals pursuing a career in management. In 2022, the latest global programme was held in partnership with IMD, in an online format, intended for professionals with technical degrees, in order to provide them with the required behavioural skills and techniques. Leading employees on various topics were also identified to share their knowledge with the rest of employees through various internal channels.
- Iberdrola offers its technical specialists, middle managers and some of its executives a global development model based on the group's Behavioural Principles Model, which makes it possible to specify individual development plans based on areas for improvement and opportunities for growth.

Specific training for executives

For its management team, Iberdrola has for years been carrying out a number of development programmes in partnership with the best internationally recognised schools and institutions:

- Energising Leadership Programme, an advanced management programme offered by ESADE Business School.
- NEXUS, in collaboration with IMD, which offers training resources such as round-table discussions for C-level executives from around the world, and the "First 90 Days" programme, which seeks above all to support employees who take on critical management positions during the change phase.
- The offering of regular digital Masterclasses and lectures was broadened for the entire global management team in 2022. The classes were taught online by globally recognised experts discussing strategic and current topics, with the participation of approximately 1000 professionals.

A major evaluation and update of the programme catalogue was carried out in order to keep them in line with the company's strategic needs and the state of the art.

2022 saw the first School of Leadership Alumni Event (SOLAE) - a meeting of alumni employees who took part in Global Leadership School Programmes. This event was a great opportunity to share learning, strengthen ties, and convey the Company's strategic priorities and vision for the future.

At the local level, training initiatives for executives have also been adapted in many cases to the online format.

- In Spain programmes such as *Leadership in change processes* and *Strategic people and team leadership* were offered. The *Lead your Personal Effectiveness and Leader Communication* programmes also continue. As a result of the 2021 evaluation, several programmes targeting managers were offered in 2022, focusing on the key areas identified.
- In the United Kingdom there is a continuation of the *Advanced Leadership: Leaders of Leaders and the Leadership Mastery Programme: New Senior Leaders*, designed on the basis of the needs identified in the organisation, as well as the *Introduction to Management* programme for team leaders, and the *Connected Leaders Community initiative.*
- In the United States, there are several training programmes for the management team, such as the *Purpose-Driven Leaders* programme, in partnership with Yale University, the *Leadership Essentials* programme for new team leaders, and the *Advanced Management People: Leading People* programme. All reinforced by the *AVANGRID Mentoring* programme.
- Brazil has expanded its *Lidera* for the various executive levels with *Lidera Gerentes* and *Lidera superintendentes,* following the results of the recent evaluation. The new format is provided by the renowned *Fundação Dom Cabral*, which implements innovative training methodologies through its international teachers.
- Mexico has the *ADN del líder* programme for the entire management team, including an executive version for senior management. Negotiation workshops were also offered to the management team.

GRI 404-1

Hours of training by professional category and gender

		2022[62]		2021		2020	
		Men	Women	Men	Women	Men	Women
Hours of training	Leadership	62,387	26,979	85,078	31,054	77,415	30,563
	Qualified technicians	444,229	223,312	440,433	207,835	352,221	171,403
	Skilled workers and support personnel	1,730,249	244,663	1,449,663	183,248	1,178,017	160,035
Total		**2,236,865**	**494,955**	**1,975,175**	**422,140**	**1,607,653**	**362,000**
Average hours of training by average personnel [63]	Leadership	32.2	35.3	41.5	39.1	38.9	39.8
	Qualified technicians	43.4	41.5	46.0	42.6	38.8	38.0
	Skilled workers and support personnel	93.0	74.1	80.9	56.5	71.8	51.3
Average hours of training by average personnel		**72.7**	**52.4**	**66.8**	**47.3**	**58.5**	**43.1**

The specific training varies according to the diverse professional profiles of the staff, not according to gender.

The high numbers of training hours received by skilled workers and support personnel, 85% of whom are men, explains the difference in average hours between men and women.

[62] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.
[63] Data recalculated with respect to the figures published in 2020 and 2021, based on the standard of average personnel.

Employees receiving performance and career development reviews

GRI 404-3

As indicated in Iberdrola's *People Management Policy,* employee performance evaluations, and communication of the results to the employees evaluated, are considered essential aspects for their professional development. Some of the basic principles of conduct relating to this aspect and described in the policy are:

- Perform regular evaluations of the performance of the professionals of the Group's companies based on objective standards.
- Communicate the results thereof to the employees evaluated, so as to favour their professional development, contributing to the creation of a feedback culture.

At the Iberdrola group, employees are included in formal performance review processes, which vary based on professional category and level of responsibility, as well as the country in which the employees are located.

Employees can be reviewed through two types of processes, according to professional category and the level of responsibility relating to their position.

Leadership

- Goals review ("What"): measurable, quantifiable and specific goals to be achieved over the course of the review period, relating to the goals of the Company.
- Performance review ("How"): review of conduct during achievement of the goals, which must be aligned with the Iberdrola group's mission and purpose.

Qualified technicians, skilled workers and support personnel

- Performance review ("How"): employees are reviewed on the basis of a number of personal competencies, which must be aligned with the Iberdrola group's mission and purpose.

These processes are based on a corporate tool that allows management of the Human Resources processes relating to the review. In this way, all users involved in these processes (employee, evaluator and Human Resources team) can work globally in real time. Furthermore, the main advantage of this tool is that it makes it possible to standardise and unify the focus and the applicable guidelines and criteria.

Employees with performance reviews (%)

		2022	2021	2020
Men (%)	Leadership	94.4	93.7	93.5
	Qualified technicians	84.9	86.7	90.0
	Skilled workers and support personnel	73.5	65.5	70.0
Average men		**78.6**	**74.2**	**78.0**
Women (%)	Leadership	93.3	95.0	94.7
	Qualified technicians	83.6	85.9	89.8
	Skilled workers and support personnel	60.0	59.6	67.0
Average women		**76.3**	**77.3**	**81.6**
Average Iberdrola		**78.0**	**74.9**	**78.8**

Employees hired in the last quarter of the year are not eligible for the performance evaluation for that year.

III.4. Quality and safety for our customers through innovation and digitalisation

- Innovation and digital transformation projects
- Our commitment to our customers
- Competition
- Cybersecurity and information privacy

Innovation and digital transformation projects

Today Iberdrola is the utility company of the future thanks to its ongoing commitment to innovation, as shown by the fact that it has been recognised as the **private utility company that invests the most in R&D worldwide, according to the European Commission's ranking.**

Iberdrola invested a total of 363 million euros in R&D in 2022, a 7% increase over 2021. The R&D efforts within the Iberdrola group are organised around five main pillars, which in turn are aligned with the fundamental vectors of transformation of the energy industry, decarbonisation of generation, promoting the use of smart grids and the electrification of demand:

- **Disruptive technologies** that are increasingly efficient, sustainable and environmentally friendly, enabling optimisation of facilities and processes. **Green hydrogen, innovative renewable energy, sustainable mobility, energy storage, smart grids,** the electrification of heat, and the recycling of clean technology components will contribute to industrial transformation, with a focus on sustainability, green and affordable energy, and employment.
- **New products and competitive services** that meet customers' needs, with more personalised content and offerings.
- **Digitisation and automation in all businesses and processes**, with the introduction of new technologies such as blockchain, big data, the Internet of Things, virtual reality, artificial intelligence, etc.
- **Innovation with start-ups, entrepreneurs and suppliers**, intended to develop partnerships and new, disruptive business models, encourage the exchange of knowledge, and act as a driving force among its partners.
- **A culture of innovation and talent.** Iberdrola promotes a culture of innovation through the transfer of knowledge, the attraction of talent and the encouragement of the entrepreneurial spirit. The **Universities Programme, Iberdrola U**, involves the development of various initiatives with academia, such as endowed chairs, R&D projects, student training, in-house training and young entrepreneurs.

This year's highlights include the **inauguration of the largest green hydrogen plant for industrial use in Europe**, located in Puertollano, with an electrolyser capable of producing 3,000 tonnes of renewable H2 per year. This pioneering plant will generate 100% green hydrogen with zero CO_2 emissions thanks to the use of 100% renewable sources. In addition, the first **Innovation Week** was held at the Global Smart Grid Innovation Hub, a week dedicated to analysing the role of electricity grids in the energy transition. All of these activities are included in the new **Iberdrola Innovation Report 2020-2022**, along with other significant R&D initiatives and projects carried out in recent years.

Some of the innovative initiatives are set out below, classified by major category:

Renewable energy

Improved efficiency at wind farms, photovoltaic plants and hydroelectric facilities.

There has been continued development of **Big Data** techniques for the **MeteoFlow Forecasting System** to obtain weather forecasts. Along these lines, there has also been continued development of tools like CHINOOK to account for climate variability, including solar variability, and Weather Research and Forecasting (WRF), optimising their performance. The implementation of WRF-Hydro for hydrological forecasting has also been optimised. There has also been progress in calculating theoretical solar and wind production capacity in the **ENERPREDIC** project. In the operations area, there has been work on developing new solutions to improve the efficiency of the tools of the DOMINA system. As regards wind power, the **RECURSO** project has devised a methodology for the hybridisation of wind farms — both those operational and under development — with photovoltaic power. With regard to solar power, progress has been made in analysing the variability of the horizontal resource using ground stations, incorporating the spatial variability of solar radiation. Also noteworthy of mention is the company's participation in Next Generation Earth Modelling Systems (NEXT GEMS), which explores these lines of work in depth by applying high-performance computing (HPC) and Earth-system Models. In the area of maintenance, work continues on the **ASPA** system, an artificial intelligence methodology that allows the theoretical behaviour of the wind turbine to be simulated at all times through a digital model. Lastly, the **AEROEXTENS** and **DIAGNOSGRE** projects provide new knowledge on the behaviour of wind turbines in terms of machine control strategies. As regards grid integration, the **THIRTIES** project aims to optimise decentralised voltage control and a system of joint participation at the point where services are provided. In addition, storage solutions have been studied in the **ALMACENLAD** battery project. Also noteworthy of mention is the study on the possibility of installing floating photovoltaic sites on hydroelectric power plant reservoirs. This work has been brought together in the HIBRIDAR project.

Improvements in the field of circular economy

During 2022 there was analysis of the needs for future capacity, the best location and the best technologies to make it possible, including reversible variable-speed turbines and lower-cost penstocks (**NEWPUMPING** project). These improvements, together with the digitalisation of management and hybridisation, will improve the management of all renewable generation. In this regard, two projects stand out — **HYDROSMART** and **HYDRODEMAND** —, which supplement the development of these lines of work. The other two projects related to pumped capacity that have been launched are **HYDROSES** and **AVANHID**.

Improvement in innovation in offshore wind farm projects

The **ROMEO and FLAGSHIP** projects are still underway, and **MEGAWIND**, a project focusing on methods for welding joints on foundations, has been launched. With regard to floating offshore wind power, the **MARINFLOAT** project, which aims to implement a portfolio of projects in Spain, has continued to carry out bird and marine mammal studies, environmental impact studies, metoceanic studies and theoretical studies of the terrain.

Improvement in new lines of work

Research has been carried out into new technologies for the recycling and recovery of wind turbine blade waste; in agrovoltaics, which is based on the combination of renewable energy with agricultural and livestock energy; new developments in photovoltaic solar power generation have been analysed to optimise the use of solar resources in the **NUEVASOLAR project**, through new solar panel technologies, dry cleaning methods for panels and new more efficient structures; the **ECOSIF project** was launched to study the metal structures that support the panels to find the best solutions depending on the type of soil.

In relation to promoting a culture of innovation, the **YO SOY INNOVADOR** and the **Renewables Digital Evolution Plan** (2018-2022) initiatives launched in previous years have continued.

Clean generation technologies

Efforts in the generation area focused on digitalisation, operational flexibility and efficiency, reduction of environmental impact, and improved safety at the facilities during 2022:

In the field of nuclear power, work continues on integrating digital tools and processes that contribute to maintaining the high levels of safety, reliability and efficiency of the power plants in a clear commitment to digital transformation. In this regard, the **COATI** project was launched for the development of software to enable the implementation of specific loading plans for spent fuel elements, which caught the interest of potential users. In addition, 3D models are being used to simulate critical processes such as container loading, along with the use of augmented reality and virtual reality. Licensing for the new fuel also continues, and various tasks are being carried out in relation to its validation process and use at the Cofrentes nuclear power plant.

In the field of thermal generation, the company continues to develop the lines of work established and to expand on the digital transformation of the power plants to adapt them to the new operating scenarios with low pollutant emissions, and to the growing demands for efficiency, flexibility and speed of response. Within the framework of emissions reduction, the pioneering **REDEMIS** project was successfully completed and achieved exceptional results in reducing start-up times and CO2, NOx and CO emissions. Work was also completed on the **SIRO** project, which involved technological development based on artificial intelligence and other digital technologies, and aimed to develop and validate a robotic inspection system for generators. Progress also continued on the **FLAGSHIP** project, which aims to develop advanced simulation and optimisation tools for operating combined cycle power plants, creating digital twins of the facilities that allow actual simulations of off-design scenarios.

In the area of energy management, the aim is to bring greater flexibility to the electricity system. With this objective in mind, a **Virtual Power Plant (VPP)** was created to provide services as an aggregator of distributed energy resources — for both generation and consumption — that can be managed from our control system to then be managed in the electricity market. Work also continued on the **Flexener Project**, where new technologies are being researched in the areas of generation, storage and even demand for the integration of a 100% renewable, flexible and robust electricity system. **New voltage control strategies** for transmission grids are being developed to find a solution to the technical challenges of voltage control with renewable generation. The company also continues to participate in European projects such as **Posytyf**, which analyses from a theoretical approach the contribution of renewable technologies to providing services for balancing and controlling voltage through Virtual Power Plants. It also collaborates in the **BeFlexible** project, which aims to design an ecosystem that not only provides the technology and helps to increase participation in flexibility markets, but also facilitates appropriate coordination between all players involved in providing services to the distributor, with a special focus on the consumer. **Green hydrogen** is also being promoted and applications are being developed, for example in the **FEDECOM** project, to enable the smart integration of electrolysers into the system to help build and manage an increasingly complex renewable energy mix.

Retail - New projects and services

Innovation is essential in retail activities, in order to offer customers the products and services best suited to their needs, which rapidly evolve. Thus, in 2022 Iberdrola worked on:

New initiatives to improve customers' experience:

Work continued on new functionalities integrated into the Iberdrola Customer Apps. The alerts and personalised consumption notifications have therefore been updated, and tips have been included to help our customers save money and allow them to move towards more sustainable consumption patterns. All of this is done using data analytics and predictive models. At the level of self-consumption facilities, the entire process can be traced so that customers understand their situation at all times. In addition, integration with the Consumption Monitor has evolved to provide more real-time information. Lastly, there was the launch of the Solar Communities solution, which is a fully digital format from the moment it is contracted.

New products and functionalities:

- In relation to the distributed generation solution for self-consumption, known as **Smart Solar**, the Solar Cloud service was incorporated, where residential customers can use their surplus energy to reduce the bills of other points of supply owned by the same customer. In turn, this service allows energy surpluses to be carried over to other months where they can be offset against the bill for the residence. It also allows for incorporating a storage system. The first Smart Solar communities have also been enabled, through which neighbouring customers receive 100% renewable energy and savings on their bills. Iberdrola also created a Solar Communities website so that customers can contract this service online.
- With regard to **Smart Home**, the Advanced Smart Assistant was developed, which is a comprehensive energy management system based on AI that is capable of autonomously managing all Smart Solutions that customers have in their homes. This generates added value on each of the solutions, and savings on the customer's bill, both through the optimisation carried out by the assistant itself, and through personalised messages and recommendations that the user will receive.
- **Smart Mobility** most notably includes the boost given to the deployment of high-power stations in the public charging network that will facilitate intercity travel in electric vehicles, enabling vehicles to charge more than 200 km in 5 minutes. In addition, the launch of the global charging point management system, or EVA Platform, will provide technological support for the deployment of charging points that Iberdrola intends to undertake in the countries in which it operates. In the last year, the company led a project to develop the **first Mediterranean Corridor for heavy road transport that is 100% electric**. In the field of micro-mobility, the electrification of transport in urban areas also involves promoting Personal Mobility Vehicles (PMVs) such as bicycles, scooters or electric motorbikes. Iberdrola has also promoted the **Net-Zero MAR Alliance**, a non-profit collaborative platform that aims to "accelerate" the decarbonisation and electrification of the maritime sector in Spain. The company also collaborates on proposals with municipal councils and urban developers, proposing solutions that have an impact on citizens.
- **Smart Clima** is committed to the refurbishment and energy efficiency of buildings, providing solutions for energy savings and the decarbonisation of both single-family homes and buildings. The proposal consists of a final turnkey product that combines different solutions: efficient electrical air conditioning and heating with heat pumps, steps taken towards the thermal insulation of the house (façades, roofs, windows), energy supply and optimal maintenance of equipment. It is therefore able to provide customers with simplicity, quality and ways to cut costs.

- The aim of the **Industrial Decarbonisation** team is to completely electrify and decarbonise production processes in the industrial sector. The most important technologies to be able to carry out this electrification include heat pumps, electric boilers and thermal storage. This has led to the launch of projects like that of the AN Group, which consists of implementing an industrial heat pump at the Vicolozano factory. Iberdrola is also promoting the development and implementation of heating and cooling networks in Spain with the aim of decarbonising heating, cooling and hot water systems in cities using renewable energy sources.

Smart grids

In 2022 i-DE Smart Grids augmented the strategic **Global Smart Grids Innovation Hub** (GSGIH) project, a pioneering centre and global leader in smart grid innovation. The GSGIH closed the year with more than 90 partners, and a dynamic organisation based on multidisciplinary working groups in which an open, transparent and streamlined innovation model is developed with the industrial innovation ecosystem. The GSGIH ended the year with the launch of a new laboratory, the **Innovation Data Space** (IDS), to promote artificial intelligence and advanced data analytics. The centre hosted its first **Innovation Week**, a week dedicated to analysing the role of electricity grids in the energy transition, which brought together young talent, partnering companies, universities and institutions. The GSGIH also had a presence at ENLIT and in various media and social networks, communicating the importance of innovation in electricity grids to society.

In general, work is carried out in accordance with the **New Low Voltage Grid model**, enhancing the digitalisation of the grid with various projects such as installing the firmware of the new smart CN with high added value functionalities and providing the smart transmission centre with advanced sensors, which enables anomalies to be detected, and faults and incidents to be anticipated; as regard the active operation of the LV grid, the most notable projects include the **eLVIS** project, a low-voltage control system, the management of incidents through mobility applications, and the **Technical Supply Management** project, which provides new grid calculation and simulation capabilities.

At the European level, the **BeFlexible** project was launched, the main objective of which is to increase the participation of prosumers in order to increase the flexibility of the electricity system. Work continued on the **ONENET** project, which focuses on developing new customer-centric flexibility tools, with an open, streamlined architecture based on the concept of an interoperable network of platforms with coordinated operation. There was also the successful completion of the **COORDINET** project, which involved companies and institutions from ten countries to provide a favourable framework to facilitate the participation of all agents. Work continued on the **FLEXENER** project, the main objective of which is to research new simulation technologies and models in the areas of renewable generation, storage systems, flexible demand management and operation of the distribution network. In the **field of network integration**, work on the second phase of the Caravaca BESS project continued. There was completion of the **FLEXIPOWER** project, with the goal of achieving the integration of various battery energy storage systems (BESS) in operation, as an alternative to reinforce the weak areas of the grid with photovoltaic generation. Progress has also been made in the **DSO-DTR project**, with the completion of the first pilot programmes and the launch of a project to improve line sensor technology, which gives information on the actual capacity at any given time depending on meteorological variables and network operation.

In Spain, work continues on the **new smart substation**, through the development of a comprehensive substation control system in accordance with international standards, thus achieving a sustainable facility. In the field of cybersecurity, the **TrueValSec project** was completed in 2022 with the aim of designing the security mechanisms used at the different levels of communication in the electric metering infrastructure of Smart Cities. The **SEC2GRID project** was also approved to

develop new smart electronic devices for an electricity distribution grid that is more secure against cyber-attacks. Progress was made on the project for the **digital substation model** so as to improve efficiency through the automation of monitoring and remote operation. This project includes developing the cloud platform for managing and viewing the new sensors distributed throughout the grid through easily integrated IoT protocols. The scope of the new processes associated with the **STAR+ project** continue to be expanded, and LV incidents are detected and diagnosed without needing to receive a call from the customer, thus resolving the incident in less time through smart diagnostics.

In the United Kingdom, various projects in the digital and data management area should be noted, such as **Digi-GIFT**, which looks at developing an interoperable data exchange platform; **Predict4Resilience**, which aims to develop actionable forecasts of extreme weather events weeks in advance; and **TWINe**, which looks at deploying a digital twin of the entire network. In the field of heating, the **Flexible Heat** project will maximise the flexibility of domestic heating to reduce and smooth peak demand, and the **Heat Balance** project will assess different thermal storage solutions that can be part of heating networks. Projects are also being developed to electrify rail transport and transform railway stations into connected multi-energy centres.

In Brazil, grid innovation aims to transform the customer experience, providing efficient and personalised digital channels, contributing to the expansion of smart grids, and supplying electricity efficiently, sustainably and economically. Work is being carried out in areas such as security, improving the automation of grid maintenance, modernisation of information infrastructure, standardisation of processes, preservation of network assets, and increased reliability and control, etc. Noteworthy is the **GODEL project**, the aim of which is to identify and reduce technical and commercial losses, and the **Digital Connection** project, which focuses on transforming the customer experience through smart solutions such as the Remote Virtual Assistant (RVA).

In the United States, there is continue implementation of smart technologies like smart meters (AMI), automating substations and circuits, and implementing advanced distribution management systems (ADMS) and distributed energy resource management systems (DERMS). All this allows control of operations in real time and improves grid reliability.

Iberdrola Innovation Middle East, Iberdrola's technology hub in Qatar, is developing various initiatives such as developing devices for real-time thermal monitoring of the grid and predicting faults or analysing the grid's capacity to accommodate distributed energy resources. In addition, work is being carried out on designing an Adaptive, Smart Building Energy Management System, and the application of a cyber-secure transactional energy framework to design, operate and manage smart and connected communities.

Green Hydrogen

Iberdrola has made progress in consolidating the use of **Green Hydrogen** to decarbonise other sectors (industry, transportation, et.).

The IPCEI seal was obtained during the year for the construction of the next phases of the Puertollano I, Puertollano II, Palos de la Frontera I and Palos de la Frontera II hydrogen projects. The Puertollano I Project (20MW electrolyser) will generate 1,200 tonnes of green hydrogen to be incorporated within ammonia generation processes. In addition, with regard to the decarbonisation of mobility, the first phase of the new Barcelona hydrogen plant has begun commercial operation, making it possible to supply hydrogen to 24 TMB buses.

At the national level, two industrial research projects are being led: the **ATMOSPHERE** project, which aims to develop new technologies for storage, generation and safety in green hydrogen plants, and the **AVOGADRO** project, which aims to develop an advanced hydrogen refuelling system for mobility applications. At the international level, there was a decision to participate in the **FEDECOM** project, which will develop tools for optimising the Puertollano and TMB plants, in the **AMBHER** project, which will work on MOF storage systems and ammonia synthesis, and in the **HYLICAL** project, which will work on new hydrogen liquefaction technologies.

Lastly, construction began on the **1.25 MW green hydrogen plant for IFF in Benicarló**, where all grey hydrogen will be replaced by green hydrogen currently used in manufacturing perfumes.

Iberdrola Ventures - Perseo

Iberdrola Ventures - PERSEO is the start-up programme created by Iberdrola in 2008 with €200 million in funding in order to encourage the development of a dynamic ecosystem of start-ups and entrepreneurship in the energy sector. The programme focuses on new technologies and business models that allow for improvements to the sustainability of the energy model through greater electrification and decarbonisation of the economy.

Since its creation, the programme has channelled investments of more than **€125 million in start-ups in the energy sector worldwide**. Its base of more than 36 million consumers and more than 60 GW of installed capacity have allowed Iberdrola to provide the start-ups with a sizable "real-life laboratory" that is aiding the technological and commercial development of the companies. The major achievements in 2022 include:

- **Pilot projects:** In 2022 there were more than 25 pilot projects with start-ups in technological areas like IoT, robotics and batteries, as well as in areas like network construction and maintenance, hybridisation of land use (agrovoltaics), electric mobility, and energy efficiency.
- **Challenges:** In 2022 Iberdrola brought 10 challenges to the start-up community in areas like renewable generation, onshore and offshore wind energy and photovoltaic energy; energy efficiency and decarbonisation in sectors like data centres, agriculture, and farming; and operation and maintenance of power grids and their protection against natural disasters.
- **Investment**: There was the launch of a new €300 million Venture Capital Fund, Seaya Andrómeda Sustainable Tech Fund I FCR, in partnership with other investors, to invest in European technological scale-ups related to sustainability, the energy transition, and the electrification of the economy.
- **"Venture Builder"**: Perseo continued the initiative launched in 2020 for investing in and creating (from scratch) electrification and the circular economy businesses — in areas such as the recycling of photovoltaic modules, wind-turbine blades and batteries — and in sectors resistant to decarbonisation, such as industrial heat production and heavy transport. The initiative has led to the organisation of the companies **C2Nature**, a platform to generate CO2 credits through the promotion of highest-quality projects, and **EnergyLoop**, a company created with FCC to lead the recycling of renewable facility parts, with the initial goal of recovering wind turbine blade parts.

Perseo also invested in **Basquevolt**, an initiative launched in 2022 to start a leading solid-state battery production line in Europe.

More information about the R&D&i projects in which the Iberdrola group is participating can be found in the Innovation in our business section of the corporate website.

Our commitment to our customers

Supply quality

■ GRI EU 28 ■ SASB IF-EU-550a.2

Quality of service and its ongoing improvement is one of the fundamental goals of Iberdrola's activity. A quality-evaluation system and the implementation of rigorous internal and external processes enables the achievement of objectives linked to this ongoing improvement. Moreover, all the distribution companies have regulatory incentives or penalties linked to improvement in the quality of supply. By the end of 2022, the Group's Networks business improved its supply quality levels (compared to 2021) in all the countries in which it is present.

Iberdrola monitors the quality of the service provided in the various countries, measuring it on the basis of the frequency and duration of interruptions in supply. However, the measurements in each country are made according to different standards following the respective legal or regulatory requirements.

Indicators used to measure the frequency of interruptions in supply

Indicators of frequency of interruptions				
		2022	2021	2020
Spain [64]	NIEPI	< 0,9	< 0,9	1
United Kingdom	CI	32.4	37.3	36.6
United States	SAIFI	1.3	1.4	1.4
Brazil	FEC	4.6	5.1	5.1

- The Installed Capacity Equivalent Interrupt Number (*Número de interrupciones equivalentes de la potencia instalada*) (NIEPI) is used in Spain. The regulatory NIEPI is reported.
- The Customer interruptions per 100 connected customers (CI) is used in the United Kingdom.
- The System Average Interruptions Frequency Index (SAIFI) is used in the United States.
- The Equivalent Duration of Interruption per Consumer Unit (*Freqüência Equivalente de Interrupção por Unidade Consumidora*) (FEC) is used in Brazil.

[64] Quality data for Spain (NIEPI and TIEPI) include commercially sensitive information.

■ GRI EU 29 ■ SASB IF-EU-550a.2

The indicators and the average durations of electrical outages for 2022 are given below.

Indicators of average duration of interruptions

		2022	2021	2020
Spain [65]	TIEPI	< 38 min	< 39 min	48.30 min
United Kingdom	CML	26.2 min	33.9 min[66]	31.6 min
United States	CAIDI	1.8 h	1.9 h	1.8 h
	SAIDI	2.2 h	2.7 h	N/D
Brazil	DEC	10.0 h	10.2 h	11.2 h

- The Installed Capacity Equivalent Interrupt Time (*Tiempo de interrupción equivalente de la potencia instalada*) (TIEPI) is used in Spain. The regulatory TIEPI is reported.
- Customer minutes lost per connected customers (CML) is used in the United Kingdom.
- The Customer Average Interruption Duration Index (CAIDI) is used in the United States. The United States also has the System Average Interruption Duration Index (SAIDI).
- The Equivalent Duration of Interruption per Consumer Unit (*Duração equivalente de interrupção por unidade consumidora*) (DEC) is used in Brazil.

Customer satisfaction

■ GRI 2-29

Iberdrola uses various mechanisms to measure customer satisfaction levels and to gather customer opinions, verify compliance with its quality standards within the customer service and sales channels, and implement suggestions for improvement. The most significant studies by country are:

In Spain, in the Electricity Production and Customers Business, there are various indicators for measuring users' satisfaction level, including the Detailed Satisfaction Study. Once a year, it measures overall satisfaction with the service received by the customer and offers detailed information about attributes such as agility, training, and handling of channels, clarity of the invoice, claims management, quality of supply, price competitiveness and electronic billing, whether for large customers, companies, small businesses or residential customers. In 2022, for the eighth consecutive year, overall satisfaction exceeded a score of 7 out of 10.

[65] Quality data for Spain (NIEPI and TIEPI) include commercially sensitive information.
[66] The value reported for 2021 does not exclude specific exceptional events (force majeure), as, at the closing date for this Report, the data had not been officially confirmed by the regulator.

The company also has a **Voice of the Customer Measurement Programme**, which allows satisfaction surveys to be performed in a transactional manner (immediately following an interaction) at various key times in the customer relationship, while also analysing unstructured information through the use of text analytics and machine learning. All of the foregoing enables more agile detection of customers' opinions and the prioritisation and implementation of improvements. This programme measures and analyses factors in the following principal areas:

- Attention to the Telephone Channel
- Attention to the Customer Service Points
- Attention to the Digital Channels (Web/App)
- Use of products and services

Most of the studies use the NPS (Net Promoter Score) index, which ranks the recommendations made by Iberdrola's customers. This index highlights points received for customer service and the use of products and services.

Regarding the Networks Business, calls are made periodically to customers who have contacted the company, giving them the opportunity to complete a satisfaction survey about the service that was provided. These results are used for the Customer Satisfaction Index and to detect and resolve problems with the service.

In the United Kingdom, customer satisfaction is measured by a number of internal and external studies conducted by the Customer Insight department. These analyses include various satisfaction surveys that vary in frequency from monthly to annually.

At the external level, the key comparative studies measuring the satisfaction of ScottishPower's customers as compared to its competitors' customers are Uswitch, Which? (with annual surveys) and the UK-CSI study, which is published twice per year. These studies analyse specific areas, such as customer billing, campaign follow-up and complaints. ScottishPower received an overall customer-satisfaction rating of 60.7% in the Uswitch survey, improving in the categories of renewable services, energy efficiency, mobile apps and the installation of smart meters. In *Which?* it received a score of 55 out of 100. In UK-CSI, its satisfaction indicator was 66.5 out of 100.

The most significant internal analysis is *Pulse*, which is performed monthly and measures confidence, loyalty, ease of use, value, etc. Based on this analysis, measures are being implemented to improve the handling of customer complaints. Several thousand customers also participate in the TalkEnergy panel, which gathers information on important topics and prepares action plans.

In the regulated business, the scores reported in the Broad Measure of Customer Satisfaction (BMCS) study conducted by Ofgen (the British electricity market regulator) were used as an indicator to set the regulatory incentive. The index is calculated on the basis of a survey that covers all customers who requested customer service, and takes into consideration various aspects of the service that the customers received. The scores received by the distributors SP Manweb, SP Distribution and SP Transmission in 2022 were 9.18, 9.09 and 8.26 out of 10, respectively.

In the United States, the subsidiaries of AVANGRID measure perception of the service and customer satisfaction through telephone surveys. In 2022 the AVANGRID companies obtained an overall score of: RG&E 80.4%; NYSEG 84.7%; CMP 87%; UI 89%; CNG 88%; SCG 89%; and BGC 93%.

In Brazil, the Brazilian Association of Electric Power Distributors (Associação Brasileira de Distribuidores de Energia Elétrica - ABRADEE) carries out a satisfaction study known as the Perceived Service Quality Satisfaction Index (ISQP) based on an evaluation of performance in the following areas: operational excellence, economic/financial management, customer assessment, social responsibility and management quality. The ISQP is obtained through evaluations made by customers through the surveys administered by Instituto Innovare. Neoenergia received a score of 69.6% for overall satisfaction in 2022.

The ratio of complaints received in the main markets where the company operates is given below.

Complaints received		
Number of complaints per 100 customers		2022
Spain	Liberalised market	1.73
	Regulated market	1.37
United Kingdom	Liberalised market	6.10
	Regulated market	0.17
United States	Regulated market	0.03
Brazil	Regulated market	1.30
Other countries	Liberalised market	3.00

The total number of complaints received in the Networks Business (regulated market) in 2022 was 375,105, and 683,581 in the Electricity Production and Customers Business (deregulated market). Average response times were 7.3 and 8.2 days respectively.

In the Networks business, complaints are resolved by the deadline established in the legislation in each country. There are also control mechanisms, such as quality audits and the strict reporting requirements established by regulatory entities.

The complaints resolution rate in the Electricity Production and Customers Business in 2022 was 89.1% in Spain, 88.9% in the United Kingdom, and 86.7% in the rest of Europe.

Responsible communication

Marketing communications

■ GRI 417

Iberdrola goes beyond regulatory compliance in its advertising and marketing communications, and adopts mechanisms and voluntary codes that ensure such communications are transparent and truthful. The *Code of Ethics* also applies in this area for all employees regardless of their area of responsibility.

Iberdrola not only complies with applicable advertising practices codes in all locations, but has also implemented internal approval procedures to ensure that all advertising material presented to society is in accordance with responsible advertising practices.

GRI 417-3

Incidents of non-compliance concerning marketing, advertising, promotion and sponsorship (No.)			
	2022	2021	2020
Resulting in a fine	41	13	15
Resulting in a warning	0	0	0
Relating to voluntary codes	0	0	0
Total incidents	**41**	**13**	**15**

The 41 reported incidents took place in Spain, representing 0.01% of incoming claims, and were for the most part connected to administrative errors.

Information on and labelling of electricity sold

GRI 417-1

Regarding labelling, Iberdrola informs its customers about the sourcing of the energy placed on the market and its associated environmental impact, generally through its electricity bills and other commercial communications, and always abiding by assurance standards and the format required by the various national agencies (CNMC in Spain, Ofgem in the United Kingdom, ANEEL in Brazil, etc.).

Information on customer complaint mechanisms and communication channels is included in the “Stakeholder engagement” section.

The table below shows the information and labelling incidents that took place in 2022.

GRI 417-2

Information and labelling incidents (no.)			
	2022	2021	2020
Resulting in a fine	1	3	0
Resulting in a warning	0	0	0
Relating to voluntary codes	0	0	0
Total violations	**1**	**3**	**0**

Health and safety of customers and of the general population

GRI 416

Users' safety is of paramount importance to Iberdrola. For this reason, it makes information and training available to the various emergency services and law enforcement services in order to explain the conflicts that they may encounter during the performance of their work and how to act in situations involving electrical risks.

All stages of the life-cycles of electricity and gas (*planning, production activities, transmission and distribution, marketing*) are closely regulated because these products are essential to the country's economy and improve the quality of people's lives.

At all stages, alignment with each country's environmental and labour regulations is essential to minimise possible operational risks (operation of generation plants, electrical risks and risks associated with the handling of gas, etc.). In addition, in the planning and marketing stages, public participation (through social and political representatives) and communication with consumers are two other key factors for protecting public health and safety.

GRI 416-1

All processes required for the supply of electricity and gas at all stages as described above ensure that these products arrive at the consumer with an appropriate level of assurance for their health and safety. The impact on health and safety of 100% of the significant product and service categories is assessed to improve them.

The following table lists incidents in terms of impacts of products and services on the health and safety of customers. There were 68 incidents leading to fines in 2022, all in the United States, due primarily to alleged violations of federal safety regulations for facilities. A non-monetary penalty was also imposed.

GRI 416-2

Incidents stemming from non-compliance with regulations or voluntary codes regarding health and safety (No.)

	2022	2021	2020
Resulting in a fine	67	42	0
Resulting in a warning	1	6	0
Relating to voluntary codes	0	0	0
Total incidents	**68**	**48**	**0**

GRI EU25

Furthermore, as described above, the construction, operation and maintenance of electric infrastructure involves certain risks, which may at times give rise to incidents affecting people outside of the company. In most of the cases detected, the incidents are related to third parties working without safety measures in the areas around the distribution facilities, as well as accidental contacts with the network.

The following table shows the accidents of this kind that occurred during 2022. Nine of these accidents (including one death) occurred in the United Kingdom; five in Spain (including three deaths); 13 in the United States (one death); and 112 (including 31 deaths) in Brazil. Year after year, significant work has continued in the areas of awareness-raising and training for the general public in order to reduce these numbers as much as possible.

Accidents involving persons not belonging to the company (No.)			
	2022	2021[67]	2020
Accident victims	139	190	124
Fatalities	36	48	39

The claims listed in the following table have been filed against companies of the group on these or other similar grounds not involving injuries and have given rise to legal proceedings in the respective jurisdictions. At year-end 2022, 26 legal proceedings had been resolved or were pending in Spain, 56 in the United States and 80 in Brazil.

Annual legal proceedings (No.)			
	2022	2021	2020
Resolved and pending, stemming from these accidents	162	234	212

Electromagnetic fields

Historically, the possible influence of electrical and magnetic fields on human health has been the subject of a certain amount of public debate. However, the various studies performed in this regard have identified no detrimental effects on human health for the maximum emission figures established by applicable law. Iberdrola, following the precautionary principle, applies the rules in this regard and has shown itself willing to work with the public authorities in adopting such preventive or mitigating measures as may be deemed appropriate to avoid risks or harm to health.

In 2022 one complaint connected to electromagnetic fields (EMF) was received in Spain. It should be pointed out that electromagnetic field levels of facilities in Spain, be they transformation centres, lines, or power substations, are far below legal limits, which in turn were set, with an extremely wide safety margin, by the *Recommendation of the Council of European Communities of 12 July 1999 (1999/519/CE)*, which was transposed in Spain by *RD 1066/01 of 28 September*, and was also ratified in Spain by the Ministry of Health and Consumption and by the Royal Academy of Exact, Physical, and Natural Science.

The values of the electric and magnetic fields generated by facilities are measured on a regular basis by means of two reports, which are audited by AENOR.

[67] The 2021 figures increased over the prior year as a result of the easing of restrictions on mobility relating to the pandemic.

Education on the safe use of electricity

To ensure consumers' health and safety, it is very important to inform them of and educate them on safety guidelines for using electricity.

Iberdrola thus uses the group's websites to provide recommendations and information to consumers on the safe use of electricity and gas, as well as guidelines to follow in case of an electrical accident. It also publishes informational booklets on the potential risks of electricity that affect its proper use and promotes informational and educational campaigns on safety measures and energy savings for the general public.

Depending on the location and its level of exposure to adverse weather conditions or other external contingencies, Iberdrola also provides information and recommendations on actions to take in the event of an emergency.

Competition

■ GRI 206

As provided in the *Code of Ethics*, the group undertakes to compete fairly in the market and not to engage in advertising that is misleading or denigrates its competitors or third parties.

The group also undertakes to obtain information from third parties in accordance with regulations, to promote free competition for the benefit of consumers and users and to encourage transparency and free market practices, as set out in the group's *General Sustainable Development Policy.*

At the country level, each of the country subholding companies endeavours to ensure strict compliance with legal provisions on separation of activities and, in many jurisdictions, the applicable internal regulation goes beyond what is required by law, significantly reinforcing measures to prevent any unfair competitive practices stemming from the lack of separation between liberalised and regulated businesses.

The liberalised head of business companies also have specific controls to avoid any type of anti-competitive practices, particularly in areas like advertising campaigns directed towards individuals and price manipulation.

Pending cases

■ GRI 206-1

No case was recorded in 2022.

Cybersecurity and information privacy

Companies in the energy sector rely on a technological infrastructure, both physical and digital, to support their processes and operations. Growing reliance on technology, highlighted by the COVID-19 pandemic, can expose businesses to a range of risks, which, if exploited, could disrupt operations, harm assets, put people's safety at risk, undermine the organisation's ability to deliver reliable energy services, or expose the company to penalties or third-party liability.

As a leader in innovation and smart grids, Iberdrola attaches strategic importance to cyber-resilience, and in 2015, the Board of Directors approved a *Cybersecurity Risk Policy*, pledging to introduce the necessary measures for promoting a robust cybersecurity culture throughout the Group by encouraging the secure use of cyber-assets, and strengthening the capacity to detect, prevent, defend against, and respond to cyberattacks or cybersecurity threats.

Its scope of application includes not only information and communications systems and technologies, but also the protection of industrial control systems and smart grids, whether operated by its own personnel or supported by third-party operations and services.

The Policy builds on a set of cybersecurity rules underpinned by the Global Cybersecurity Framework which, in turn, is further developed by the Global Incident Response Framework and the Global Assurance Framework and other cybersecurity regulations focused on the different aspects of cybersecurity threat.

To lead the deployment of the Policy throughout the Group, Iberdrola has appointed a Chief Information Security Officer (CISO), who reports to senior management. The CISO is responsible for defining, leading and supervising the cybersecurity strategy throughout the Group, as are the CISOs of the various country subholding companies to ensure the implementation of the Policy in each country, taking into account the regulations and legislation applicable in their territory. The global CISO and the CISOs of each country subholding company regularly report to the audit and risk supervision committees of their respective boards of directors, which are tasked with supervising this risk.

The Iberdrola group's defined cybersecurity risk strategy and global framework are focused on integrating cybersecurity in all strategic and operational decisions of the company and on taking it into account beginning with the design of new projects and processes, and is supported by the following pillars:

Governance: Iberdrola adopts a risk management approach to cybersecurity and uses the three lines of defence model to assign functions and responsibilities in managing cybersecurity risks, ensuring a coordinated approach and appropriate segregation of duties.

The *Corporate Cybersecurity Risk Policy* assigns responsibility for cybersecurity risk management to the businesses and corporate areas (first line of defence) and entrusts the CISO of Corporate Cybersecurity (second line of defence) with establishing the necessary governance, coordination and supervisory mechanisms to ensure adequate treatment of cybersecurity risks throughout the Group, taking into account the high interconnectivity of the networks and systems.

In this regard, Business Information Security Officers (BISOs) have been appointed in IT and in each business, and are responsible for establishing and rolling out the necessary action plans in their respective areas of competence. A Global Cybersecurity Committee has been established to ensure proper coordination and alignment.

Cybersecurity culture: Iberdrola believes it is essential to promote a strong cybersecurity culture throughout the group, ensuring that all employees at all levels of the organisation have the training and knowledge necessary to minimise exposure to cybersecurity risks, including an understanding of risks and internal regulations and access to tools that allow for proper protection. The cybersecurity training programme covers the entire workforce, and includes annual training initiatives, simulated phishing campaigns and ad-hoc training for technical groups or those exposed to specific risks. The Board of Directors also receives specific cybersecurity training, which is also included in the orientation programme for new directors.

Risk management: The company's various businesses and divisions define, implement and prioritise the necessary technical or organisational measures based on an analysis of cybersecurity risks in their respective areas of responsibility, focusing on systems that support critical infrastructure and essential services, personal data and other sensitive information, as well as other business-critical processes. To this end, there is a global risk methodology and a global framework of capabilities, supported by a governance, risk and compliance (GRC) system, which includes measures for controlling identities and access, the protection of communications, equipment and systems and the secure design and development of new projects, as well as the management of supply chain related cybersecurity threats. All of this is set out in multi-year cybersecurity master plans, specific to each Business and to IT, which are approved and supervised by the Cybersecurity Committee, and whose effectiveness is monitored through a global cybersecurity dashboard. Proactive threat and vulnerability scanning programmes are also in place, including mechanisms such as scheduled and regular vulnerability scanning activities, ad-hoc security reviews (penetration tests, Red Teams, etc.), system audits in the context of auditing financial statements, critical infrastructure or the *General Data Protection Regulatio*n, and the review of cybersecurity ratings through specialised market services, allowing potential risks to be anticipated. The cybersecurity measures extend to the protecting our customers, suppliers and other Stakeholders against possible risks of social engineering attacks that impersonate our brand.

Resilience: With a view to minimising the impact on the business and on the continuity of essential services, Iberdrola has implemented technology (SIEMs/SOCs) and global and local cybersecurity incident response teams (CSIRTs), which operate 24x7 and act as a point of contact to ensure the successful detection and management of security threats, vulnerabilities and incidents. Iberdrola's global CSIRT is a member of the Forum of Incident Response and Security Teams (FIRST). Furthermore, operational continuity and recovery procedures for cybersecurity incidents are planned, deployed and tested in the different technological areas (IT/OT). The necessary coordination mechanisms at the global level are outlined in the *Global Cybersecurity Incident Response and Crisis Management Framework*, which is regularly tested by organising and participating in cyber exercises and crisis simulations. As a complementary measure, the Iberdrola Group has a global cyber-insurance programme to mitigate the financial risks of a possible incident or security breach.

Assurance: As a listed company and operator of an essential service, the Iberdrola Group is subject to strict security regulations in the various countries in which it operates (GDPR, SOX, NIS, PIC, NERC, etc.) and undergoes regular external audits, which include the evaluation of cybersecurity controls on critical systems and assets covered by those regulations. Beside complying with externally imposed obligations, Iberdrola has deployed an enhanced assurance programme for critical systems and assets that support essential operational processes of its businesses at the global level, aimed at identifying potential vulnerabilities and prioritising and focusing protection and supervision measures in the area of cybersecurity.

Partnerships: Iberdrola actively partners with law enforcement agencies, government agencies, product and service providers, other companies and industry expert groups to continuously reinforce and improve its own cybersecurity capabilities and help improve the cyber resilience of the energy ecosystem as a whole. Iberdrola has co-chaired the World Economic Forum's working group on Cyber Resilience in the Electricity Industry since it was established in May 2018.

■ GRI 418

With regard to information privacy, Iberdrola pays special attention to ensuring the privacy of the personal information of the group's Stakeholders. For this purpose, the company follows a *Personal Data Protection Policy* approved by the Board of Directors and conforming to the European Global Data Protection Regulation (GDPR). Its purpose is to ensure the right to the protection of data of all individuals dealing with companies belonging to the group, ensuring respect for the right to dignity and privacy in processing of the personal data, and particularly to establish the common principles and guidelines to govern the group regarding the protection of data, ensuring compliance with applicable law on this topic in all countries in which the group is present.

Iberdrola has chosen to handle privacy with a holistic focus, the goal of which is to integrate privacy and data protection within the management system and the culture of the company. Responsibility for the protection of personal data lies with the businesses and corporate functions, organisations that process this data, under the coordination and supervision of the Data Protection Officer, with the support of the Legal Services.

During financial years 2018 and 2019 the Iberdrola group developed and implemented a data protection management system in order to ensure systematic compliance over time with the GDPR, the Binding Corporate Rules and the personal data protection laws of each of the EU countries in which the group is present.[68]

This management system has been reviewed within the framework of continuous improvement, through the development of an external evaluation plan. This 3-year plan began in the last quarter of 2019 and ended in December 2021, encompassing all European Union countries in which the retail business is present, as well as the United Kingdom, the United States and Mexico. The second cycle of external evaluation began in the first quarter of 2022 and will end in 2024, consolidating the model and its gradual expansion to new geographical areas. The Iberdrola group deals with a large volume of personal data in its day-to-day activities, and given its international nature, international transfers of data among its various companies occur on a daily basis. *Recommendations 01/2020* on measures that supplement transfer tools and *Recommendations 02/2020* on essential guarantees issued by the European Data Protection Board in mid-2021 have been taken into consideration in adapting the procedures and methodologies on international data transfers, including the new standard contractual clauses, and in developing the methodology for the impact assessment of international data transfers.

[68] Resolution of the Director of the Spanish Data Protection Agency dated 15 December 2020. Available at www.Iberdrola.com

In addition, as regards international transfers between group companies, on 15 December 2020 the Spanish Data Protection Agency issued a decision approving the *Binding Corporate Rules of the Iberdrola group*, one of the mechanisms established in the GDPR to carry out international transfers of personal data within a group of companies. The approval of these rules has been the culmination of another of the steps implemented by the group to ensure full respect for the fundamental rights to privacy of data subjects in all of the countries in which it operates, not limited to European companies directly subject to the GDPR, but also to all other territories.

The table below shows substantiated complaints regarding breaches of violations of privacy and losses of customer data.

■ GRI 418-1 ■ SASB IF-EU-550a.1

Incidents relating to privacy (No.)			
	2022	2021	2020
From regulatory entities	124	115	100
From other sources, substantiated	3	17	54
Total substantiated complaints	**127**	**132**	**154**

Of the complaints received from regulatory bodies, 49 occurred in Spain, 67 in the United Kingdom, seven in Portugal and one in Italy. Of those having another origin, there were two in Spain and one in the United States.

In 2022, there were 10 cases of information leak or loss, with no sensitive data involved, five of which took place in Spain, and one in each of the following countries: Germany, France, Ireland, Italy, and Portugal.

III.5. Promotion of socially responsible practices in the supply chain

- Description of the supply chain
- Sustainable management of the supply chain

Description of the supply chain

GRI 2-6

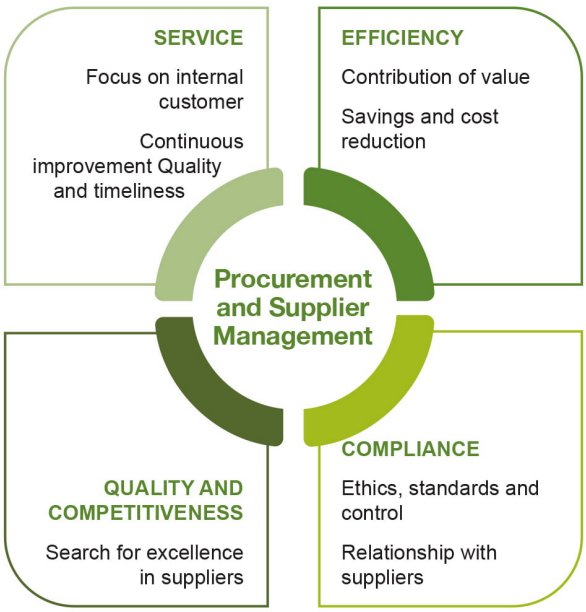
The Iberdrola group's supply chain is managed through two different processes:

- The procurement of material and equipment and the contracting of works and services, which is the responsibility of the Group's Purchasing and Services Division.
- The procurement of fuel, which is handled by the Wholesale and Retail Business.

Both processes are guided by the same principles embodied in the *Corporate policies* and the *Code of Ethics*. However, each of them has specific characteristics in their various phases: registration and classification of suppliers, bidding process, execution of contracts, monitoring of contractual terms, and quality control.

Procurement of material and equipment and contracting of works and services

The mission of the group's Purchasing and Services Division is to establish the strategy and procedures for and to supervise the purchasing of equipment and material (other than fuel), as well as works and services contracts and insurance programmes (other than life and casualty, health and pension insurance) for the entire Iberdrola group, meeting the strategic goals established by the Board of Directors and respecting at all times the company's *Governance and Sustainability System*:



The purchasing process is periodically audited both internally and by external entities, with no non-conformities having been identified during the financial year. Recommendations and opportunities for improvement that arise during these reviews are analysed and put into place in order to maintain continuous improvement in the processes.

Iberdrola placed orders with more than 19,000 suppliers during 2022. A breakdown of the economic and geographic volume is set out in the following table:

General supply of equipment, materials, works and services (millions of euros)			
	2022[69]	2021	2020
Spain	2,711	2,405	2,070
United Kingdom	1,334	1,225	1,484
United States	3,360	3,031	2,790
Brazil	2,143	1,400	1,283
Mexico	439	395	507
IEI	1,546	967	360
Total	**11,533**	**9,424**	**8,494**

In 2022, the volume of purchases grew by 22% to €11,533 million as a result of the increase in volumes invoiced by suppliers related to offshore wind projects in Europe and the United States, onshore wind in Spain, the United States and Australia, and investments in electricity distribution networks in Spain, the United States, the United Kingdom and Brazil.

Procurement of fuel

Iberdrola dedicated more than €6,233 million to the procurement of natural gas and uranium in 2022. Uranium is procured in Spain and only through Empresa Nacional del Uranio (Enusa). Natural gas is procured on the domestic and international market, mainly through long-term commercial relationships with approximately 27 large suppliers and wholesale market operators. These purchases are for the production of electricity (mainly in Mexico and Spain).

Procurement of fuel (millions of euros)			
	2022	2021	2020
Coal	0	0	0
Natural Gas	6,140	4,639	2,204
Uranium	93	55	55
Total	**6,233**	**4,694**	**2,259**

Spending on local suppliers

Iberdrola follows a local supplier strategy for its strategic contracting that has allowed for the creation of indirect employment and the maintenance of a strong industrial fabric in the geographical areas in which it does business.

The following table shows the percentage volume of purchasing from local suppliers:

[69] Volume billed during the financial year. Amount awarded in 2022: €17,796.2 million.

GRI 204-1

Procurement or contracting of materials, equipment, works and services from local suppliers (%)[70]			
	2022	2021	2020
Spain	83.8	83.8	81.7
United Kingdom	81.3	89.3	90.8
United States	93.7	96.4	97.0
Brazil	99.6	99.3	99.6
Mexico	59.9	71.2	62.7
IEI	73.9	60.2	64.7
Total	**87.1**	**87.9**	**89.0**

Sustainable management of the supply chain

GRI 2-6 204

Promotion of sustainability and social responsibility

Iberdrola has the responsibility and the ability to motivate its suppliers to improve their environmental, ethical and social performance through actions that promote excellence in their management of sustainability.

Highest level commitment to the sustainability of our supply chain

Iberdrola's commitment to Environmental, Social and Governance (ESG) standards and their expansion to cover its main suppliers is embodied in the ambitious goal of ensuring that at least 70% of the group's main suppliers are subject to sustainable development policies and standards by year-end 2022.

The significance of this goal is reflected by its inclusion in the 2020-2022 Strategic Bonus objective approved by General Shareholders' Meeting in 2020.

Specifically, the objective measures the number of key suppliers covered by sustainable development policies and standards, such as having a human rights strategy, a code of conduct for their suppliers, health and safety standards (SDG 3) and a global environmental sustainability strategy, including strategies on water (SDG 6), energy (SDG 7) and biodiversity (SDGs 14 and 15).

The objective is based on a specific model of evaluation for the supply chain and has been integrated into the systems implemented by the Purchasing Department, both in the supplier classification system and in the purchasing management system itself, with supplier sustainability included in the decision-making process on proposals for awarding contracts.

[70] Suppliers registered in the same country as the Iberdrola subsidiary for which it does business are considered to be local based on the Tax ID assigned to the supplier.

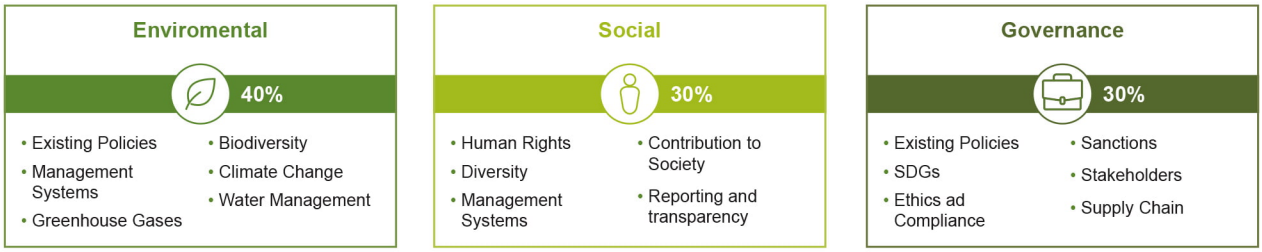
Supplier sustainability evaluation model:

In 2022 the Purchasing Division consolidated the use of the *Global Supplier Sustainability Evaluation Model*, which is conformed to the international reality of the Iberdrola group and organised around three core ESG pillars of sustainability.

The evaluation of a supplier measures the supplier's performance in highly significant attributes: identification of objectives linked to the Sustainable Development Goals (SDGs), management of climate change risk, circular economy strategy, human rights due diligence, compliance, good governance and business ethics, etc.

The supplier must provide supporting evidence and documentation for its statements and performance.

The following information is assessed as part of the three dimensions analysed:



After the analysis, the suppliers are rated at two levels: "adequate" if their score exceeds 51 of 100 points (and at least 30% of the points on each of the ESG pillars), and "inadequate" otherwise.

At year-end 2022, more than 77% of the group's main suppliers awarded contracts in the 2020-2022 period already met the established criteria and followed sustainable development policies and standards.

Furthermore, in 2022, €17,112 million have been allocated to suppliers evaluated on the basis of this ESG model. This amount represents 96% of the total amount awarded to the different suppliers making up the Iberdrola group's supply chain. Of this amount, €16,287 million (91.5% of the total) was awarded to suppliers surpassing the above mentioned level of sustainability.

It should be noted that in 2022, the objectives relating to the increase in purchases from key suppliers evaluated as "adequate" were met and that improvement plans were introduced and monitored for those suppliers that did not achieve the minimum scores established by Iberdrola when they were awarded the contracts from the beginning of 2020 to the end of 2022. Therefore, improvement plans were sent to 912 suppliers of the group during this period and the result of this initiative has been that 57% of them have improved their level of sustainability to the level of "adequate".

Not only is the supplier motivated by this model to improve its profile by taking actions that promote excellence in business management, but the Purchasing Division team is also incentivised through quantifiable objectives to choose those companies showing good performance in sustainability or making a commitment to improve.

Factors evaluated for supplier classification

Iberdrola verifies that its suppliers' actions are in line with the policies, principles and responsibilities of the group.

The requirements for classifying suppliers are:

Fuel purchasing is also subject to the general principles of Iberdrola's sustainable development policies, which are intended to encourage suppliers to engage in activities that are socially responsible, respectful of the environment and preventive of occupational risks.

Iberdrola carries out an internal evaluation of its main fuel suppliers in accordance with economic, logistical, environmental and social standards. The aspects evaluated include: the existence of an environmental policy, information regarding CO_2 emissions, emission reduction initiatives, energy efficiency, biodiversity conservation, occupational health and safety, equal opportunity, human rights and ethical behaviour (anti-bribery and anti-corruption practices).

In 2022 no communication was received through the company's ethical mailboxes resulting in the cancellation of any contract or order for reasons related to human rights, corruption, labour practices or environmental practices.

Supplier environmental assessment

GRI 308

Alignment in Purchasing and in supplier management with respect to the environment and sustainability

ALIGNMENT IN PURCHASING AND IN SUPPLIER MANAGEMENT WITH RESPECT TO THE ENVIRONMENT AND SUSTAINABILITY

Internal Procurement Mechanisms		External Supplier Mechanisms	
Pruchasing Policy	Sets out principles on the environment that suppliers must follow and sustainable and responsible management in the Iberdrola group's supply chain	*Code of Ethics*	Includes environmental principles. Must be accpeted by the Group's suppliers and is attached to orders and contracts
Supplier Registration and Classification	Environmental certification weighted in the overall assessment of the supplier. Must accept Iberdrola's Environmental Policy	specific T&Cs	Environmental clauses that suppliers must comply with during the term of the contract
Bid Process	Te environmental assessent of the supplier is included during the ITEO (offer evaluation) phase and in the PA (proposed award) for purposes of the contract	Stimulus Campaigns	As a business driver, we proactively promote the environmental certification of the suppliers, supporting them in the search for excellence and generating a muliplier effect
Annual Improvement Goals	Innovative aspect: annual improvement goals directly relating to imporvement in sustainability of supplier established for the Purchasing team and linked to variable remuneration	Carbon Footprint Measurement	Regular supplier greenhouse gas measurement campaign
Global Environmental System	The Procurement Division is part of Iberdrola's Global Environmental System Committee: monitoring of environmental guidelines, established goals and related indicators. Audits.	Sustainability Evaluation Model	Specific section to evaluate the supplier's performance in terms of compliance and respect for human rights.
Reporting	*Contribution to Sustainability infographic and Annual Procurement and Supplier Management Report* published on the corporate website	Supplier of the Year Award	Enviromental category: this promotes the environmental responsibility of suppliers and publicly recognises those who stand out in this area

GRI 308-1

At the end of 2022, the volume billed to the Iberdrola group by suppliers with a documented or certified environmental management system represented around 72.2% of the total volume billed (general suppliers).

Fuel purchasing is subject to the general principles of Iberdrola's social responsibility policies, which require that suppliers be encouraged to engage in conduct that is socially responsible, respectful of the environment and preventive of occupational risks. Fuel suppliers with a certified environmental management system represented 73.91% of those evaluated.

All major suppliers of general goods and equipment (both new and existing) and fuel are assessed in accordance with environmental and sustainability criteria.

GRI 308-2

No supplier with a significant negative environmental impact has been detected. Furthermore, Iberdrola does not have major suppliers located in areas with water stress.

Supplier social assessment

■ GRI 414 414-1 414-2 407-1 408-1 409-1

The contracting terms of the group for purchasing equipment, material, works and services, include specific supplier corporate social responsibility clauses based on the UN Universal Declaration of Human Rights, the conventions of the International Labour Organization, the principles of the Global Compact, and compliance with the *Code of Ethics*. For fuels, the company aims to include these clauses as new contracts are signed.

During the term of the contract, the supplier must allow Iberdrola to review the level of compliance with the principles established in the contracts, and if non-compliance is detected and corrective plans are not adopted, the company reserves the right to cancel the contracts.

All major suppliers of general goods and equipment and of fuel are assessed under this management approach and considering their material risks in relation to human rights and negative social impacts. These risks are mitigated and managed through the quality processes in place and the regular audits carried out by each business unit. This strategy has been reinforced in 2022 with a global campaign of social audits of key general goods suppliers to ensure compliance with the group's ESG criteria and to validate the supplier assessment model. By year-end 2022 a total of 42 social and sustainability audits had been carried out on the Group's main suppliers at the global level.

Based on the Iberdrola group's risk map for 2022 drawn up by BHR (a specialised consulting firm), and taking into account the suppliers of goods and services from countries identified in 2022 as being at high risk of human rights violations, the following risks may emerge:

- in connection with the risk to freedom of association and collective bargaining, in 1.5% of the volume of purchases made in 2022,
- in connection with child labour, in 0% of the total volume of purchases made in 2022, and
- in connection with forced labour, in 1.5% of the total volume of purchases made.

With regard to fuel supplies, no purchases were made in countries where there is a risk of violation of the rights to freedom of association and collective bargaining, child labour and forced labour.

There was no identification in 2022 of any contracting with suppliers that has generated incidents relating to freedom of association, collective bargaining, or the use of child or forced or compulsory labour, nor is there evidence of receiving complaints on these grounds.

However, in Brazil a labour complaint was filed by a former employee of the supplier EPS RR Construtora, against this company and Neoenergia Elektro for secondary liability as the contractor. Among other issues, the former employee claimed that he had suffered degrading conditions in the housing where he stayed for 2 months, considering that this housing/home did not have the necessary infrastructure. The contract with the supplier was terminated and the proceedings are being monitored.

No suppliers with a material negative social impact have been detected, and no incidents were reported through the channels established for this purpose that resulted in the cancellation of orders or of contracts with the group's suppliers due to negative social impacts.

In 2021 a potential risk associated with complaints of forced labour was identified in the Xinjiang region of China linked to polysilicon producers supplying polysilicon to solar module manufacturers. Although this risk does not directly affect the group's direct suppliers, it does affect the value chain for photovoltaic technology. Since then Iberdrola has promoted scrupulous compliance with the Iberdrola group's *Suppliers' Code of Ethics* among all suppliers potentially exposed to this risk. To this end, Iberdrola has successfully required the inclusion of specific clauses to mitigate the risks of forced labour or modern slavery for all affected suppliers with which it has signed supply contracts. In addition, the necessary clauses have also been included in contracts for the supply of PV panels to give the company the right to perform social and sustainability audits, both for module manufacturers and third party companies in their supply chains, to ensure the quality and traceability of the components. The Iberdrola group also actively participates, along with the manufacturers themselves, in the main industry-led initiatives, such as Solar Power Europe and WindEurope, with the aim of establishing common standards and tools that allow objective evidence to be obtained that human rights have been respected throughout the process of manufacturing the equipment used in these projects.

Evaluation of supplier risks

Iberdrola ensures the evaluation of supplier risk during the procurement process, as set forth in the *Purchasing Policy.* In particular, the following risks are identified: Credit risk, fraud risk, cybersecurity risk, sustainability risk, operational risk, risks related to human resources and tax risk.

Review of the provision of general supplies in countries presenting a risk of corruption

In order to analyse the risk of corruption in procurement, the company uses the *Transparency International Corruption Perceptions Index 2021 (TI CPI 2021)*[71] as a source to classify countries according to their level of risk.

The volumes of purchasing in countries classified according to said index based on their level of risk of corruption are set out in the following table:

Corruption risk[72]	% of 2022 general supply purchases in countries on the CPI Index 2021
Purchasing in countries classified as low-risk	74.7
Purchasing in countries classified as medium-risk	2.1
Purchasing in countries classified as high-risk	23.2

Brazil and Mexico are the main countries classified by the aforementioned TI CPI 2021 as having a high risk of corruption and in which there have been purchases from registered suppliers. The purchasing volume is directly related to Iberdrola's presence and investment efforts in these countries, and is consistent with its practice of promoting the local industrial fabric.

Iberdrola has not made any significant purchase of general supplies from suppliers located in tax havens.

[71] Latest available at the date of preparation of this report.
[72] Low-risk: country index ≥ 60 / Medium-risk: 59-50 / High-risk: < 50 on a scale from 0 (perception of high levels of corruption) to 100 (perception of low levels of corruption).

Review of the provision of fuel supplies in countries presenting a risk of corruption

An analysis of the purchases of fuel shows the following ratios in 2022:

Corruption risk[73]	% provisions of fuel in 2022 in countries included in the CPI 2021 index
Provisions of fuel in countries classified as low-risk	58.9
Provisions of fuel in countries classified as medium-risk	1.0
Provisions of fuel in countries classified as high-risk	40.1

According to the aforementioned TI CPI 2021, Mexico and Brazil are the main countries with a high risk of corruption in which fuel has been purchased from registered suppliers. However, the company believes that the calculation should exclude these two countries because these purchases are made in strongly regulated environments that require contracting with state-owned companies. Excluding both countries from the calculation, the percentage of fuel purchasing in at high-risk countries would decrease to 0%.

[73] Low-risk: country index ≥ 60 / Medium-risk: 59-50 / High-risk: < 50 on a scale from 0 (perception of high levels of corruption) to 100 (perception of low levels of corruption).

III.6. Contribution to the well-being of our communities

- Access to energy
- Support to local communities
- Fiscal responsibility
- Contributions to society
- Foundations
- Iberdrola and the Global Compact

Access to energy

The *Sustainable Development Policy* approved by the company's Board of Directors embraces the promotion of universal access to the power supply, with environmentally sustainable, economically assumable and socially inclusive models, as a basic principle of conduct in the creation of sustainable value. In addition, it attends to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing ongoing access to electric power and gas supply according to the policies established by the competent government authorities in each case.

Access to energy for off-grid customers

The companies of the Neoenergia group have continued to develop rural electrification programmes, undertaken jointly with government authorities, as an instrument for the social inclusion and development of rural homes not served by electric utilities. In 2022, the funds allocated to these programmes totalled €88 million (478 million Brazilian reais) in consolidated terms for the group.

Globally, Iberdrola has launched the Electricity for All Programme in response to the call of the international community to ensure universal access to affordable, reliable and modern energy services. Iberdrola has set the ambitious goal of providing electricity to 16 million persons who currently lack it by 2030.

For more information, see the "Electricity for All" *Programme* section of the corporate website.

Access for vulnerable customers

■ SASB IF-EU-240a.4.

The companies of the group have procedures to protect customers at risk of exclusion or in vulnerable situations so as to facilitate access for the most disadvantaged groups: Iberdrola's measures in this regard include a lengthening of collection periods and making payment terms more flexible, so as to prevent the suspension of electric and/or gas supply due to non-payment of bills by users who are economically disadvantaged or who have been declared vulnerable due to reasons of age, health, disability or other reasons. In some countries such as Spain (with a subsidised electricity rate, called the *Bono Social de Electricidad*) and Brazil, there is a special, differentiated rate for low-income customers, offering them advantageous prices and special terms.

Initiatives to improve the access of vulnerable customers and communities to electricity

Country	Initiative
Spain	Subsidised Rate (Bono Social), agreements with the regional governments to avoid the suspension of service for vulnerable customers.
United Kingdom	Warm Home Discount
United States	Energy Assistance Programs
Brazil	Subsidised Electricity Rate (Tarifa Social de Energia Elétrica)
Italy	Subsidised Rate (*Bonus sociali*)

Information regarding disconnections and subsequent reconnections in accordance with the Electric Utilities Sector Supplement of the Global Reporting Initiative (GRI) is shown in the following table:

■ GRI EU27 ■ SASB IF-EU-240a.3

Residential disconnections (no.)[74]	2022	2021	2020
Paid up to 48 h after disconnection	1,121,446	958,886	779,851
Paid between 48 h and one week after disconnection	150,132	155,758	120,257
Paid between one week and one month after disconnection	210,530	212,944	164,689
Paid between one month and one year	175,311	199,878	131,316
Paid after more than one year	44	15	91
Outstanding and unclassified [75]	0	5,958	17,267
Iberdrola total	**1,657,463**	**1,533,439**	**1,213,471**

Residential reconnections following payment of unpaid bills (No.)	2022	2021	2020
Less than 24 h after payment	1,415,594	1,213,785	996,700
Between 24 h and one week after payment	185,838	184,014	111,383
More than one week after payment	80,103	89,025	97,078
Unclassified61	0	5,582	14,020
Iberdrola total	**1,681,535**	**1,492,406**	**1,219,181**

Support to local communities

Development programmes for local communities

■ GRI 413

Iberdrola engages in various activities to avoid, mitigate and offset the potential socio-economic impacts of its facilities. These are identified in the context of impact assessments and consultation processes with the affected communities, and are discussed with the various stakeholders and local authorities.

The activities cover different areas, such as the protection of biodiversity and the recovery of spaces; use of the ecosytemic services generated at the plants; improved communication, water supply, and waste management infrastructure; the implementation of public lighting systems; the creation of direct and indirect jobs; scholarships, training courses for professionals; activities to support entrepreneurs, etc.

[74] In 2020, as a result of the COVID-19 pandemic, service shutdowns for non-payment were suspended before gradually resuming in 2021 and 2022.
[75] Data were reclassified in 2022 to adjust the report to the indicator.

Moreover, there are supplementary sponsorship and patronage activities to improve the well-being of the communities in which we have a presence.

Given the size and significance of these local social and economic development programmes, they are carried out by various organisations, subsidiaries, and institutions within the group, on a supplementary basis:

- By subsidiaries or investees, within their respective purviews.
- By the group's foundations in the case of sponsorship and patronage activities (Fundación Iberdrola España, ScottishPower Foundation in the United Kingdom, AVANGRID Foundation in the United States, Instituto Neoenergia in Brazil, and Fundación Iberdrola México). More information can be found in the "Foundations" section of this chapter.

Social impact assessments

■ GRI 413-1 413-2

Environmental Impact Assessment studies prior to the construction of facilities include a Social Impact Assessment in accordance with current law in each of the countries, and must be approved by the competent public authorities. In countries with indigenous communities, a Social Impact Study specific to these communities is always included.

These evaluations include an analysis of potential impacts on human rights, such as the right to a safe, clean, healthy and sustainable environment, through an evaluation of the natural environment. In this evaluation, the environmental impacts of such factors as emissions, leaks, waste, fires, effects on local biodiversity, changes in land use, changes in the aesthetics and quality of the landscape, restricted access to water and forest resources, etc. are assessed. Regarding the fundamental right to enjoy a social order or an adequate standard of living, the analysis includes an evaluation of the social and economic environment, considering demographic aspects such as population changes in nearby municipalities; their historical and cultural heritage; increased demand for jobs in certain sectors; and the deterioration or development of basic infrastructure elements, such as roads or railroad networks, etc.

Applicable law ensures consultation with and the participation of both the interested parties and the government administrations during the performance of these impact studies. Moreover, the project documentation is subject to public review for a period of time that varies according to applicable law in each country.

In addition to these legal requirements, Iberdrola has implemented the Stakeholders Relations Model as well as a specific Recommendations Guide for Conducting Public Consultations. All these mechanisms contribute to ensuring that the viewpoints of the Stakeholders consulted will be taken into account in defining the future project.

Finally, impact studies specify the preventive and corrective or compensatory measures required to mitigate the issues identified.

Almost 100% of the company's main locations of operation are thus subject to these types of activities, focused on meeting the needs of its Stakeholders, especially in local communities.

Consultation processes with local communities

In order to better manage and mitigate the impact on the communities in which the group has a presence, Iberdrola has a Guide for the implementation of good practices in relations with local communities, which ensures that public consultation processes are in line with UNGP recommendations.

To implement this guide, areas have a digital tool that facilitates the management and documentation of consultations with communities. Both tools promote better management of the process, thus making it possible to efficiently monitor the steps set forth in the action, mitigation and remediation plans with respect to any impact in the vicinity of the facilities.

Energy planning (energy sources, technology and long-term needs) is carried out by governmental authorities; this is the institutional area in which the various Stakeholders can participate in accordance with the mechanisms established in each country. Once the most appropriate infrastructure is selected, the viewpoints of the affected communities are taken into account through consultation processes, which vary depending on the country and the type of facility.

In addition, during the planning development phase of each project, relations are established with local communities, authorities, and any other stakeholders that may be relevant to the project, and dialogue channels are established with them. These channels supplement those available in the Environmental Management System allowing Stakeholders to send their concerns, complaints, requests for information or any other kind of request to minimise impacts in the area.

Management of population displacements

During the planning phase for new projects, Iberdrola evaluates the land that will potentially be occupied, choosing the land that involves the least displacement of people who either reside in the immediate area or whose economic activities will be affected. In the event of displacement, Iberdrola and the relevant government authorities review the economic, environmental and social consequences of the projects, and jointly hold consultations with the local communities to adopt suitable corrective measures. In addition, in the case of indigenous communities, pathways of dialogue are established with the participation of the government and of various organisations representing them, to report on the projects with the required transparency and integrity.

■ GRI EU22

In the construction of the Tâmega hydroelectric complex (Portugal), detailed socio-economic studies have been conducted for several years on the possible affected dwellings. Studies included a prior assessment, taking into account the needs of each of them and examining possible relocations to houses with similar characteristics. A total of 59 dwellings were ultimately identified, of which only 50% were permanent residences. The identification of displacements as necessary and the respective financial compensation were made in accordance with the law on expropriations in Portugal and the methodology implemented regarding the management and definition of displacements and potential economic damages. In addition, in partnership with the Portuguese government and the municipalities, as approved in the Socio-economic Action Plan, financial compensation of €1.4 million was determined in addition to the compensation provided in the expropriation process, making it possible to improve the relocation conditions of the affected families and maintain their customs and traditions. As of year-end 2022, eight families in the Upper Tâmega area are awaiting relocation. To date, €0.8 million of the €1.4 million approved in the Economic Compensation Plan has been paid.

As for the United Kingdom, 23 economic displacements took place as a result of several repair works associated with the East Anglia One offshore wind farm. In addition, 61 fishermen (70 vessels) were affected by a geophysical survey campaign as part of the East Anglia Three project.This type of economic displacement has also taken place in France, affecting 55 fishermen (17 vessels). The affected parties received financial compensation in all cases.

Impact on local communities and the rights of indigenous peoples

■ GRI 411 411-1

In applying the *Code of Ethics* and the corporate policies (especially the *Policy on Respect for Human Rights*), Iberdrola and its employees commit to respect both the rights of ethnic minorities and the internationally recognised rights of indigenous peoples, in accordance with applicable law and the obligations set out in Convention 169 of the International Labour Organization (ILO).

Presence of the company in indigenous territory, incidents and projects implemented

The company has a presence in four countries where there are indigenous communities (Brazil, Mexico, the United States and Australia). As year-end 2022, the company only has facilities in territories belonging to indigenous communities in two of them (Brazil and Mexico), as shown in the table below. As for Australia, the entire territory is attributed to aboriginal populations, which are distributed across the country, including the states in which Iberdrola operates.

In environments with indigenous communities, Iberdrola encourages business activities to be carried out with respect for different cultural identities, traditions and environmental wealth, as many times these communities depend on natural resources for their subsistence.

Therefore, it has channels of dialogue with these communities and their representatives, as well as for the participation of the government, in order to report on the progress of projects with due transparency and integrity.

Nonetheless, despite the management performed, these communities can at times be directly or indirectly affected at certain facilities. For this reason, the Company promotes ethical practices to prevent conflict and generate mutual benefits.

The Company currently has the following facilities in territories with the presence of indigenous communities:

Country	Facility	Indigenous community
Mexico	Topolobambo II combined cycle	In the Ahome municipality: El Chalate, Juricahui, Bajada de San Miguel, Nuevo San Miguel, San Miguel Zapotitlan, Zapotillo Uno, Choacahui and La Tea. In the El Fuerte municipality: Téroque Viejo, El Carricito, La Ladrillera, El Bajío, Las Higueras de los Natoches, La Loma, El Ranchito, 2 de Abril, La Cruz, La Línea and Júpare.
	Tamazunchale combined cycle	In the municipality of San Martín Chalchicuautla, the Lalaxo and Ocuiltzapoyo and Bordones communities; in the municipality of Matlapa, the Terrero Colorado, Chalchocoyo and Nexcuayo communities; in the municipality of Tampacán, the El Refugio, Las Vegas, El Ojital, Huexco aand Mixcotla communities; in the municipality of Tamazunchale: Palictla, Cuixcuatitla, El Tepetate, and Barrio la Vega Cuixcuatitla.
	Dos Arbolitos wind farm	Zapotec community
	Bii Nee Stipa wind farm	Zapotec community
	Mexico Ecological Parks	Juchitán de Zaragoza
Brazil	Subestação de Águas Belas, Estado de Pernambuco	FULNI-Ó community, in the city of Águas Belas
	Coelba Networks in Banzaê	Kiriris, Tuxá and Truká (Bahia)

As regards incidents with these communities, as of the closing date of this report, three lawsuits were under way with respect to the Brazilian electricity distribution company Coelba relating to indigenous rights, seeking compensation for the use of the right of way of the electricity grids on community lands of the Kiriris, Tuxá and Truká communities. So far, only the action regarding the Kiriris indigenous people community was adjudicated, which is now in the appeal stage. The other two actions are in the investigatory phase, awaiting judgement.

Iberdrola also carries out various projects with indigenous communities, as described below:

In Mexico, the “Luces de Esperanza” (Lights of Hope) project is being developed with indigenous communities, offering solar power electrification solutions to rural communities without electricity. In 2022, more than 400 persons benefited, and 115 homes in Oaxaca were electrified. Moreover, the “Huertos Comunitarios” (Community Gardens) project has been carried out in four towns in the state of San Luis Potosí as part of the “Energía por el Campo” (Energy for the Countryside) programme. The project seeks the self-reliance of these communities by growing certain food, equipping families to care for their gardens, promoting the cultivation of healthy food, and supporting the local economy.

In the United States, even though there is no asset of the company within the territory of an indigenous community, the Blue Bird solar project, in Washington state, is in the vicinity of the Yakama Nation reservation, in an area in which this community has traditionally lived and moved. For this reason, the company has conducted an exhaustive evaluation of the cultural resources that might be affected by its activity. Based on this evaluation, which has now been completed, various activities have commenced to protect the resources in accordance with state requirements. The implementation of these activities will be completed in 2023. In addition, Iberdrola has conducted exploration surveys in the states of Arizona and New Mexico to evaluate the wind and solar energy potential of various locations within tribal reservations. These activities are performed from the very beginning in coordination with the local communities.

Finally, there were no incidents relating to the violation of the rights of employees from indigenous communities in the group during 2022.

Citizen insecurity and labour practices in the hiring of security services

■ GRI 410

The *Corporate Security Policy* approved by Iberdrola’s Board of Directors and the specific procedures adopted by the Corporate Security Division for each situation and country are compatible both with international human rights standards and the laws of the countries where the company is present.

The protocols of conduct are defined and implemented in all activities and services provided by the Corporate Security Division, with a Quality Management System that has been certified since 2003 under ISO 9001 and externally reviewed each year by AENOR in the countries where it has been implemented in order to ensure compliance with the requirements of this standard, as well as with the standards of the management system.

Security and monitoring services providers are hired in accordance with the purchasing policy, model and procedures in effect. The Corporate Security Division is responsible for setting the technical specifications and standards to be met by such suppliers in order to be hired, in terms of physical security, resources, training and cybersecurity, as well as the assessment thereof during the performance of their contract. This assessment is performed annually in order to identify areas for improvement.

Both the company's personnel and that of subcontractors are qualified for their duties and enhance their knowledge through a rigorous training plan, which is continually assessed and monitored.

■ GRI 410-1

Security personnel trained in human rights

		2022	2021	2020
Own personnel	Own personnel (No.)	225	194	187
	Own personnel trained in human rights (No.)	187	150	175
	Own personnel trained in human rights (%)	83.1	77.3	93.6
Subcontracted personnel	Subcontracted personnel (No.)	1,218	1,166	1,228
	Subcontracted personnel trained in human rights (No.)	925	850	865
	Subcontracted personnel trained in human rights (%)	75.9	72.9	70.4

Fiscal responsibility

■ GRI 207-1 207-2 207-3

Iberdrola has a *Corporate Tax Policy* that sets out the Group's tax strategy, based on ensuring compliance with applicable tax regulations, excellence and the commitment to applying good tax practices and transparency, seeking appropriate coordination of the tax practices followed by the Group's companies to prevent tax risks and inefficiencies in the implementation of business decisions.

The *Corporate Tax Policy* conforms to the corporate and governance structure and applies to all companies of the Group over which Iberdrola has effective control, within the legal limits, without prejudice to the autonomy of the listed subholding companies, as provided by the group's corporate governance.

The Board of Directors of Iberdrola S.A. is tasked with designing, evaluating, approving and permanently reviewing the *Governance and Sustainability System*, and particularly with approving and updating corporate policies, including the *Corporate Tax Policy.* The Board of Directors is also responsible for preparing the tax strategy and approving investments or transactions that area particularly important for tax purposes due to the size or nature thereof.

The *Corporate Tax Policy* is publicly available on the Group's corporate website.

Fiscally responsible behaviour

The Corporate Tax Policy defines the main principles of conduct, including:

- Compliance with tax regulations in each of the countries and territories in which the Group companies operate, paying the taxes that are due. All tax-related decisions are based on a reasonable interpretation of applicable law in close connection with the group's activity.
- The prevention and reduction of significant tax risks, ensuring that taxes bear an appropriate relationship to the structure and location of activities, human and material resources, and the group's business risks.
- The strengthening of the relationship with tax authorities based on respect for the law, fidelity, reliability, professionalism, cooperation, reciprocity and good faith.
- The provision of information to the management decision-making bodies on the main tax implications of the transactions or matters submitted to it for approval, when they are a significant factor in making a decision.
- Envisaging the taxes that the group's companies pay in the countries and territories in which they operate as the principal contribution to sustaining public expenditures, and therefore as one of their contributions to society.

By application of these principles, the companies of the Group assume the following good tax practices, among others:

- Not to use artificial structures unrelated to the Group's business for the sole purpose of reducing its tax burden nor, in particular, enter into transactions with related entities solely to erode the tax basis or to transfer profits to low-tax territories.
- Avoid opaque structures for tax purposes, which are understood as structures calculated to prevent knowledge by the competent tax authorities of the party ultimately responsible for the activities or of the ultimate owner of the assets or rights involved.
- Not to create or acquire companies resident in countries or territories deemed by Spanish law to be tax havens or included on the EU blacklist of non-cooperative jurisdictions, with the sole exception of those cases in which it is obliged to do so in the case of an indirect acquisition in which the company resident in a tax haven is part of a group of companies being acquired, in which case, the provisions of the Procedure for the Creation or Acquisition of Equity Interests in Special Purpose Entities Domiciled in Tax Havens, approved by the Board of Directors, must be taken into account.
- Follow the recommendations of the good tax practices codes implemented in the countries in which the companies of the Group do business, taking into account the specific needs and circumstances of all the companies making up the Group.
- Cooperate with the competent tax authorities in the detection of and search for solutions regarding fraudulent tax practices of which the Company is aware that may be used in the markets in which the Group's companies have a presence, as well as provide as quickly as possible any significant tax-related information and documentation requested by the Tax Authorities in the exercise of their authority and within the appropriate scope, encouraging agreements and compliance findings during the inspection procedures.
- Make the necessary whistleblower channels available to anyone who wishes to report any conduct that may involve any wrongdoing or conduct contrary to the law or to the Governance and Sustainability System, including the rules of conduct set forth in the Code of Ethics that are also applicable to tax-related activities.

The fiscally responsible behaviour of all companies of the Iberdrola group forms part of the General Sustainable Development Policy, which contemplates basic principles of conduct that must be respected. Iberdrola's tax policy is guided by the Purpose and Values of the Iberdrola group and the Code of Ethics, and is based on a commitment to ethical principles, good corporate governance, transparency and institutional loyalty.

The companies of the group share the principles reflected in the Purpose and Values of the Iberdrola group and the Code of Ethics, and see the social dividend as the contribution of direct, indirect or induced sustainable value that its activities represent for all Stakeholders.

Tax governance and risk management

Responsibility

The Board of Directors of Iberdrola, S.A., through its chairman, the chief executive officer and the management team, fosters the monitoring of tax principles and good tax practices. Likewise, the respective boards of directors of the country subholding companies are responsible for ensuring compliance with the Corporate Tax Policy at the country level.

Control and monitoring

Taxation is not static and is subject to continuous revision, which requires the Corporate Tax Policy to be constantly reviewed in order to reflect the best practices in this area, with the last update taking place in December 2022.

To achieve efficient control and correct compliance with tax governance requirements, the applicable tax laws and the principles of the Corporate Tax Policy are monitored at all levels.

The Company's Global Tax Division approves and periodically reviews guidelines for the evaluation and management of tax risk applicable to all companies of the Group. It is also the body responsible for tax compliance within the Company, in coordination with the Company's Compliance Unit.

Furthermore, the head of business companies report to the country subholding companies regarding the level of compliance with the Corporate Tax Policy, and in turn, the Audit and Compliance Committees of the country subholding companies report to the Audit and Risk Supervision Committee of Iberdrola S.A. Finally, the Audit and Risk Supervision Committee of Iberdrola, S.A. reports its findings to the Board of Directors.

Risk management and compliance

Iberdrola proactively seeks to ensures compliance with tax provisions and to prevent and reduce significant tax risks. To this end, it has a robust tax risk prevention model in line with best tax governance practices, which is duly monitored, updated and aligned with applicable legal requirements.

In this regard, in 2019 Iberdrola was the first Spanish company to obtain certification of a tax compliance management system in accordance with the requirements established in the UNE 19602 standard, issued for a period of three years. Iberdrola was also the first company to renew its certification for a new three-year period in 2022, having obtained a satisfactory audit of its tax compliance system for the fourth year in a row.

In addition, among other measures, Iberdrola has objective standards applicable to all the Group's companies for classifying transactions based on their tax risk. In this regard, the Group prohibits the creation or acquisition of companies resident in tax havens, for which reason none of the active companies it controls are resident in tax havens as defined by applicable law (Royal Decree 1080/1991) or in territories classified by the European Union in its blacklist as non-cooperative jurisdictions for tax purposes.

Stakeholder engagement in tax matters

Iberdrola, S.A. adheres to the Code of Good Tax Practices approved on 20 July 2010 by the full Forum of Large Businesses (Foro de Grandes Empresas), established on 10 July 2009 at the behest of the National Tax Administration Agency (Agencia Estatal de Administración Tributaria). Iberdrola's commitment to compliance with, further development and implementation of the Code extends to any other good tax practices that stem from the recommendations of the Code in effect at any time, even if not expressly set forth in the *Corporate Tax Policy.* The Group is also committed to compliance with the OECD Guidelines for Multinational Enterprises in tax matters.

Within the framework of the Code, since financial year 2015 Iberdrola, S.A. has voluntarily submitted to the Spanish tax authorities an Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code, which includes detailed information on the Group's taxation. This report is currently the most important tool for cooperative relations with the Tax Authorities.

Furthermore, Iberdrola has voluntarily prepared its annual Report on Tax Transparency of the Iberdrola Group since 2019. Our commitment to society. This report sets out all significant issues from a tax standpoint and will be prepared again in 2023. The report contains the Country by Country Report for the previous year presented in the same terms as those submitted to the Spanish Tax Authorities. This report is publicly available on the corporate website.

Finally, Iberdrola makes available to its Stakeholders specific ethics mailboxes, which constitute tools to report conduct that could involve improper conduct or conduct contrary to law or to the internal rules or procedures, including those relating to taxes.

The taxes paid are presented in the following table:

Tax contribution (€ millions)			
	2022	2021	2020
Company contributions	3,255	3,125	2,938
Contributions due to third-party payments	4,203	4,711	4,537
Iberdrola consolidated total	**7,458**	**7,836**	**7,475**

Tax contributions in 2022 decreased compared to the previous year. However, it remains at the average contribution level of recent years.

In this regard, while the amount of own contributions charged to the income statement increases with respect to the previous years, contributions due to third-party payments decrease.

The increase in own contributions is mainly recorded for Corporate Tax, and is mainly due to the fiscal effect in Spain of income from judgements favourable to Iberdrola.

The amount of contributions due to third-party payments has decreased mainly due to tax refunds received from various government administrations corresponding to overpayments of taxes in previous years due to the tax mechanisms themselves and changes in the tax rates applicable to indirect taxes, like value added and similar taxes.

Tax contribution (€ millions)			
Corporate income tax paid	2022	2021	2020
Spain	783	404	361
United Kingdom	-27	75	135
United States	14	2	7
Brazil	98	118	143
Mexico	141	169	121
Germany	40	49	68
Algeria	0	0	1
Canada	0	1	0
Cyprus	1	0	0
Costa Rica	2	0	0
Greece	7	5	4
Hungary	1	1	2
Italy	-1	-1	0
Netherlands	0	0	-2
Poland	1	0	0
Portugal	3	8	1
Romania	1	1	1
Iberdrola consolidated total	**1,064**	**832**	**843**

Global tax contribution (€ millions)

	2022	2021	2020
Spain	2,585[76]	3,469	3,380
Company contributions	1,740	1,586	1,478
Contributions due to third-party payments	845	1,883	1,902
United Kingdom	674	720	630
Company contributions	197	341	372
Contributions due to third-party payments	477	379	258
United States	1,233	1,037	935
Company contributions	870	753	661
Contributions due to third-party payments	363	284	274
Brazil	2,270	2,058	1,984
Company contributions	180	179	202
Contributions due to third-party payments	2,090	1,879	1,782
Mexico	267	266	243
Company contributions	150	177	128
Contributions due to third-party payments	117	89	115
Other	429	286	303
Company contributions	118	89	97
Contributions due to third-party payments	311	197	206
Iberdrola consolidated total	**7,458**	**7,836**	**7,475**
Company contributions	**3,255**	**3,125**	**2,938**
Contributions due to third-party payments	**4,203**	**4,711**	**4,537**

[76] Exclude extraordinary refunds received in Spain as a result of judgements favourable to Iberdrola in the total amount of €1,028 million in 2022.

GRI 207-4

Total tax contribution by country (millions)

Tax jurisdiction	Income - Third Parties	Income - Related party	Income - Total	Pre-tax profit	Corporate income tax - paid	Corporate income tax - accrued (total)	Corporate income tax - accrued (current)	Stated capital + Undistributed results	Number of professionals (FTEs)	Tangible assets
Spain	21,169	2,315	23,484	2,546	783	496	636	14,138	9,678	25,217
United Kingdom	9,956	77	10,033	738	-27	145	97	6,676	5,661	16,815
United States	8,225	1	8,226	1,278	14	286	2	12,452	7,579	29,762
Brazil	9,145	0	9,145	975	98	117	131	2,513	15,424	11,134
Mexico	4,324	-89	4,234	414	141	51	144	2,830	1,305	5,804
Ireland	17	27	44	-12	0	0	0	1	4	38
Germany	305	328	633	174	40	56	46	840	122	1,790
Algeria	0	0	0	0	0	0	0	3	0	0
Australia	344	0	344	17	0	6	0	546	191	1,354
Bulgaria	0	0	0	-1	0	0	0	12	0	0
Canada	0	0	0	0	0	0	0	-225	0	0
Qatar	0	0	0	-3	0	0	0	4	21	1
Cyprus	5	0	5	3	1	0	0	5	1	17
Costa Rica	0	0	0	0	2	0	0	0	0	0
France	167	173	340	-18	0	-4	0	450	151	1,645
Greece	81	0	81	33	7	9	8	165	105	307
Honduras	0	0	0	0	0	0	0	0	0	0
Hungary	26	3	29	15	1	2	3	155	9	117
Italy	752	324	1,076	-40	-1	-7	2	33	132	40
Japan	2	0	2	-15	0	0	0	20	13	0
Korea	0	0	0	0	0	0	0	0	0	0
Latvia	3	0	3	1	0	0	0	0	1	0
Luxembourg	0	0	0	-24	0	-5	0	75	0	0
Morocco	0	0	0	0	0	0	0	0	0	0
Montenegro	0	0	0	0	0	0	0	0	0	0
Norway	0	0	0	0	0	0	0	6	0	0
Netherlands	38	305	343	149	0	-3	0	33	0	0
Poland	23	0	24	-5	1	2	1	13	19	174
Portugal	949	68	1,017	38	3	9	12	259	166	1,470
Romania	20	2	22	39	1	2	0	126	4	78
Singapore	0	0	0	-1	0	0	0	-1	11	0
South Africa	0	0	0	0	0	0	0	-3	0	0
Sweden	0	0	0	0	0	0	0	0	1	0
Taiwan	0	0	0	-7	0	0	0	-8	0	0
Vietnam	0	0	0	-3	0	0	0	3	4	7
Total	**55,550**	**3,536**	**59,085**	**6,292**	**1,064**	**1,161**	**1,082**	**41,119**	**40,602**	**95,769**

Spain: No significant deviations between nominal rate and effective rate were recorded in 2022.
United Kingdom: The spread between the nominal and effective rate is mainly due to the impact of the change in the rate applicable to deferred tax balances following the change in the tax rate to 25% from April 2023.
United States of America The effective rate is very similar to the nominal rate (federal plus state). The deviation in the nominal rate is due (i) on the one hand, to tax credits associated with the renewables business ("PTCs") as well as investment credits ("ITCs"); and (ii) on the other hand, to the restatement of deferred tax balances to the prior year-end state tax rate ("DT true-up") as well as the restatement of the valuation according to the potential future application of tax credits ("valuation allowance").
Brazil: The effective rate is below the nominal rate mainly due to the (optional) application of the presumptive profit regime in the taxation of some of the companies, the payment of interest on equity and the existence of the SUDENE tax incentive.
Mexico: Changes in exchange rates, considering that dollarised accounts are presented, and the existence of certain accounting and tax differences (provisions, deferred income, inflationary effect, valuation of derivatives and recognition differences in fixed assets and the depreciation rates thereof) justify the difference between the nominal and effective rate.
Other countries: The differential compared to nominal rates is due to accounting standards for capitalisation of tax loss carryforwards and the subsequent application thereof, considering that the tax consolidation regime does not apply in all cases.

Contributions to society

Iberdrola has selected the Business for Societal Impact B4SI model to measure and assess business contributions to the community due to its broad international recognition. It is considered the most highly valued standard for measuring the results and impacts of social programmes, both for the company and for the community. This standard only recognises projects that involve voluntary contributions for social or environmental protection ends, for non-profit purposes, and that are not restricted to groups related to the company.

Iberdrola has used the model as a basis to report its contributions to society in 2022.

Contribution to the community in 2022 (thousands of €)	
By category	
Specific contributions	4,188
Community investment	38,270
Initiative aligned with the business	6,291
Management costs	3,166
By type of contribution	
Cash contributions[77]	47,428
Staff time	603
In-kind contributions	718
Management costs	3,166
By area of contribution	
Socioeconomic development of the community	5,137
Energy sustainability	3,969
Art and culture	3,724
Education and training	6,962
Cooperation and community service	19,342
Other	9,615
Management costs	3,166
Total	**51,916**

This amount is equal to 1.2% of net profits for the year.

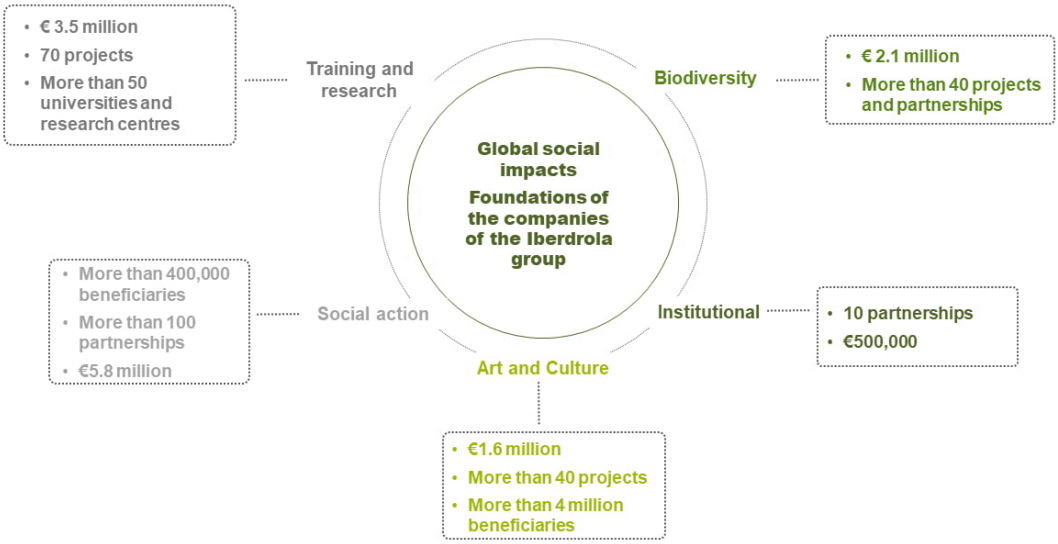
[77] Contributions made mostly to non-profit organisations and foundations but also to universities, government administrations, etc., provided that they meet the aforementioned B4SI Model standards.

Foundations

ScottishPower Foundation, AVANGRID Foundation, Fundación Iberdrola México, Instituto Neoenergia and Fundación Iberdrola España represent Iberdrola's commitment to the sustainable the development of the countries in which it does business. Pursuant to the Master Plan, the foundations have updated their mission, vision and values to include the contribution to the SDGs among their purposes and principles.

Iberdrola uses various indicators to measure the results achieved through its community support programmes.

Foundations of the Iberdrola group's companies – Results in the areas of activity in 2022 (€)



Training and Research Area

This work area focuses on young students, supporting their undergraduate, technical or language studies and providing opportunities for those with fewer resources and/or disabilities. It also includes calls for assistance for research, most notably including the first year of the Energy for Future programme, an international programme in collaboration with the European Commission led by postdoctoral researchers in the energy sector. There are also research grants and scholarships in restoration and conservation in partnership with prestigious museums, such as the Museo del Prado and the Bilbao Fine Arts Museum. These initiatives contribute to the attainment of specific objectives of SDG 4: Quality Education.

The INSPIRA II and REACTIVA Green Economy training programmes ended in December 2022. These programmes were co-financed by the European Social Fund, the Youth Employment Initiative and the Castilla-La Mancha Autonomous Community, under the regional section of the Operational Youth Employment Programme of this community in Castilla-La Mancha, with the aim of helping young people at risk of exclusion between ages 16 and 30 rejoin the education system and/or obtain training in various areas of the electricity sector.

In addition, in partnership with various universities, Iberdrola is promoting the representation of women in STEM careers in all of the countries where it is present. This is the case of the STEM Women Chair of Fundación Iberdrola España together with the Pontificia de Comillas University and Empresa Municipal de Transportes de Madrid (EMT), and the Empieza por Educar scholarships, which seek to help five young graduates in the STEM field to have a positive impact on the education system.

Biodiversity and Climate Change Area: conservation of birds, habitats and ecosystems

This work area partners with public institutions and entities devoted to the protection of the environment and birdlife, contributing to the achievement of the specific objectives of SDG 13: Climate Action, and 15: Life on Land. Among other initiatives, Iberdrola supports habitat conservation work, such as its Military Shooting Ranges reforestation programme in Spain known as "Bosque Defensa Iberdrola", through which more than 90 hectares have already been reforested in almost four years. In addition, Iberdrola is carrying out multi-annual cooperation efforts with SEO Birdlife and supporting land and marine habitats through the projects being carried out at the foundations in Scotland (restoration of seagrass and oysters), Brazil (coral restoration), the United States (river water conservation) and Mexico (conservation of the Cañón de Fernández state park).

Art and Culture Area: programmes for lighting, restoration and support to museums

This area partners with cultural entities, prestigious museums, public institutions and religious entities to promote culture, as well as to restore and preserve the artistic heritage, favouring local development. These actions directly impact Goals 8: Economic growth, and 11: Sustainable cities and communities.

There at two very important sections within this area. Through the lighting programme, lighting interventions are carried out with respect to important historic-artistic heritage sites in order to foster local development and sustainable tourism. Some of the lighting projects in Spain include the Cathedral of Santiago de Compostela, the Monastery of Guadalupe, the Cathedral of Sigüenza, the Talavera de la Reina Bridge, the archaeological remains of the mills of Campo de Criptana, and in Brazil lighting has been provided for the Guarany Theatre, located in the municipality of Triunfo-Pernambuco in Brazil. In addition, the restoration programme helps conserve and preserve artistic and cultural heritage. Numerous restorations have been carried out with the Museo Nacional del Prado and the Museum of Fine Arts of Bilbao.

At all of the foundations, workshops, programmes and free visits are also provided with the aim of outreach to promote culture, highlight cultural heritage and create new and exciting learning opportunities.

Social Action Area

This work area partners with non-profit organisations, foundations and development agencies to promote social and humanitarian projects aimed at the most vulnerable people and that contribute to achieving the specific objectives of SDGs 1: End poverty; 3: Good health and well-being; 5: Gender equality; 7: Affordable and clean energy; and 10: Reduced inequalities.

The **Social Programme of the Foundations** is implemented in five countries with the support of projects that promote overcoming child poverty, supporting the inclusion of people with disabilities, improving the quality of life of persons who are seriously ill and supporting women, always prioritising attention to the most vulnerable groups. The more significant partnerships include: Down Syndrome Foundation, Proyecto Hombre, Ciudad Joven, Save the Children, Upacesur.

In addition to the social programmes, Fundación Iberdrola México is carrying out a multi-year project named "Urological Brigades" to contribute to the well-being of low-income women who have complex urological problems by providing them with surgery.

The AVANGRID Foundation has been partnering for five years with the National Disaster Response Association and with the American Red Cross with respect to an emergency grant project to support the impact of the humanitarian crisis.

The ScottishPower Foundation, in addition to its various projects aimed at health and well-being, is engaging in a project to secure and equip a space dedicated to a community food centre throughout the year, offering free, healthy food to the local community.

Iberdrola and the Global Compact

Iberdrola has been a member of the Global Compact since 2002, making commitments to support, promote and disseminate its ten principles regarding human rights, labour practices, the environment and the fight against corruption, both internally and within its area of influence, and to contribute to achieving the Sustainable Development Goals. The company has continued to further develop the policies proposed by the Compact, which it has made public through its *Statement of Non-Financial Information, Integrated Report* and *ESG+F Information*, and its corporate website.

Since 2004, the company has belonged to the Red Española del Pacto Mundial (Spanish Global Compact Network) as a founding member, and has prepared annual progress reports on compliance with the principles of the Compact, which are publicly available on the website of the Red Española del Pacto Mundial and on the website of the UN Global Compact.

Iberdrola engaged in the following activities in connection with the Global Compact during 2022:

- Submission of the Progress Report 2021 on compliance with the principles of the Compact, rated at the highest level for this type of report ("GC Advanced").
- Attendance at the 2022 General Assembly of the Red Española.
- The company was identified as LEAD company for its high levels of commitment as Participants in the United Nations Global Compact, and was the only Spanish company to have received this recognition.
- Active participation in the main platforms and initiatives at the global level, including:
    - The Caring For Climate commitment to promote the adoption climate change solutions and help shape public policy, of which Iberdrola has been a leading partner since its inception.
    - The Business Ambition for 1.5°C in support of the goal of net-zero emissions by 2050.
    - 2039 Net Zero objectives approved.
    - The CEO Water Mandate initiative to encourage sustainable practices in the use of water.
    - The UN Global Compact CEO Study 2022 initiative.
    - Iberdrola is a signatory to the Women's Empowerment Principles, which aim to promote gender equality and women's empowerment in the workplace, marketplace and community.
- In addition, within the framework of the milestones of the multilateral agenda, the following activities should be noted:
    - Very active involvement in the discussions and activities of the Think lab on Just Transition, including activities and documentation linking this topic to the business sector, financing, climate change mitigation and adaptation.
    - Participation in activities and meetings linked to the United Nations General Assembly and Climate Week NYC, most notably including the *UN Private Sector Forum 2022*.
    - Participation in the UN Oceans Conference held in Lisbon.
    - Participation in the United Nations Climate Change Conference, better known as COP 27, held in Sharm el Sheik (Egypt).
    - Participation in the World Biodiversity Summit (COP 15), held in Montreal, Canada.

In 2023 Iberdrola will continue to actively participate in the activities of the *Red Española del Pacto Mundial* in a manner similar to the past years, and sponsor climate action activities at a global level.

IV. Governance

Iberdrola's governance model is one of its distinctive traits and the cornerstone of its commitment to sustainability.

Starting with the composition and structure of its governance bodies, in line with corporate governance best practices, and continuing with the internal management and control systems for the risks to which the group is exposed, the entire system is built on the basis of regulatory compliance, robustness, coordination, and the assumption of responsibilities at all levels.

Along these lines, the company has been selected for the ninth consecutive year as one of the most ethical companies in the world by the Ethisphere Institute.

This commitment to compliance also extends to its fiscal strategy, based on ensuring compliance with applicable tax provisions, excellence and a commitment to applying good tax practices, adjusted to the group's corporate and governance structure.

As part of its commitment to maintaining a governance model in line with best market practices, Iberdrola has set itself the following goals:

GOALS	METRIC	2022	2025	2030	Related SDGs
Corporate governance practices (best)	Maintain	√	√	√	5 16 17
Independent Members in the Board of Directors	Over 50%	√	√	√	16
Women in the Board of Directors	At least 40%	√	√	√	5 16
Diversity in the Board of Directors	Promote	√	√	√	5 16
Independent external certification or validation of the compliance system	Obtain/maintain (yearly)	√	√	√	16

IV.1. Good governance, transparency and Stakeholder engagement

- Corporate governance
- Ethics and integrity
- Public policies

Corporate governance

The *Governance and Sustainability System* constitutes the internal regulation of Iberdrola. The set of rules on corporate governance is based on best practices and international standards and positions Iberdrola as a leader in this area. The corporate governance rules of the decision-making bodies and internal committees establish their rules of operation, ensuring compliance with and implementation of the *Purpose and Values* of the Iberdrola group.

An independent and plural Board of Directors

The Board of Directors focuses its activity on defining and supervising the general guidelines by, among other things, establishing the group's policies and strategies and supervising the general development of the policies, strategies and guidelines by the country subholding companies and by the head of business companies.

■ GRI 2-16

For more detailed information regarding the composition, operation and activities carried out by the governance bodies of the Company, see the *Activities Report of the Board of Directors and of the Committees thereof*. This Report describes issues of crucial interest dealt with during the year.

A brief description of the composition and activities of the committees of the Board of Directors can be found in section C.2.1. of the *Annual Corporate Governance Report*.

Selection and nomination of the members of the highest governance body

■ GRI 2-10

The appointment, re-election and removal 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 until the next General Shareholders' Meeting, whereat the shareholders confirm the appointments or elect the persons who should replace directors who are not ratified, or the vacant positions are withdrawn.

To this end, the *Board of Directors Diversity and Member Selection Policy* ensures that proposals for the appointment of directors are based on a prior and objective analysis of the needs of the Board of Directors. The *Diversity and Inclusion Policy* also contains principles and guidelines that must be taken into account for these purposes.

The Board of Directors has a diverse and balanced composition in terms of the genders, nationalities and professional profiles of its members

The Appointments Committee advises the Board of Directors regarding the most appropriate configuration of such body and on aspects like the size of and balance among the various classes of directors existing at any time and the personal and professional requirements that the candidates must fulfil. For such purpose, the Committee reviews the structure of each body on a regular basis. Independent directors are appointed on the basis of a proposal of the Appointments Committee, while the other appointments require a report of such Committee.

In any event, the Board of Directors, and the Appointments Committee within the scope of its powers, will endeavour to ensure that the candidates submitted to the shareholders at a General Shareholders' Meeting for appointment or re-election as directors, as well as the directors appointed directly to fill vacancies in the exercise of the power of the Board of Directors to make interim appointments, are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties.

The members of the Board of Directors must be irreproachable professionals, whose professional conduct and background are 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*.

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.

In addition, the selection of candidates shall endeavour to ensure that the composition of the Board of Directors is diverse in the broadest sense and balanced as a whole, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its purview. To this end, the selection process shall promote a search for diverse candidates with knowledge and experience in the various countries in which the group does or will engage in activities. The directors must also have sufficient knowledge of the Spanish and English languages to be able to perform their duties.

In turn, the Board has entrusted to the Appointments Committee the responsibility of ensuring that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination, particularly due to gender.

Collective knowledge of highest governance body

■ GRI 2-12 2-17

The Company has a programme to provide directors with training and updates in response to the need for professionalisation, diversification and qualification of the Board of Directors.

In addition to the training materials and sessions for all directors, the Sustainable Development Committee has a specific training plan in the area of sustainability, ESG requirements, and corporate social responsibility.

Firstly, an Orientation Programme covering aspects such as the business and organisational model of the Company and its group, the corporate governance structure and its ownership, and the *Governance and Sustainability System* is made available to new members of the Board of Directors through the directors' website.

Directors also receive continuous training regarding significant issues relating to the Iberdrola group and its businesses, as well as the environment in which they operate, which are supplemented by reports, articles and other information of interest, all of which are made available to the directors through the directors' website, which has a specific section and a blog dedicated to training.

This website also facilities the performance of the directors' duties, incorporating documents deemed appropriate to prepare for meetings of the Board of Directors and its committees based on the agenda, as well as presentations shown during the meetings.

In this regard, a space is used at meetings of the Board of Directors to present financial, legal, geopolitical, and current issues of interest to the Iberdrola directors.

The Sustainable Development Committee also has a regular training plan that ensures that knowledge is updated with the latest trends in sustainable development, ESG requirements and corporate social responsibility, the main compliance risks, as well as best practices in corporate governance in international markets.

Training and informational sessions during 2022

Board of Directors	Technological outlook in the electricity sector and opportunities in decarbonisation of demand.
	Status and outlook in the Networks business.
	Status and outlook in the United Kingdom.
	Cybersecurity
	Regulatory impact of the energy crisis in Spain.
	Regulatory environment in Europe and Spain.
Audit and Risk Supervision Committee	Political, reputational and corruption-related risks and alert mechanisms for these types of risks.
	Risks associated with the Finance, Control and Corporate Development Division.
	Current risks of the Liberalised business.
	Four training sessions on non-financial reporting.
	Current risks of the Renewables business.
	New accounting developments.
	Impacts of potential slowdown due to the energy crisis.
	Current risks of the Networks business.
	Technological risks of the Iberdrola group's businesses.
	Aspects of the annual CNMV corporate governance report relating to audit committees
	Specific session on risk policies.
	Results of the 2022 General Shareholders' Meeting (vote on resolutions relating to the powers of the committee).
	Statutory auditor work plan and strategy.
	New accounting developments and information on the statutory auditor's work relating to the Climate Action Plan.
	Environmental and social risks associated with these and alert mechanisms against this type of risk.
	Cybersecurity risks and analysis of cyber-resilience.
	Tax transparency report on the evolution of tax payments.
	Alternative Performance Metrics.
	Iberdrola's tax risk monitoring strategy.
	Cybersecurity strategy in the energy sector.
	Challenges and trends in Internal Auditing.
Appointments Committee	Criteria for the selection of directors.
	Comparative analysis of the composition of Boards of Directors.
	Diversity in the composition of the Board of Directors: a regulatory view.

Training and informational sessions during 2022	
Remuneration Committee	Renewal of management bodies and senior executives. Remuneration aspects.
	Implementation of new regulatory developments within the Ibex-35, particularly advances in transparency in the remuneration of executive directors.
	Relationship and alignment of directors' remunerations with ESG targets.
	Measures to encourage voting in favour of the Annual Director Remuneration Report.
	Implementation of new regulatory developments within the Ibex-35, particularly advances in transparency in the remuneration of executive directors.
	Relationship and alignment of directors' remunerations with ESG targets.
	Analysis of market practice relating to new developments in remuneration transparency in annual director remuneration reports.
Sustainable Development Committee	Non-financial reporting, and in particular climate taxonomy and measurement of climate risk impacts.
	Aspects that improve international corporate reputation, with examples of critical situations and Iberdrola's acknowledged leadership.
	Responsible communication and marketing.
	Innovation and key factors for better climate change governance.
	Sustainability expectations. Regulatory ecosystems, main initiatives and relations with institutional investors: a global and practical overview.
Training documents on the directors' website.	Law 10/2021, of 9 July, on remote work.
	New developments under Law Ley 11/2021 of 9 July on measures to prevent and fight tax fraud.
	Occupational health and safety system at the Iberdrola group and its preventive programmes
	Circular economy at Iberdrola
	Iberdrola group global stakeholder engagement model
	Diversity and inclusion at the company. General aspects.
	Royal Decree-Law 32/2021 of 28 December on urgent measures for the labour reform, guaranteeing stable employment and the transformation of the labour market
	International Humanitarian Law: Main aspects and principles.
	Investor and Proxy Advisor policies. ESG rating standards and Sustainability Indices.
	Shareholder activism: institutional investors and activist funds.
	The current situation and prospects for the evolution of energy and environmental taxation in Spain, within the framework of the EU Fit for 55 programme.
	New system for related-party transactions reporting.
	Net Zero. Impact across the value chain and need to decarbonise and report.
	Principles of decentralisation and respect for corporate autonomy within the structure of the Iberdrola group.
	Public tax and non-tax benefits.
	Big Data and Artificial Intelligence in the reporting and control of financial information.
	The technology debate within the context of an efficient energy transition.
	ESG financing: Green, social, sustainable and sustainability-linked bonds and loans

■ GRI 2-18

Pursuant to the provisions of the *Regulations of the Appointments Committee*, this Committee coordinates the evaluation of the Board of Directors and of the committees thereof and submits to the full Board the results of said evaluation together with a proposed plan of action.

Within the framework of the evaluation process for financial year 2022, Iberdrola has decided to draw on the help of PricewaterhouseCoopers Asesores de Negocios, S.L.

This process is based on the review of a large number of quantifiable and measurable indicators that are objectively updated every year based on the latest trends. As a result of this process, the company develops and adopts ongoing improvement plans designed to implement the specific measures that contribute to continue perfecting corporate governance practices. A summary of this process can be found in section C.1.17 of the *Annual Corporate Governance Report 2022*.

Identifying, managing and evaluating economic, environmental and social impacts

GRI 2-12

The Board of Directors of Iberdrola is structured as described in chapter "I.1 About Iberdrola", and its consultative committees assist it in its task of supervising the management of the company's economic, social and environmental performance. This includes both the supervision of the risks and opportunities generated by the group's activities and compliance with international principles, codes and standards applicable to the tasks for which it is responsible. The Board of Directors and its consultative committees perform periodic evaluations of the aforementioned aspects of the group's performance, drawing for such purpose on external information of interest thereto, with the assistance of external independent advisers, and on information provided to them by the rest of the organisation itself, primarily through periodic appearances of the group's officers.

These appearances are reported in the *Activities Report of the Board of Directors and of the Committees thereof*.

GRI 2-13 2-17

The Sustainable Development Committee has supervised the company's conduct in the area of sustainability, corporate reputation, corporate governance and compliance. The general secretary and secretary of the Board of Directors, the director of Compliance, the director Innovation, Sustainability, and Climate Change, and the director of ESG have appeared on a recurring basis. The heads of the various areas have also been invited to make presentations at meetings during which issues within their purview have been discussed.

Pursuant to the corporate and governance structure specified in the *Governance and Sustainability System*, and particularly in the P*olicy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation*, the implementation, monitoring and supervisions of the group's sustainable development strategy is the responsibility of its various companies, and is performed by the various committees handling sustainable development and reputational duties, while respecting the principles of subsidiary and decentralised management.

Remuneration policies

GRI 2-17 2-19 2-20

As provided in the *By-Laws* and the *Regulations of the Board of Directors*, the Board of Directors, at the proposal of the Remuneration Committee, is the body with power to set the remuneration of directors within the overall limit set by the By-Laws and in accordance with law, except for such remuneration as consists of the delivery of shares or of options thereon or which is indexed to the price of the shares, which must be submitted to the shareholders for approval at the General Shareholders' Meeting. The Remuneration Committee is a consultive committee chaired by an independent director (the first vice-chair and lead independent director) and made up mostly of independent directors.

The Remuneration Committee is responsible for evaluating the level of achievement of the targets to which variable annual and multi-annual remuneration is linked and for submitting it to the Board of Directors for approval.

As a result of the group's commitment to sustainability, the long-term incentive plan (2020-2022 Strategic Bonus) approved by the shareholders at the 2020 General Shareholders' Meeting includes objectives linked to the fight against climate change, notably the acceleration of the emissions reduction objectives. This commitment is aligned with the goal of reducing overall emissions intensity, which contributes to SDGs 7 and 13, by 2030. Other objectives linked to the long-term incentive plan relate to increasing the number of suppliers that adhere to sustainable development policies and standards and eliminating the wage gap.

Pursuant to the *By-Laws*, the Company will annually allocate as an expense an amount equal to a maximum of two percent of the group's consolidated profit during the preceding financial year for the following purposes:

a. To remunerate the directors both for their status as such and for any executive duties, based on the positions held, dedication and attendance at meetings of the corporate decision-making bodies.
b. To maintain a fund to cover the obligations incurred by the Company with respect to pensions, the payment of life insurance premiums and the making of severance payments to former and current directors.

The allocation, with a maximum limit of two percent, can only accrue if the profit from the preceding financial year is sufficient to cover the requirements of the legal reserve and other mandatory reserves and if the shareholders are entitled to receive a dividend of at least four per cent of the share capital with a charge to said financial year.

Regardless of the provisions of the preceding sections, the remuneration of the directors may consist of the delivery of shares or options thereon, as well as remuneration linked to the value of the Company's shares, subject always to the approval of the shareholders acting at a General Shareholders' Meeting.

Stakeholders' engagement in remuneration

■ GRI 2-20

The *Annual Director Remuneration Report* for financial year 2021 was approved in a consultive vote by the shareholders at the General Shareholders' Meeting held on 17 June 2022, which had a quorum of 72.13%.

The *Annual Director Remuneration Report* for financial year 2022 will be submitted to a consultative vote of the shareholders at the General Shareholders' Meeting to be held in 2023.

Shareholder engagement

Iberdrola is a pioneer in encouraging shareholder engagement as one of the fundamental pillars of its corporate governance strategy, with the General Shareholders' Meeting being the shareholders' main channel for participation in corporate life.

The 2022 General Shareholders' Meeting was held physically at the corporate headquarters, with shareholders and their proxy representatives having the ability to attend remotely, and initiatives to continue fostering participation include:

1. Proactive delivery of proxy and remote voting cards to shareholder registered with OLA Shareholders' Club or who provided their email address for this purpose.
2. Inclusion of a QR code in the proxy and absentee voting cards sent by Iberdrola to facilitate electronic participation.
3. Expansion of the channels for remote participation for shareholders and proxy holders to send images of their cards through new instant messaging systems.
4. Prize draw for 10 electric bicycles among shareholders voting or granting proxies through the corporate website's participation portal or the telephone channel.
5. Commemorative gifts at shareholder information desks opened by Iberdrola to facilitate participation before the General Shareholders' Meeting.
6. New financial incentive: an engagement dividend of €0.005 (gross) per share was paid to all shareholders who were entitled to participate, conditional upon reaching a quorum of at least 70 % of the share capital and the approval of the corresponding amendment to the *By-Laws* to establish this incentive.

As a result of these measures, the General Shareholders' Meeting held on 17 June 2022 achieved a quorum of 72.13% of share capital (22.18% present and 49.95% by proxy), compared to 65.83% at the 2021 General Meeting, with all resolutions proposed by the Board of Directors being approved by a broad majority.

Since 2016 the Basque Government (through the state-owned company Ihobe) and AENOR certify that the management of Iberdrola's General Shareholders' Meeting meets the standards for the environmental sustainability of events in the Basque Country (Erronka Garbia) and the ISO 20121 standard on sustainable event management, respectively.

The company has implemented several specific channels of communication to promote accessibility, the understanding of information, and ultimately the engagement of the shareholders, including the following:

a. **Shareholder's Office.** From the call to the General Shareholders' Meeting through the end thereof, the shareholders can rely on the support of the Shareholder's Office (*Oficina del Accionista*), which is in permanent contact with those shareholders who have voluntarily entered their names in its database, and provides a specific service to minority shareholders for the organisation of presentations and events prior to the General Shareholders' Meeting.
b. **OLS Shareholders' Club.** An open and permanent channel of participation between the company and shareholders who are interested in monitoring the company's evolution on an ongoing basis.
c. **Investor Relations Office.** Responds on a regular and personalised basis to the questions of analysts and qualified institutional investors in equities, fixed-income securities and socially responsible investments.
d. **Relations with shareholder associations and institutional shareholders.** Both shareholder associations and institutional shareholders may request meetings with representatives of the company through the Investor Relations Division.
e. Last, the **Governance and Sustainability System** makes provision for the ability of the Board of Directors or its chairman or the Executive Committee to authorise the first vice-chair and lead independent director or other directors to engage in dialogue with specific shareholders on issues relating to corporate governance and sustainable development.

The Shareholder Engagement Policy is one of the main pillars in the corporate governance strategy

Annual total compensation ratio and annual total compensation percentage increase ratio

Iberdrola's Corporate Governance Model provides for the existence of a holding company, Iberdrola S.A., and for country subholding companies in the main countries in which it does business, as shown in the "Corporate and governance structure, ownership and legal form" section of the chapter and described on the Company's website.

The main countries in which the Iberdrola group does business are Spain, the United Kingdom, the United States, Brazil and Mexico, where the compensation remuneration ratios are set forth in the table below.

■ GRI 2-21

Country[78,79]	Highest level of remuneration	Annual total compensation ratio [80]			Annual total compensation percentage increase ratio [66]		
		2022	2021	2020	2022	2021	2020
Spain	Director	23.34	23.85	24.35	0.12	-4.20	0.00
United Kingdom	CEO	19.94	22.18	18.56	-1.23	7.31	-2.71
United States	CEO[81]	11.14	12.53	1.24	N/A	11.16	N/A
Brazil	Director[82]	29.02	28.57	N/A	0.90	N/A	0.29
Mexico	CEO[83]	23.84	29.08	24.21	-0.89	-31.77	N/A

At the consolidated level, the total annual remuneration ratio for the highest-paid employee in the organisation with respect to the median total annual compensation of all employees (including the highest-paid individual) was 30.13.

Ethics and integrity

Policies and protocols

■ GRI 205 2-23

The Compliance System of the group's companies is structured around: (i) certain regulations approved by the Board of Directors of Iberdrola, S.A., which form part of the *Governance and Sustainability System;* and (ii) supplementary regulations developed and approved by the Compliance Unit, pursuant to the powers vested therein by the *Regulations of the Compliance Unit*, which prepares and approves supplementary regulations that are also binding for all of the group's employees.

[78] Spain: Iberdrola, S.A.; Iberdrola España; Iberdrola Energía Internacional. United Kingdom: ScottishPower. United States: AVANGRID. Brazil: Neoenergia. Mexico: Iberdrola Mexico.
[79] The annual total compensation ratio and annual total compensation percentage increase ratio compared to the median were reported in 2022. The figures for 2021 and 2020 were adjusted using the same standard.
[80] Annual total compensation includes fixed salary, cash salary supplements and variable remuneration. Does not include long-term incentives or benefits.
[81] In the United States, there was a change in the holder of the CEO position during 2022 and also in 202
[82] The highest paid person and position in 2021 has changed with respect to 2020.
[83] Change of position in 2020 regarding the highest level of remuneration in 2019. There is no comparable benchmark in 2019 for the higher level of remuneration in 2020.

Regulations approved by the Board of Directors

- *Code of Ethics*
- *Crime Prevention Policy*
- *Anti-Corruption and Anti-Fraud Policy*
- Internal Regulations for Conduct in the Securities Markets
- Internal Rules for the Processing of Inside Information
- Procedure for Related-Party Transactions with Members of Senior Management, Delegated Related-Party Transactions and Lines of Related-Party Transactions

Regulations approved by the Unit

- *General Compliance System Framework of the Iberdrola Group*
- General Coordination, Collaboration and Information Protocol
- Protocol for Management of the Risk of Third-Party Fraud and Corruption
- Corporate Transactions Protocol
- Protocol for Conduct in Professional Relations with Government Administrations
- Protocol for Social Contributions, Donations and Sponsorships
- Competition Protocol
- Gifts and Hospitality Protocol
- Action Protocol in the Event of Notification of Court and Administrative Sanctioning Procedures
- Case Processing Guide
- Risk Assessment Guide
- Third-Party Risk Assessment Guide
- Guide for conducting a background check prior to the assumption of management duties

Evaluation of risks

■ GRI 205-1

One of the main elements of the Compliance System is the existence of a process of regular and continuous identification and evaluation of the compliance-related risks of each of the corporate functions and in the businesses of the group.

Thus, in terms of risk assessments, two types of evaluations are carried out, which include the risk of corruption:

1. For the purpose of developing the *Crime Prevention Policy*, the companies of the group have implemented a set of measures making up the *Crime Prevention Programme*, which has been implemented at each country subholding and head of business company, all within the framework of the process of review and adjustment to the most recent changes to the Spanish Criminal Code following the introduction of criminal liability for legal entities, without prejudice to the legal provisions applicable in any other jurisdiction in which the company does business.

   To implement these *Crime Prevention Programmes,* there is a regular evaluation of the risks of committing criminal acts that might ultimately be alleged against the various companies of the group based on their activities, as well as an identification of existing controls and the establishment of new controls for the prevention thereof.

2. The Compliance Unit and the compliance divisions regularly update the compliance risk map following the guidelines established in the *Compliance Risk Evaluation Guide* established by the Compliance Unit, as well as an identification of the likelihood of each risk occurring and the impact that this would have.

   These risk maps are drawn up based on an inventory of homogeneous risks for the boundary of the Group using a common methodology. The risks to be assessed are grouped into the three categories in which the compliance function has been assigned the following competences: (i) crime prevention; (ii) separation of activities; and (iii) securities market, as shown in the table below:

Risks		
Crime prevention	**Separation of activities**	**Securities market**
Corruption and fraud	Scope	Market abuse
Money laundering and terrorist financing	Effective separation	Inadequate custody of information
Market abuse	Brand image	Information to the regulator
International sanctions	Costs for common services	Updating records
Scams	Management independence	
Permits, licences and authorisations	Commercially sensitive information	
Fraud against public authorities and social security	Independent monitoring	
Punishable insolvencies	Network access	
Intellectual and industrial property	Price discrimination	
Smuggling		
Unfair trade practices		
Distortion of public information		
Data prevention		
Cybercrime		
Business secrecy		
Occupational risk prevention		
Workers' rights		
Obstructing external monitoring		
Safety at facilities, the environment and public health		
Consumer protection		

Each compliance division analyses whether there are signs of these risks in their respective country subholding companies, head of business companies and in each of the corporate and business areas. With the information obtained, a compliance risk map is prepared for each entity, which is updated on a regular basis, identifying the main controls in the scope of the group to mitigate such risks and, if necessary, proposing improvement actions to strengthen the effectiveness of these controls.

Although Iberdrola, S.A. and the other Spanish companies are not subject to *Law 10/2010 on anti-money laundering and counter terrorist financing* (the "**Money Laundering Act**") and, therefore, this Act and the formal and administrative obligations imposed thereunder on certain groups do not apply to them, the risk of perpetration of money laundering offences is contemplated as part of the *Crime Prevention Programme* of such companies.

However, Iberdrola Inmobiliaria, S.A.U. is subject to the Money Laundering Act due to the nature of it activities, and therefore, in addition to the aforementioned preventive controls, this company has implemented additional specific controls primarily aimed at preventing this type of crime. By way of example, the company has approved rules like the *Procedure to Prevent Money-Laundering and Terrorist Financing, Contract Approval Endorsements*, the *Leased Assets Billing Procedure* and *Payment Order Validation* monitoring.

Communication and training related to anti-corruption rules

Training and communication are two fundamental pillars of the Compliance System to ensure that all of its professionals are aware of and comply with the *Code of Ethics.*

Within this context, the Compliance Unit and the compliance divisions plan their training and communication activities on an annual basis in collaboration with the corresponding human resources and communications divisions.

Corporate policies, including the *Anti-Corruption and Anti-Fraud Policy* and the *Crime Prevention Policy*, as well as the *Code of Ethics,* are available on the corporate website and on the employee portal.

The protocols and other procedures approved by the Compliance Unit are available on the employee portal and are circulated by email to all departments where these procedures may be applicable.

GRI 205-2

The table below shows the training hours associated with the various training activities carried out in 2022.

Employee training on anti-corruption

		2022		2021		2020	
		Number of employees trained	Percentage of total workforce	Number of employees trained	Percentage of total workforce	Number of employees trained	Percentage of total workforce
Spain	Leadership	680	68.3	508	43.6	517	43.2
	Qualified Technicians	4,209	90.6	1,409	32.1	2,823	69.2
	Skilled workers and support personnel	3,407	83.9	1,214	29.1	2,823	65.4
	Total	**8,296**	**85.5**	**3,131**	**32.2**	**6,163**	**64.2**
United Kingdom	Leadership	8	2.3	14	1.7	673	87.3
	Qualified Technicians	300	7.7	87	2.7	2,623	83.4
	Skilled workers and support personnel	75	5.0	68	4.2	1,150	69.8
	Total	**383**	**6.7**	**169**	**3.0**	**4,446**	**79.9**
United States	Leadership	352	100.0	330	100.0	N/D	N/D
	Qualified Technicians	3,149	100.0	2,861	100.0	N/D	N/D
	Skilled workers and support personnel	4,323	100.0	4,244	100.0	N/D	N/D
	Total	**7,824**	**100.0**	**7,435**	**100.0**	**7,099**	**100.0**
Brazil	Leadership	407	100.0	379	97.7	338	96.3
	Qualified Technicians	2,025	58.2	3,062	96.6	2,796	96.3
	Skilled workers and support personnel	7,437	64.6	10,714	93.2	8,997	94.1
	Total	**9,869**	**64.1**	**14,155**	**94.0**	**12,131**	**94.7**
Mexico	Leadership	12	12.0	38	40.4	109	100.0
	Qualified Technicians	130	17.4	373	50.2	93	12.1
	Skilled workers and support personnel	94	20.5	135	29.4	16	3.6
	Total	**236**	**18.1**	**546**	**42.1**	**218**	**16.7**
IEI	Leadership	86	91.5	44	50.0	42	35.0
	Qualified Technicians	561	72.1	284	44.9	148	24.5
	Skilled workers and support personnel	31	30.4	25	25.8	8	8.6
	Total	**678**	**69.6**	**353**	**43.2**	**198**	**24.2**
Iberdrola total	**Leadership**	**1,545**	**67.8**	**1,313**	**45.3**	**1,679**	**57.7**
	Qualified Technicians	**10,374**	**62.5**	**8,076**	**53.9**	**8,483**	**59.3**
	Skilled workers and support personnel	**15,367**	**70.4**	**16,400**	**74.3**	**12,994**	**64.2**
	Total	**27,286**	**67.0**	**25,789**	**64.5**	**30,255**	**81.5**

Monitoring

Grievance mailboxes of the group

■ GRI 2-26

One of the basic elements of the Compliance System are the detection and/or monitoring mechanisms allowing for verification of the effectiveness of the controls and prevention activities carried out at the group. These mechanisms include the ethics mailboxes for professionals, which are tools that can be used to make queries or report conduct that may involve the commission of any improper conduct or any act contrary to law or the rules.

The group also has suppliers' ethics mailboxes. These mailboxes are communication channels to enable the suppliers of the group, as well as any companies that they subcontract, their respective employees and companies that have participated in a tender, to report conduct that might entail (i) violation by any group professional of the Governance and Sustainability System, the *Code of Ethics* or applicable law, or (ii) the commission by a supplier, its subcontractors or the respective employees thereof of any act contrary to law or to the provisions of the section of the *Code of Ethics* applicable to suppliers within the framework of their business relations with the group. These *mailboxes* are available in the purchasing portal of the website.

The group also has a shareholders' ethics mailbox. This mailbox represents a channel of communication through which shareholders can report conduct that night involve a breach of the company's *Governance and Sustainability System* or the commission by any professional of the group of an act contrary to the law or to the rules of conduct of the *Code of Ethics*. This mailbox is available on the group's corporate website, specifically within the interactive system provided for the shareholders known as "OLS – Shareholder´s Club".

Response and remediation plans

■ GRI 205-3

A total of 2,938 communications were received through the ethics mailboxes in financial year 2022, of which 1,551 were queries and 1,387 were complaints. Of the 1,387 complaints received, 885 were accepted for processing. In 5% of the cases of complaints allowed to proceed, some type of disciplinary measure was taken upon a showing that there had been improper conduct or conduct contrary to the *Code of Ethics*. Of the total of 885 complaints that were accepted for processing, 433 were classified as having a potential impact on human rights.

Information regarding the existence of cases of corruption during the financial year

The Company confirmed the existence of one case of corruption reported through the ethical mailboxes during financial year 2022. After the relevant internal investigation, it was found that a Neoenergia employee had solicited financial consideration from a customer in exchange for providing improper preferential treatment in the terms of a contract. The employee was dismissed in application of the internal disciplinary regime.

In March, the company learned of a complaint filed with the Romanian Organised Crime and Terrorism Investigation Department (DIICOT) pursuant to which it was confirmed that an investigation had commenced based on a complaint filed by Eolica Dobrogea SRL, C-Tech SRL, Corneliu Dica and Ms Ceausescu against Iberdrola, S.A., Iberdrola Renovables Energía, Iberdrola Renovables Internacional, Iberdrola Renovables Rumanía, and ED1.

DIICOT is a division of the Romanian public prosecutor's office in charge of investigating organised crime. This decision from DIICOT only confirms that the complaint was filed and that the work of investigation will commence. It is important to bear in mind that, at this point, no formal accusation has been made against any company personnel or any of Iberdrola's companies.

Proceedings from prior years with an impact on the financial year.

The Iberdrola group has been working with the courts to clarify the circumstances relating to the hiring of the company Cenyt by some group companies in order to enforce any liabilities that may arise and to defend its good name and reputation.

After a long investigation by Central Investigative Court no. 6 of the National High Court, neither Iberdrola, any of the companies of its Group, nor any directors or officers thereof have been found liable in any respect. No Group company is being investigated as part of these proceedings, in which Iberdrola, S.A appeared as an aggrieved party.

In these proceedings, the chair of the Board of Directors and the other directors and executives, current and former, of Iberdrola, S.A. who had been investigated at any point during the proceedings were all acquitted, with the exception of a former head of security at the company who is no longer associated therewith, and with respect to which an application for dismissal filed with this Court is currently pending resolution. The action for disclosure of trade secrets filed by the Company against another former executive, who is no longer associated therewith and who used to work in the accounting department, is also pending resolution.

After a review and analysis of the internal processes performed with the help of independent experts and pursuant to the group's *Governance and Sustainability System* and Compliance has not revealed any violation of the internal control systems or of the *Code of Ethics* or of any other rules or procedures in the engagement of the company Cenyt by certain companies of the Group, without prejudice to the reputational impact of these events on Iberdrola, S.A. or on the companies in its Group.

In the Castile and León Wind Farm matter, arising from the claim filed by the Anti-Corruption Division of the Public Prosecutor's office for alleged crimes committed in obtaining approvals for the building of wind farms in Castile and León between 2004 and 2009, Investigative Court no. 4 of Valladolid issued an order to commence Oral Proceedings in November 2021, pursuant to which:

1. It orders the commencement of oral proceedings against, among other individuals and as pertains to Iberdrola, three officers of the group, two of whom are no longer associated therewith, for alleged commission of the continuing offence of bribery, requiring each to provide a €130 million bond. Iberdrola Renovables Energía provided three corporate guarantees, each in the amount of €130 million, as a personal bond payable upon demand, to cover the monetary penalties that might apply, thus lifting the freeze on the accused officers' assets.
2. AIt orders the commencement of oral proceedings against Iberdrola Renovables Castilla y León (IBERCYL) for subsidiary civil liability, in the amount of €11,257,500, jointly and severally with the Castile and Leon Government. IBERCYL initially challenged the measure imposed, which was denied by Order of 18/11/2022. with respect to which IBERCYL filed an appeal for reconsideration (*recurso de reforma*), which has not yet been decided. As of today, no security has yet been provided.

Public policies

Relations with regulatory entities and social institutions

GRI 415

Iberdrola has two kinds of relationships with regulatory entities:

- Relationships geared towards contributing to the enactment of efficient regulatory provisions allowing for the development of a competitive market in activities that are not subject to a natural monopoly, and sufficient remuneration for regulated businesses. To that end, there is a continuous and constructive dialogue where information, knowledge and positions are exchanged. Iberdrola is thus acquainted with the concerns and proposals of regulatory entities and provides them with its own positions in the legitimate defence of its interests and those of its shareholders and customers. The company also actively participates in "public hearings" held by regulatory entities in order to ascertain the opinions of the players involved in the processes prior to the revision of regulations or the determination of domestic and European energy policies. It also participates in the official processes of enactment of laws and regulations and in monitoring the application thereof.
- Provision of all information required by regulatory entities, whether in connection with the normal conduct of its business or as a result of any transitory issue.

In addition to its direct relationships with regulatory entities, Iberdrola and the companies in its group participate in the regulatory process through the various domestic and international trade associations of which they are members.

GRI 2-28

Principal domestic and international associations		
Global	World Energy Council	WindEurope
	Energy Networks Association	Electric Power Research Institute (EPRI)
	Solar Power Europe	European Distribution System Operators (EDSO)
	Union of the Electricity Industry EURELECTRIC	Global Wind Energy Council (GWEC)
	CSR Europe	Nuclear Industry Association (NIA)
	International Emissions Trading Association (IETA)	World Association of Nuclear Operators (WANO)
	European Technology and Innovation Platform on Wind Energy (ETIP Wind)	European Utilities Telecom Council-EUTC
	European Round Table (ERT)	International Council on Large Electric Systems (CIGRE)
	European Cybersecurity Network (ENCS)	European Association for Storage of Energy (EASE)
	Prime Alliance	European Technology Platform Smart Grids
	World Nuclear Association	European Utilities Technology
	Groupe international des importateurs de gaz naturel liquefie	European Association for The Streamlining of Energy Exchange
	EFET - European Federation of Energy Traders	

Principal domestic and international associations

Spain	Foro de la Industria Nuclear Española	Unión Española Fotovoltaica (UNEF)
	Asociación Española del Gas (SEDIGAS)	Red Española del Pacto Mundial
	Plataforma Española de Redes Eléctricas (FUTURED)	Confederación Española de Organizaciones empresariales (CEOE/Cepyme)
	Asociación Española de la Industria Eléctrica (AELEC)	Círculo de empresarios
	Instituto Tecnológico de la Energía (ITE)	Cámara de Comercio de España
	Asociación Española de Normalización (AENOR)	Asociación de Directivos de Responsabilidad Social Empresarial (DIRSE)
	Fundación COTEC para la Innovación	Club Español de la Energía
	Asociación Empresarial para el Desarrollo e Impulso del Vehículo Eléctrico	Asociación empresarial Eólica (AEE)
	Corporate Excellence	Club de Excelencia en Sostenibilidad
	Asociación Española del Hidrógeno	Asociación de fabricantes de equipos de climatización
	Cogen España	Cogen Europa
	Centro de ciberseguridad industrial	
United Kingdom	Scottish Fuel Poverty	OFGEM
	The Scottish Renewables Forum	Energy UK - Energy Efficiency Group
	Offshore Wind Accelerator	National Skills Academy for Power
	Energy Networks Association	Business Disability Forum
	Renewables UK	Energy Institute
	Energy & Utility Skills	Energy Efficiency Group
	Institute of Customers Service	Smart DCC Limited
	Institute of Engineering & Technology	British Hydro Association
	National Energy Action	Edinburgh Chamber of Commerce
United States	American National Standards Institute (ANSI)	American Wind Energy Association (AWEA)
	The Wind Coalition (TWC)	Center for Energy Workforce Development (CEWD)
	North American Transmission Owner and Operator Forum (NATF)	Clean Grid Alliance
	American National Standards Institute (ANSI)	Operations Technology Development (OTD)
	Industrial Asset Management Council (IAMC)	The Wind Coalition (TWC)
	Gas Technology Institute (GTI)	American Gas Association (AGA)
	Edison Electric Institute (EEI)	Wind on the Wires (WOW)
	Center for Energy Efficiency and Renewable Technologies (CEERT)	Interwest Energy Alliance
	North American Electric Reliability Corporation (NERC)	Industrial Asset Management Council (IAMC)
	National Offshore Industries Association	Clean Energy and Clean Power
Brazil	Associação Brasileira de Distribuidoras de Energia Elétrica (ABRADEE)	Associação Brasileira da Infraestrutura e Indústrias de Base (ABDIB)
	Associação Brasileira dos Comercializadores de Energia (ABRACEEL)	Federação das Indústrias do Estado da Bahia (FIEB)
	Associação Brasileira dos Contadores do Setor de Energia Elétrica (ABRACONE)	Associação Brasileira das Empresas Geradoras de Energia Elétrica (ABRAGE)
	Associação Brasileira de Energia Solar (ABSOLAR)	American Chamber of Commerce (AMCHAM)
	Associação Brasileira de Geradoras Termelétricas (ABRAGET)	Associação Brasileira de Energia Eólica (ABEEOLICA)
	Associação Brasileira das Empresas de Transmissão de Energia Elétrica (ABRATE)	Associação Brasileira de Relações Institucionais e Governamentais (ABRIG)
	Instituto Acende Brasil	Centro de Pesquisas de Energia Elétrica (CEPEL)
	Associação brasileira de Comunicação Empresarial (ABERJE	Associação Brasileira dos Produtores Independentes de Energia Elétrica (APINE)

Principal domestic and international associations		
Mexico	Asociación Mexicana de Energía Eólica (AMDEE)	Asociación Mexicana de Parques Industriales (AMPIP)
	Asociación Mexicana de Energía, A.C (AME)	Consejo Coordinador empresarial A.C
	Confederación Patronal de la República Mexicana (Coparmex)	Cámara de la Industria de Transformación Ensenada
	Consejo Ejecutivo de empresas Globales, AC	Centro Mexicano para la filantropía (CEMEFI)
IEI	Associazione Italiana Energia Libera	Associaçao Portugesa de Energia (APE)
	Associazione Italiana di Grossisti di Energia e Trade (AIGET)	Associaçao de Gás Natural (AGN) in Portugal
	Committee for Economic Development of Australia (CEDA), in Australia	Agencia para a Energia (ADENE) in Portugal
	Australian Energy Council (AEC), in Australia	Agência para a Energia, in Portugal (ADENE)
	EFET Deutschland - European Federation of Energy Traders Deutschland	

External initiatives to which the organisation subscribes or which it endorses

■ GRI 2-23

The company has subscribed to or endorsed external initiatives aligned with sustainable development and encouraged its minority-owned companies to adhere to them. Iberdrola supports or subscribes to the following:

- Iberdrola is fully aligned with the Sustainable Development Goals (SDGs), including them in its business strategy and its Sustainable Management Policy
- World Economic Forum (WEF) –CEO Climate Leaders–
- World Business Council of Sustainable Development (WBCSD)
- EV100 (The Climate Group)
- UN Global Compact LEAD
- European Round Table of Industrialists
- Corporate Leaders Group
- Green Growth Platform
- Carbon Pricing Leadership Coalition
- Powering Past Coal Alliance
- CLG Europe
- European Climate Foundation

Iberdrola joined the Global Compact in 2002. Iberdrola has also participated in the preparation of the Wind Europe and ETIP Wind publications on recycling wind turbine blades.

In each country, Iberdrola also supports and collaborates with the initiatives it regards as most significant in terms of their importance at local level (the Spanish Office of Climate Change in Spain, the Cancer Research association in the United Kingdom, the Brazilian Business Council for Sustainable Development (CEBDS) in Brazil, the Clean Energy Council in Australia, etc.).

Lobbying activities and contributions to political parties or to related institutions

As regards lobbying activities, Iberdrola is registered with the Transparency Register created by European institutions to provide adequate transparency to the relations of such institutions with companies, NGOs, citizens' associations, think tanks, etc. The register was created by the European Parliament and the European Commission, and the Council of the European Union supports the initiative. *Iberdrola's record* in such register can be found on the EU's website.

Iberdrola has a neutral position from a political standpoint. In financial year 2022, none of the group's companies, with the exception of the United Kingdom and the United States, contributed to the financing of political parties.

■ GRI 415-1

Contribution to political parties (€)

	2022	2021	2020
United Kingdom	35,882	16,285	0
United States	559,550	45,011	3,942
IEI	11,807	0	0
Total	**654,739**	**61,296**	**3,942**

In the United Kingdom, ScottishPower has contributed a total of €35,882, distributed among different parties across the political spectrum, for the sponsorship of conferences and events, in accordance with the Political Parties, Elections and Referendums Act (2000). These events are an important opportunity for the group to present its views to representatives across all political camps on a non-partisan basis. This contribution does not signal support for any specific party.

In the United States, AVANGRID's Renewables Business has contributed a total of €559,550 ($589,000) to candidates and political parties, reporting these contributions in accordance with current legislation. These represent the contributions made by the company and do not include additional voluntary contributions from employees.

In Australia, IBERDROLA Australia contributed a total of €11,807 euros (AUS$17,900) for the annual membership to sponsor conferences and events, reporting it to the Australian electoral commission.

V. Financial

For Iberdrola, ESG issues are integrated into its strategy and operations and are therefore directly linked to its financial performance. This approach, which the company calls ESG+F, is reflected in its activities and business model. Thanks to this consistency between growth and financing strategy, the company has direct access to the capital market and is a recognised leader as an issuer of green and sustainable financial instruments.

This commitment is reflected in the inclusion within the group's ESG objectives of two objectives relating to the financing strategy that will enable the company to continue to lead the green bond and sustainable financing market.

GOALS	METRIC	2022	2025	2030	Related SDGs
SUSTAINABLE FINANCE					
Green financing frameworks	Annual review and update (if applicable)	√	√	√	13 16
ESG financing	% of ESG financing	82 %	*Minimum 80 %*	-	13 16

V.1. Sustainable economic growth

- Economic/financial impact
- Compliance with laws and regulations
- ESG Finances
- Taxonomy

Economic/financial impact

GRI 201

The electricity industry is and will be a significant driver of the economy, to which it contributes by means of high investments and the creation of both direct and indirect high-quality jobs. An example of this, Iberdrola's strategic commitment to a sustainable, safe and competitive energy model that makes it possible to fight climate change has resulted in more than €140,000 million of investments over the last 20 years. This activity, measured for financial year 2021, has generated a total annual employment impact of some 400,000 direct, indirect and induced jobs worldwide, contributing more than €37,000 million to global GDP annually, and making a total annual tax contribution, including direct and indirect taxes, of more than €15,300 million.[84]

GRI 201-1

Direct economic value generated, distributed and retained (€ millions)

Iberdrola consolidated total	2022	2021	Reference to Financial Statements	
Revenue	53,949	39,114	Note 37[85]	Revenue
Other operating income	602	705	P&L[85]	Other operating income (excluding grants)
Results from equity accounted investees	261	34	Note 15a[85]	Positive results from equity accounted companies
Finance income	1,009	1,114	Note 42[85]	Finance income (without including capitalised finance expenses and income (excluding capitalised interest expense and discounting of provisions to present value)
Direct economic value generated	**55,821**	**40,967**		
Supplies	33,750	22,052	Note 38[85]	Supplies
External services	3,550	2,878	P&L[85]	External services (excluding donations)
Losses from equity accounted investees	115	72	Note 15a[85]	Negative results from equity accounted investees
Shareholders	1,295	799	SCF[86]	Dividends paid
Minority interests	721	467	P&L[85]	Non-controlling interests
Interest on subordinated debt	169	94	SCF[86]	Subordinated perpetual bonds
Finance expenses from lease liabilities	2,928	2,157	Note 42[85]	Financial expense (excluding Financial Restatement of Provisions)
Employee remuneration (excluding company social security costs)	2,995	2,684	Note 39[85]	Staff costs (excluding employer's social security and activated staff costs)
Payments to government administrations	3,255	3,125	SNFI-SR	Fiscal responsibility
Community investments (verified according to the LBG Model)	52	58	SNFI-SR	Contributions to society
Economic value distributed	**48,830**	**34,386**		
Economic value retained	**6,991**	**6,581**		

During the period, Iberdrola made gross investments totalling 10.730 million[87].

[84] PwC study "Economic, social and environmental impact of Iberdrola worldwide" (based on 2021 data).
[85] Consolidated income statement
[86] Consolidated statement of cash flows
[87] Total amount includes all investments involving cash outflows or debt assumed.

Financial assistance received

Financial assistance received by the Iberdrola group is shown in the following table on a consolidated basis:

GRI 201-4

Financial assistance (€ millions)			
	2022	2021	2020
Capital subsidies	1	8	8
Operating subsidies	18	6	3
Investment tax credits[88]	0	0	0
Production tax credits[89]	209	164	135
Assistance for other items included in the GRI Protocol	0	0	0
Iberdrola total	**228**	**178**	**146**

GRI 203

In addition to the direct economic impacts that occur as a result of the cash flows that are generated, the Iberdrola group also induces additional effects or indirect economic impacts such as those described below:

GRI 203-2

From an economic standpoint, the expansion of electricity systems drives the regional economy in the region where it occurs and creates employment opportunities, contributing to economic and social enhancement.

The positive effects at the local level include, among others, improvement of the economy and employment (direct and indirect), revitalisation and repopulation of underpopulated rural areas, generation of fees, taxes and duties at the different stages of activity and areas of operation, training of professionals, support of local communities through various sponsorship initiatives, promotion of economic development, and improvement in the quality of life through electrification, energy efficiency projects, waste revaluation, etc. For example, the Sikuli programme in Mexico to promote social entrepreneurship.

Likewise, and at a general level, renewable projects help to reduce the overall CO2 emissions of the energy mix of the country where they are implemented, contributing to the decarbonisation not only of the region where they are located, but also of the country and the planet as a whole, thus helping to curb global warming and supporting each country's decarbonisation targets. In addition, the Challenge Resilience and Challenge Fires projects have been launched to work with start-ups to find innovative solutions for distribution infrastructure.

Potentially negative effects, which the company seeks to avoid, can be considered to include the following:

- Environmental risks, which may give rise to undesirable consequences for the environment, such as spills and improper emissions, or waste management.
- The impact on terrain of the facilities, especially large ones, and the possible negative effects (during construction or operation) on traditional activities, particularly in the rural environment, such as ranching, hunting or fishing.

[88] Investment tax credits.
[89] Production tax credits.

GRI 203-1

During the construction and operation of its facilities, Iberdrola also carries out certain infrastructure activities that are unrelated to its facilities, but rather that are intended to meet the needs of the social environment, resolving existing shortcomings in the local communities.

A summary of these projects with strong social impact during 2022, is provided below:

- Improvement of paths and walkways, leading to a better quality of life for residents in the surrounding area.
- In the United Kingdom, there are continuing activities to improve various infrastructure and to make landscape improvements for the enjoyment of people near the various production centres. The Networks Business in the United Kingdom has developed the Little Kerse project, in the total amount of £389,000, thus completing the last project financed by the Green Economy Fund. A campaign to provide advice and support to vulnerable local communities in their path towards Net Zero has been launched through the Net Zero Transport Fund.
- In Brazil, the Quilombola culture programme is of particular note, especially the construction of the headquarters of the Quilombos de Santa Rosa Community Association, intended to serve as a direct communication channel to convey information, give support to the community, and answer questions. Moreover, in 2022 the Energy Museum opened again, through the restoration of a historic building in Pelourinho, Salvador (BA), in which it is intended to bring the world of energy closer to society and promote knowledge of this world.
- In Mexico, an annual social contribution is made to the communities surrounding the projects. It is based on the following criteria: culture, sport, health, education and social development. In parallel, repairs are made to the roads used for on-site Operation and Maintenance tasks, and by local residents. The Ricardo Flores primary school in Lalaxo was also repaired.
- Finally, there is the partnership with Hydrographic Confederations and other entities in Spain, especially those focused on environmental issues, to enable various activities near hydroelectric reservoirs by adjusting flows at certain times.

Compliance with laws and regulations

GRI 2-27

Information on significant non-monetary sanctions and fines due to non-compliance with laws or regulations is presented below:

Significant instances of non-compliance with laws and regulations

	2022	2021	2020
Significant instances for which non-monetary sanctions were incurred (no.)	22	24	18
Significant instances for which fines were incurred (no.)	261	N/D	N/D
Total	**283**	N/D	N/D

Out of the total significant incidents for which non-monetary sanctions were incurred (22 incidentes) one took place in Spain, 12 in Brazil, one in the United States, and eight pertain to Iberdrola Energía Internacional. 101 resulted in fines in Spain, 69 in the United States, 131 in Brazil, and one in Mexico.

Fines for instances of non-compliance with laws and regulations

	2022	
	No.	Monetary value (€)
Fines paid, imposed during the financial year	201	4,101,055
Fines paid, imposed in previous financial years	81	1,762,217
Total	282	5,863,272

In Brazil, 10 fines totalling €118,644 were imposed during the financial year, and 21 fines totalling €933,082 imposed in previous financial years were paid, all of them imposed on the Networks Business, for infringement proceedings related to state and municipal taxes as well as for various consumer protection-related matters.

In the United States, 35 fines totalling €3,566,113 imposed were imposed and paid during the financial year, €3,135,094 of which were imposed on the Networks Business for a fine pertaining to the final settlement of a violation of the Connecticut Order to proactively and directly contact customers to provide them with information regarding the COVID-19 Payment Program.

Note 44 of the 2022 Consolidated Annual Financial Report provides detailed information on the significant contingent assets and liability of the Iberdrola group relating to those judicial and extrajudicial disputes in the ordinary conduct of business (which may be disputes with suppliers, customers, administrative or tax authorities, private citizens, environmental activities, or employees). The opinion of the Iberdrola group's legal advisors is that the outcome of these disputes will not significantly affect its financial situation.

ESG Finances

In keeping with its sustainable business model, Iberdrola is positioned as one of the world's leading and pioneering business groups in ESG financing. This has the threefold objective of (i) aligning its financial strategy with its purpose, values and investment strategy, (ii) optimising the cost of its debt, and (iii) diversifying its sources of financing, transforming sustainability into both an end and a means to the financial strength it pursues and which characterises it.

Iberdrola demonstrates this commitment to ESG financing in the various regions in which it operates and through the different instruments and formats it uses to finance itself.

The ESG financing subscribed by the IBERDROLA Group in 2022 amounts to €9,512 million, with the group's ESG Financing portfolio totalling €48,473 million. The breakdown by product is as follows:

ESG Financing of the group 2022		
	New financing 2022	Portfolio at year-end 2022
Green	**6,017**	**26,956**
Bonds	3,237	17,668
Bank loans	-	376
Multilateral loans	991	2,857
Loans with development banks and ECAs	1535	2,666
Structured financing	254	3,389
Sustainable	**3,495**	**21,517**
Credit facilities	2,500	15,272
Loans	995	1,245
Commercial paper programmes	-	5,000
ESG total	**9,512**	**48,473**

Green finance transactions

The group has signed new green finance transactions in 2022 in the total amount of €6,017 million. This brings the total amount of green finance at the end of 2022 to €26,956[90] million.

The differentiating feature of this financing is the commitment to use the funds obtained for projects with a positive impact on the environment, including renewable energy, expansion and digitalisation of electricity transmission and distribution grids, researching new, more efficient technologies, and the smart mobility projects in which Iberdrola invests. The company also commits to provide annual reports, through various indicators, on the environmental return generated by these projects, so that investors can be aware of their level of contribution to the environmental improvement achieved.

The funds secured through all of these operations have gone towards financing or refinancing investments in projects that meet certain environmental and sustainable development criteria, as described in the relevant Green Financing Frameworks[91] of Iberdrola, AVANGRID and Neoenergia. These Frameworks are aligned with the Green Bond Principles ("GBPs") established by the International Capital Markets Association (ICMA) and have the Second Party Opinion of a renowned international expert regarding their alignment with the GBPs in all cases.

Green bonds

In the capital markets, Iberdrola is the world's leading private group in terms of green bonds issued. The company issued its first green bond in 2014, and since then has intensified its financing through this type of instrument, with many more issues and in various areas: both public and private issues, involving senior and subordinated debt (hybrid bonds) issued by the Corporation or other subsidiaries (AVANGRID green bonds and Neoenergia green debentures and all other companies under these sub-groups).

[90] Including 100% of green financing with partners, in the amount of €2,416 million.
[91] *Iberdrola Framework for Green Financing*, *AVANGRID Framework for Green Financing* and *Green Finance Framework do Grupo Neoenergia.*

As a Corporation, Iberdrola engaged in four new green bond issues in 2022, three of them for senior debt and a fourth one structured as a bond whose yield is linked to the price of Iberdrola's shares (equity-linked):

- In March, €1,000 million of 10-year bonds were issued, and which were allocated to the financing of the St. Brieuc (France) and Baltic Eagle (in Germany) wind farm plants, both under construction.
- In November, there was an issuance of €1,500 million, structured into two tranches: €750 million for a six-year term and €750 million for a 10-year term. The funds obtained from both transactions were allocated to the financing of renewable assets (mainly photovoltaic solar energy) in Spain and other European countries.
- In November there was another issue in the amount of €450 million, which was drawn down in December. This is a five-year bond linked to the price of Iberdrola's shares. The funds obtained were allocated to financing the investment plan for the Networks business in Spain during the 2021-2023 period.

At AVANGRID, Central Maine Power issued a green mortgage bond in July in the amount of US$125 million (€118 million). The funds obtained were allocated to Networks projects.

At Neoenergia, Neoenergia Distribuição Brasilia, Neoenergia Celpe and Neoenergia Elektro issued three green debentures in July in the combined total amount of R$950 million (€169 million). The funds obtained were allocated to Networks projects.

At year-end 2022, Iberdrola has a total of 19 current green bonds issued by the Corporation in the total amount of €14,197 million. The Green Financing Returns Report contains information and details on all outstanding financing during 2022.

In addition, Iberdrola, through its subsidiary AVANGRID and several of its subsidiaries, has green bonds outstanding in the US market in the combined amount of US$2,850 million (€2,678 million) aimed at financing renewable and distribution projects in the United States. Information and details on this financing is described in the AVANGRID 2022 Sustainability Report.

Neoenergia and its subsidiaries also have green financings outstanding on the capital markets, totalling R$4,445 million (€793 million), earmarked for financing renewable and transmission or distribution projects in Brazil. Information and details on this financing is described in the Sustainability Report.

Bank loans

In the banking market, Iberdrola received the first green loan obtained by an energy company in 2017, which was followed by other green transactions. In 2018 Iberdrola México, a wholly-owned subsidiary of Iberdrola, executed the first green corporate loan in Latin America for US$400 million, which was used to refinance the company's renewables assets in Mexico. In May 2022 Iberdrola México extended the maturity of this green loan for an additional year, until May 2024.

Multilateral loans

With regard to multilateral green loans, in May 2019, Iberdrola obtained its first green loan from the European Investment Bank (EIB) and since then has continued with the signing of a number of corporate green loans. These public institutions have their own standards for evaluating projects and for allocating green instruments. All of the assets financed by these institutions are also included as projects capable of green financing within the framework of Iberdrola's green financing.

In 2022, the Corporation signed four green loans with the EIB totalling €893 million:

- €53 million to partially finance the building of a 20 MW industrial facility for the production of green hydrogen through water hydrolysis, to manufacture ammonia. This loan also financed a 100 MW photovoltaic plant, a battery storage system, and a number of supplementary facilities.
- €550 million, for the development of a portfolio of wind farm and photovoltaic solar projects located in Spain.
- €220 million, to modernise, automate and adapt distribution networks to the electrification of consumption.
- €70 million, for the development of a 188 MW portfolio of photovoltaic solar projects located in Portugal.

In 2022, Coelba, a member of the Neoenergia Group, increased its green financing with a "Super Green Loan" from the International Finance Corporation (IFC), a member of the World Bank Group, in the amount of R$550 million (€98 million) to finance improvements to and the expansion of transmission networks and their digitisation.

Further details on these green operations and their sustainability returns can be found in Report on Green Financing Returns. Further details on these green operations and their sustainability returns can be found in Neoenergia Sustainability Report (for transactions carried out by Neoenergia and subsidiaries).

Loans with development banks and ECAs

In April 2022, Iberdrola signed a loan for €35 million with the Spanish Official Credit Institute (ICO) to partially finance, together with the EIB, the building of 20 MW industrial facilities for the generation of green hydrogen through water hydrolysis, to manufacture ammonia. These loans also finance a 100 MW photovoltaic plant, a battery storage system, and a number of supplementary facilities.

Iberdrola has continued to diversify its sources of financing, establishing new trade relations with Export Credit Agencies (ECAs). These Credit Agencies have insurance policies that assure very high percentages of the financings, thus enabling Iberdrola to diversity its sources of financing and reduce the consumption of risk with banking institutions.

Iberdrola has thus carried out two operations totalling €1,500 million in 2022.

- In April 2022, Iberdrola signed a green loan for €1,000 million with Banco Santander. This loan is secured by the Danish Export Credit Agency EKF to finance goods of interest to Denmark. The funds will go towards onshore and offshore wind farms with Vestas or Siemens Gamesa turbines. The wind farms are included in various European countries.

- In October 2022, Iberdrola signed a €500 million green loan with:
  - Caixabank for €250 million.
  - BNP Paribas for €250 million.

The loan is guaranteed by the Spanish Export Credit Agency CESCE, with backing from the Spanish government, and falls within its green policy, to finance investments to help to mitigate climate change. The loan will be used for investment in photovoltaic and wind renewables, batteries and transport networks in Portugal, the United Kingdom and Poland.

All of the assets financed by these institutions are included as projects capable of green financing within the framework of Iberdrola's green financing.

More details on these green operations and their sustainability returns can be found in the Report on Green Financing Returns (for financing by the Corporation).

Structured finance

In 2020 Iberdrola signed its first green Project Financing through its 63.55%-owned subsidiary Iberdrola Renovables de la Rioja, S.A., provided by BBVA in the amount of €23.3 million, to refinance 12 wind farms in La Rioja, which was repaid in 2022.

In 2021 Iberdrola signed two green Project Finance agreements through its subsidiaries Parques Eólicos Alto Layna, S.L.U and Energías Renovables Ibermap, S.L., 20% owned subsidiaries of Iberdrola, provided by BBVA in the amount of €106[92] million, and by BBVA, Banco Santander and BNP in the amount of €191.8[93] million, respectively, to refinance wind farms in Spain.

More details on these green loans and their sustainability returns can be found in the Report on Green Financing Returns.

In 2022 AVANGRID increased its financing under the form of Green Tax Equity Investment by $271 million (€254 million) through two new transactions, Lundhill and the Amendment to the Aeolus VIII portfolio, with Tax Equity Investment investors. Information and details on these financings is described in the AVANGRID 2022 Sustainability Report.

Financial transactions linked to the achievement of sustainable objectives

The group has also formalised other financing agreements with the ESG label. These are sustainable financings that, rather than earmarking funds, link certain elements of the instrument to sustainability metrics or the achievement of strategic objectives aligned with the Sustainable Development Goals (SDGs). These include the group's loans to manage and optimise its liquidity, called commercial paper, a very short-term financing instrument.

As in the case of green financing transactions, the financial transactions linked to the achievement of sustainable objectives are also certified by an independent expert in terms of the established metrics and their alignment with targets established with the company's sustainable strategy and with the Sustainability-Linked Loan Principles (SLLP).

[92] Outstanding balance of the Alto de Layna loan at 31/12/2022: €86 million. The Parques Eólicos Alto de Layna loan had a Second Party Opinion from G-Advisory. Parques Eólicos Alto de Layna is a company in which Iberdrola owns a 20% interest.
[93] Outstanding balance of the Energías Renovables Ibermap loan at 31/12/2022: €126 million. The Energías Renovables Ibermap loan had a Second Party Opinion from G-Advisory. Energías Renovables Ibermap is a company in which Iberdrola owns a 20% interest.

Credit facilities linked to sustainable objectives

At year-end 2022, Iberdrola, through the Corporation and AVANGRID, has a number of credit facilities in the aggregate amount of €15,272 million, with the cost linked to achieving sustainable objectives. The main objectives established in these credit facilities are associated with environmental and social KPIs:

- €2,500 million sustainable syndicated credit facility and ¥16,000 million bilateral credit facility, the maturities of which were extended in 2022 by an additional year until 2027:
  - Environmental KPI: intensity of CO_2 emissions, measured in grams per kilowatt hour produced (g/kWh).
  - Social KPI: percentage of women in leadership positions.
- €1,500 million sustainable syndicated credit facility:
  - Environmental KPI: Renewable capacity installed within the group.
  - Social KPI: number of people in developing countries benefiting from electricity access.
- €5,300 million sustainable syndicated credit facility:
  - Environmental KPI: intensity of CO_2 emissions, measured in grams per kilowatt hour produced (g/kWh).

In 2022 a new and innovative facility was signed in the amount of €2,500 million, linked to the company's water footprint through two sustainability indicators:

- Environmental KPI: amount of water consumed by the Group in its own or controlled production facilities and not returned to the environment, measured in cubic metres (m^3) per gigawatt hour (m^3/GWh) of energy produced.
- Environmental KPI: rating assigned to Iberdrola by the independent agency CDP Water.

Iberdrola is aware of the importance of water usage in the management of its activities, and wants to significantly contribute to SDG 6: "Clean water and sanitation".

Furthermore, in 2021 AVANGRID extended the maturity and limit of the syndicated credit facility signed in 2018 until 2026 and up to US$3,575 million respectively, maintaining the initial indicator that requires reducing CO_2 emissions.

Bank loans linked to sustainable objectives

In 2022 Iberdrola signed bank loans in the aggregate amount of €995 million, linked to the following indicator relating to water management:

- Environmental KPI: amount of water consumed by the Group in its own or controlled production facilities and not returned to the environment, measured in cubic metres (m^3) per gigawatt hour (m^3/GWh) of energy produced.

In addition, in 2021 Iberdrola obtained the first loan in the European energy sector linked to a reduction in water consumption, in the amount of €250 million. The loan includes an incentive linked to meeting certain circular economy objectives.

ESG commercial paper

On 15 April 2021 Iberdrola formalised the update of its framework programme for the issuance of short-term notes in the Euromarket (ECP), increasing the maximum outstanding limit to €5,000 million (from the previous figure of €3,000 million) and incorporating the sustainable label linked to the achievement of three objectives associated with the areas of the ESG strategy:

a. Environmental: intensity of CO2 emissions, measured in grams per kilowatt hour produced (gr/kWh) (contribution to SDGs 7, 13).
b. Social: Percentage of women in positions of leadership in the company (contribution to SDG 5).
c. Governance: Implementation of the eleven recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") (contribution to SDG 16).

Taxonomy

This section complies with the reporting obligations established by Article 8 of *EU Regulation 852/2020* on the establishment of a framework to facilitate sustainable investments, supplemented by *Delegated Regulation 2139/2021*, which determines eligible activities with respect to climate change mitigation and adaptation objectives, and in accordance with *Delegated Regulation 2178/2021*, which develops the reporting methodology.

Under this regulatory framework, companies are required to report their eligibility and alignment through three economic indicators; as a percentage of turnover, investment and operating expenditure.

In 2022 the reporting obligations led to the publication of the eligibility percentage (which had already been reported at year-end 2021), and, for the first time, of the percentage alignment for the three economic indicators and for all the activities carried out by the company.

Evaluation of eligibility, compliance with substantial contribution criteria, no significant harm, and existence of social safeguards

The activities carried out by the Iberdrola group companies have been evaluated with respect to the mitigation objective for purposes of eligibility and alignment. Thus, no amounts have been assigned to the climate change adjustment goal to avoid double accounting.

The first step is to determine which of the Iberdrola group's activities are eligible for purposes of the regulation. Eligible activities are those that could potentially contribute to one or more of the EU's environmental goals, and are described in Commission Delegated Regulation (EU) 2021/2139.

Analysing the activities carried out by the Iberdrola group, and taking as a reference the descriptions included in Annexes I and II of the Delegated Regulation, the list of eligible activities of the Iberdrola group is as follows: 3.1 Manufacture of hydrogen, 4.1 Electricity generation using photovoltaic solar technology, 4.3 Electricity generation from wind power, 4.5 Electricity generation from hydropower, 4.9 Transmission and distribution of electricity, 4.1 Storage of electricity, 7.3, 7.4, 7.5, and 7.6 Energy Efficiency, Installation, maintenance and repair of: charging stations for electric vehicles in buildings, instruments and devices for measuring, regulation and controlling energy performance of buildings, and renewable energy technologies[94].

The second step is to analyse how each activity does or does not meet the substantial contribution requirements.

For an activity to be considered aligned it must satisfy the technical criteria of substantial contribution to an environmental objective. For these purposes, Iberdrola has assessed compliance with these criteria for each head of business company, which has been documented in the company's records.

The third step is to assess how each activity meets, or does not meet, the criteria of no harm to other environmental objectives. The design of these criteria established by the delegated regulation is generally based on compliance with European regulations and/or standards for different environmental aspects. In order to assess and document compliance with these criteria at each head of business company, many of which operate in non-EU countries, the group has developed a methodology based on transferring requirements to surveys, which has enabled the work to be carried out in a homogeneous manner throughout the group. Each head of business company has assessed its compliance and has documented and evidenced its findings.

The fourth and final step is the assessment of the existence of sufficient social safeguards in the context of performing the activities. A similar approach to the no harm assessment has been followed and, based on an analysis using surveys and the group's existing human rights due diligence mechanisms, the existence of social safeguards has been satisfactorily documented. In this regard, worthy of note is the publication in 2022 of the group’s first report on Human Rights, which provides extensive explanations on this issue.

Finally, in order to ensure consistency between the assessment of criteria and actual performance, an analysis of the disclosure of the following indicators has been carried out: **GRI 2-27** Compliance with laws and regulations; **GRI 205-3** Confirmed incidents of corruption and actions taken; **GRI 406-1** Incidents of discrimination and corrective actions taken; **GRI 418-1** Substantiated complaints concerning breaches of customer privacy and losses of customer data; **GRI 416-2** Incidents of non-compliance concerning the health and safety impacts of products and service; **GRI 417-2** non-compliance cases related to product and service information and labelling (fines or penalties); **GRI 417-3** Incidents of non-compliance concerning marketing communications (fines or penalties).

The conclusion is that no inconsistencies can be deduced between the content of these indicators and the assessment of the no injury or de minimis safeguards criteria.

The criteria applied to calculate the eligibility and alignment percentages are described below.

[94] This heading includes the following products sold:
Smart Home: control of the energy consumption of each household appliance, changes in consumption and advice on how to save on bills.
Smart Mobility: solution for charging electric vehicles with 100% renewable energy. Installation of a charging point, electric contract with zero CO2 emissions and control from mobile phone with the Smart Mobility Home App.
Smart Solar: complete solar solution, with installation and maintenance of solar panels so that customers can generate their own electricity.

Calculation of percentage alignment

To calculate the percentages of alignment with the climate change mitigation objective, rigorous work was carried out in 2022 at the activity and country level to analyse wheter that the eligible activities

- Substantially contribute to achieving one or more of the six environmental objectives, in accordance with articles 10 to 16;
- To do no significant harm to the achievement of the other five environmental objectives (principle of do no significant harm), in accordance with article 17;
- Meet the requirements on minimum workplace safety and human rights at the company level (social protections), in accordance with article 18.

The basis to calculate alignment percentages is the eligibility calculation, taking the same denominator, but including in the numerator only the applicable revenues, investments or expenses corresponding to the eligible activities that meet the alignment criteria established by the regulations.

It is important to note that vertically integrated companies in the electricity sector carry out various activities, all of which are necessary for the operation of the electricity value chain.

Some of these activities, like the generation of electricity through wind or photovoltaic technology, or electricity transmission and distribution, are considered eligible in application of Delegated Regulation 2039/2021. However, the sale of electricity to end customers is not considered eligible.

Frequently, when a company both generates electricity and sells it to final customers, there is an inter-company transaction by which the retail activity purchases the electricity from the generation activity.

In accordance with accounting rules, revenues from the sale of electricity to end customers are part of the consolidated turnover, and the effect of the intra-group transaction is removed in the consolidation process.

Iberdrola believes that, in order to most accurately reflect the alignment of its operations with the EU sustainable activities Taxonomy, the numerator in the income ratio should include sales from the renewable production business. Otherwise, the ratios would describe a company that, despite demonstrating an extremely high percentage of its investments and operational expenses in line with the taxonomy, would have an extremely low percentage of income alignment on a permanent basis.

Revenues from Generation of electricity from renewable sources is considered in the numerator, and corresponds to that indicated in Note 37-Revenue, included in the Annual Financial Information of Iberdrola S.A. and its subsidiaries.

Considering all the above, to ensure the consistency between the reality described by the income ratio and that described by the investment ratio and the operating expenses ratio, the information given in this section has been provided as follows:

Calculation of the percentage of eligible turnover

The proportion of eligible Turnover referred to in Article 8(2a) of *Regulation (EU) 2020/852* is calculated as the share of net turnover resulting from products or services, including intangibles, associated with economic activities that are eligible according to the taxonomy (numerator), divided by the net turnover (denominator) as defined in *Article 2(5) of Directive 2013/34/EU*.

Turnover includes revenue recognised in accordance with *International Accounting Standard (IAS)* 1, paragraph 82(a), as adopted by *Commission Regulation (EC) No 1126/2008.*

Therefore, for the calculation of the eligibility percentages corresponding to the consolidated Iberdrola group, and included in the table above:

- The numerator includes the sum of the Turnover (group 70 ledger accounts of the Spanish General Accounting Plan) of the activities of the companies/subgroups that are eligible and,
- The denominator corresponds to the Iberdrola group's total amount of turnover.

In this turnover ratio, the company includes all the income associated with the main activity, considering that it contributes to the turnover.

Calculation of the percentage of eligible CapEx

The eligible CapEx ratio referred to in Article 8(2b) of Regulation (EU) 2020/852 is calculated as the numerator divided by the denominator; the denominator being the additions to tangible and intangible assets during the relevant financial year before depreciation, amortisation and any new valuations, including those resulting from revaluations and impairments, for the relevant financial year, excluding changes in fair value. The denominator also includes additions to tangible and intangible assets resulting from business combinations.

For non-financial companies applying International Financial Reporting Standards (IFRS) as adopted by Regulation (EC) No 1126/2008, CapEx should cover costs that are recognised according to:

a. IAS 16 Property, plant and equipment, paragraph 73(e)(i) and (iii);
b. IAS 38 Intangible Assets, paragraph 118(e)(i);
c. IAS 40 Investment Property, paragraph 79(d)(i) and (ii) (for the cost model);
d. IFRS 16 Leases, paragraph 53(h)

Leases that do not give rise to the recognition of a right to use the asset are not accounted for as CapEx.

The numerator, on the other hand, includes the part of the fixed asset investments included in the denominator that:

a. Relates to assets or processes that are associated with eligible economic activities;
b. Forms part of a plan to expand the economic activities aligned with the taxonomy or to enable economic activities eligible under the taxonomy to be brought into line with the taxonomy in the future (“CapEx plan”) under the conditions specified in the second paragraph of this point 1.1.2.2 (relating to the “CapEx plan”);
c. Relates to the purchase of production from economic activities aligned with the taxonomy and individual measures that enable the targeted activities to become low-carbon or achieve greenhouse gas reductions, in particular the activities listed in points 7.3 to 7.6 of Annex I of the Annexes to the Delegated Act, as well as other economic activities listed in the Delegated Acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852 and provided that those measures are implemented and operational within 18 months.

Therefore, for the calculation of the eligibility percentages corresponding to the consolidated Iberdrola group, and included in the table above:

- The numerator includes only the CapEx aggregation of the activities of the companies/ subgroups considered eligible and,
- The denominator corresponds to the Iberdrola group's total CapEx, which includes investments (on an accrual basis with current or future disbursement) in intangible assets, investments in property, plant and equipment, investments in rights-of-use assets, and investments. CapEx includes the work carried out by the company for its fixed assets and capitalised financial expenses.

For the purpose of reporting the CapEx and OpEx ratio, purchases of assets necessary to carry out a particular eligible aligned, eligible and non-eligible activity have been included.

Calculation of the percentage of eligible *OpEx*

The eligible OpEx ratio referred to in Article 8(2)(b) of Regulation (EU) 2020/852 is calculated as the numerator divided by the denominator; the latter including non-capitalised direct costs associated with research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct costs related to the day-to-day maintenance of tangible fixed assets, by the company or a third party to whom activities are outsourced, and which are necessary to ensure the continuous and efficient operation of those assets.

In addition, non-financial companies that apply national GAAP and do not capitalise right-of-use assets are required to include leasing costs in OpEx.

The numerator, on the other hand, includes the part of the operating expenses included in the denominator that:

a. Relates to assets or processes associated with eligible economic activities including training and other human resource adaptation needs, and non-capitalised direct costs representing research and development;
b. Forms part of the CapEx plan to expand the economic activities that are eligible in accordance with the taxonomy or to enable economic activities eligible under the taxonomy to be aligned with the taxonomy within a pre-defined timeframe, as set out in the second paragraph of this point 1.1.3.2 (relating to the “CapEx plan”);
c. Relates to the purchase of production from economic activities aligned with the taxonomy and individual measures that enable the targeted activities to become low-carbon or achieve greenhouse gas reductions, as well as individual building renovations, as identified in the Delegated Acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852 and provided that those measures are implemented and operational within 18 months.

Therefore, for the calculation of the eligibility percentages corresponding to the consolidated Iberdrola group, and included in the table above, for the OpEx indicator the denominator includes the OpEx accounts that meet the criteria specified by the regulations.

- The numerator includes only the CapEx aggregation of the activities of the companies/ subgroups considered eligible and,
- The denominator corresponds to the Iberdrola group's total CapEx, which includes investments (on an accrual basis with current or future disbursement) in intangible assets, investments in property, plant and equipment, investments in rights-of-use assets, and investments. CapEx includes the work carried out by the company for its fixed assets and capitalised financial expenses.

For the purpose of reporting the CapEx and OpEx ratio, purchases of assets necessary to carry out a particular eligible aligned, eligible and non-eligible activity have been included.

Finally, the controls that ensure the homogeneity of currencies, accounting criteria and the avoidance of duplicate amounts or intercompany balances are the controls carried out during the process of preparing the audited consolidated financial statements of the Iberdrola group. In addition, Registration and Presentation controls have been included in the files prepared to obtain the data referring to the Taxonomy.

Proportion of turnover from products or services associated with economic activities that comply with the taxonomy/disclosure for 2022

Economic activities	Code	Absolute turnover (€ thousands)	Proportion of turnover (%)	Substantial contribution criteria: Climate change mitigation (%)	Substantial contribution criteria: Climate change adaptation (%)	No significant harm criteria ("Do no significant harm"): Climate change mitigation (Y/N)	Adaptation to climate change (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum guarantees (Y/N)	Proportion of the turnover that complies with the taxonomy (%), year N	Proportion of the turnover that complies with the taxonomy (%), year N-1	Category (enabling activity) (E)	Category (transitional activity) (T)
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																
A.1. Environmentally sustainable activities (that comply with the taxonomy)																
Manufacture of hydrogen	**3.10**	4,216	0.0	0.0	—		Y	Y		Y	Y	Y	0.0	0.0	E	
Electricity generation using solar photovoltaic technology	**4.1**	160,190	0.3	0.3	—		Y		Y		Y	Y	0.3	0.4	E	
Electricity generation from wind power	**4.3**	5,644,936	10.5	10.5	—		Y	Y	Y		Y	Y	10.5	10.2	E	
Electricity generation from hydropower	**4.5**	917,702	1.7	1.7	—		Y	Y	Y		Y	Y	1.7	3.8	E	
Transmission and distribution of electricity	**4.9**	12,763,687	23.7	23.7	—		Y		Y	Y	Y	Y	23.7	28.4	E	
Storage of electricity	**4.10**	19,581	0.0	0.0	—		Y		Y		Y	Y	0.0	0.0	E	
Installation, maintenance and repair of energy efficiency equipment	**7.3**	190	0.0	0.0	—		Y				Y	Y	0.0	0.0	E	
Installation, maintenance and repair of recharge stations for electric vehicles in buildings (and in parking spaces attached to buildings)	**7.4**	18,300	0.0	0.0	—		Y				Y	Y	0.0	0.0	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**7.5**	86,073	0.2	0.2	—		Y				Y	Y	0.2	0.2	E	
Installation, maintenance and repair of renewable energy technologies	**7.6**	55,384	0.1	0.1	—		Y				Y	Y	0.1	0.1	E	
Turnover from environmentally sustainable activities (that comply with the taxonomy) (A.1)		**19,670,260**	**36.5**	**36.5**	**—**								**36.5**	**43.1**		

Proportion of turnover from products or services associated with economic activities that comply with the taxonomy/disclosure for 2022

Economic activities	Code	Absolute turnover (€ thousands)	Proportion of turnover (%)	Substantial contribution criteria: Climate change mitigation (%)	Substantial contribution criteria: Climate change adaptation (%)	No significant harm criteria ("Do no significant harm"): Climate change mitigation (Y/N)	No significant harm criteria ("Do no significant harm"): Adaptation to climate change (Y/N)	No significant harm criteria ("Do no significant harm"): Water and marine resources (Y/N)	No significant harm criteria ("Do no significant harm"): Circular economy (Y/N)	No significant harm criteria ("Do no significant harm"): Pollution (Y/N)	No significant harm criteria ("Do no significant harm"): Biodiversity and ecosystems (Y/N)	Minimum guarantees (Y/N)	Proportion of the turnover that complies with the taxonomy (%), year N	Proportion of the turnover that complies with the taxonomy (%), year N-1	Category (enabling activity) (E)	Category (transitional activity) (T)
A.2. Eligible but not environmentally sustainable activities according to the taxonomy (activities that do not comply with the taxonomy)																
Electricity generation from wind power	**4.3**	45,912	0.1													
Electricity generation from hydropower	**4.5**	371	0.0													
Transmission and distribution of electricity	**4.9**	3,745,370	6.9													
Electricity generation from gaseous fossil fuels	**4.29**	6,892,445	12.8													
Turnover from eligible but not environmentally sustainable activities according to the taxonomy (activities that do not comply with the taxonomy) (A.2)		**10,684,098**	**19.8**													
Total (A.1 + A.2)		**30,354,358**	**56.3**													
B. Non-eligible activities according to the taxonomy																
Turnover from non-eligible activities according to the taxonomy (B)		**23,595,081**	**43.7**													
Total (A+B)		**53,949,438**	**100**													

Proportion of CapEx from products or services associated with economic activities that comply with the taxonomy/disclosure for 2022

				Substantial contribution criteria		No significant harm criteria ("Do no significant harm")											
Economic activities	Code	Absolute Capex (€ thousands)	Proportion of Capex(%)	Climate change mitigation (%)	Climate change adaptation (%)	Climate change mitigation (Y/N)	Adaptation to climate change (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum guarantees (Y/N)	Proportion of the turnover that complies with the taxonomy (%), year N	Proportion of the turnover that complies with the taxonomy (%), year N-1	Category (enabling activity) (E)	Category (transitional activity) (T)
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																
A.1. Environmentally sustainable activities (that comply with the taxonomy)																
Manufacture of hydrogen	**3.10**	31,742	0.3	0.3	—		Y	Y		Y	Y	Y	0.3	0.5	E	
Electricity generation using solar photovoltaic technology	**4.1**	1,678,557	15.6	15.6	—		Y		Y		Y	Y	15.6	11.2	E	
Electricity generation from wind power	**4.3**	2,892,817	27.0	27.0	—		Y	Y	Y		Y	Y	27.0	30.6	E	
Electricity generation from hydropower	**4.5**	226,968	2.1	2.1	—		Y	Y	Y		Y	Y	2.1	3.2	E	
Transmission and distribution of electricity	**4.9**	4,319,771	40.3	40.3	—		Y		Y	Y	Y	Y	40.3	38.5	E	
Storage of electricity	**4.10**	90,493	0.8	0.8	—		Y		Y		Y	Y	0.8	0.5	E	
Installation, maintenance and repair of energy efficiency equipment	**7.3**	4,654	0.0	0.0	—		Y				Y	Y	0.0	0.1	E	
Installation, maintenance and repair of recharge stations for electric vehicles in buildings (and in parking spaces attached to buildings)	**7.4**	37,963	0.4	0.4	—		Y				Y	Y	0.4	0.2	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**7.5**	0.00	0.0	0.0	—		Y				Y	Y	0.0	1.0	E	
Installation, maintenance and repair of renewable energy technologies	**7.6**	0.00	0.0	0.0	—		Y				Y	Y	0.0	0.0	E	
CapEx from environmentally sustainable activities (that comply with the taxonomy) (A.1)		**9,282,964**	**86.5**	**86.51**	**—**								**86.51**	**85.60**		

Proportion of CapEx from products or services associated with economic activities that comply with the taxonomy/disclosure for 2022

				Substantial contribution criteria		No significant harm criteria ("Do no significant harm")										
Economic activities	Code	Absolute Capex (€ thousands)	Proportion of Capex(%)	Climate change mitigation (%)	Climate change adaptation (%)	Climate change mitigation (Y/N)	Adaptation to climate change (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum guarantees (Y/N)	Proportion of the turnover that complies with the taxonomy (%), year N	Proportion of the turnover that complies with the taxonomy (%), year N-1	Category (enabling activity) (E)	Category (transitional activity) (T)
A.2. Eligible but not environmentally sustainable activities according to the taxonomy (activities that do not comply with the taxonomy)																
Electricity generation from gaseous fossil fuels	**4.29**	340,346	3.2													
CapEx from eligible but not environmentally sustainable activities according to the taxonomy (activities that do not comply with the taxonomy) (A.2)		**340,346**	**3.2**													
Total (A.1 + A.2)		**9,623,310**	**89.7**													
B. Non-eligible activities according to the taxonomy																
CapEx from non-eligible activities according to the taxonomy (B)		**1,107,107**	**10.3**													
Total (A+B)		**10,730,417**	**100**													

The proportion of OpEx from products or services associated with economic activities that comply with the taxonomy-2022 disclosure

				Substantial contribution criteria		No significant harm criteria ("Do no significant harm")										
Economic activities	Code	Absolute Opex (€ thousands)	Proportion of Opex(%)	Climate change mitigation (%)	Climate change adaptation (%)	Climate change mitigation (Y/N)	Adaptation to climate change (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum guarantees (Y/N)	Proportion of the turnover that complies with the taxonomy (%), year N	Proportion of the turnover that complies with the taxonomy (%), year N-1	Category (enabling activity) (E)	Category (transitional activity) (T)
A. ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																
A.1. Environmentally sustainable activities (that comply with the taxonomy)																
Manufacture of hydrogen	**3.10**	-2,680	0.1	0.1	—		Y	Y		Y	S	S	0.1	0.0	E	
Electricity generation using solar photovoltaic technology	**4.1**	-10,832	0.6	0.6	—		Y		Y		S	S	0.6	0.6	E	
Electricity generation from wind power	**4.3**	-351,639	19.6	19.6	—		Y	Y	Y		S	S	19.6	20.8	E	
Electricity generation from hydropower	**4.5**	-19,635	1.1	1.1	—		Y	Y	Y		S	S	1.1	1.4	E	
Transmission and distribution of electricity	**4.9**	-547,253	30.5	30.5	—		Y		Y	Y	S	S	30.5	30.3	E	
Storage of electricity	**4.10**	-1,150	0.1	0.1	—		Y		Y		S	S	0.1	0.0	E	
Installation, maintenance and repair of energy efficiency equipment	**7.3**	-1,441	0.1	0.1	—		Y				S	S	0.1	0.0	E	
Installation, maintenance and repair of recharge stations for electric vehicles in buildings (and in parking spaces attached to buildings)	**7.4**	-1,574	0.1	0.1	—		Y				S	S	0.1	0.0	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**7.5**	-780	0.0	0.0	—		Y				S	S	0.0	0.0	E	
Installation, maintenance and repair of renewable energy technologies	**7.6**	-556	0.0	0.0	—		Y				S	S	0.0	0.0	E	
OpEx from environmentally sustainable activities (that comply with the taxonomy) (A.1)		**-937,539**	**52.2**	**52.22**	**—**								**52.22**	**53.09**		

The proportion of OpEx from products or services associated with economic activities that comply with the taxonomy-2022 disclosure

				Substantial contribution criteria		No significant harm criteria ("Do no significant harm")										
Economic activities	Code	Absolute Opex (€ thousands)	Proportion of Opex(%)	Climate change mitigation (%)	Climate change adaptation (%)	Climate change mitigation (Y/N)	Adaptation to climate change (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum guarantees (Y/N)	Proportion of the turnover that complies with the taxonomy (%), year N	Proportion of the turnover that complies with the taxonomy (%), year N-1	Category (enabling activity) (E)	Category (transitional activity) (T)
A.2. Eligible but not environmentally sustainable activities according to the taxonomy (activities that do not comply with the taxonomy)																
Electricity generation from wind power	**4.3**	-3,719	0.2													
Electricity generation from hydropower	**4.5**	0.18	-0.0													
Transmission and distribution of electricity	**4.9**	-529,596	29.5													
Electricity generation from gaseous fossil fuels	**4.29**	-201,568	11.2													
OpEx from eligible but not environmentally sustainable activities according to the taxonomy (activities that do not comply with the taxonomy) (A.2)		**-734,883**	**40.9**													
Total (A.1 + A.2)		**-1,672,422**	**93.2**													
B. Non-eligible activities according to the taxonomy																
OpEx from non-eligible activities according to the taxonomy (B)		**-122,844**	**6.8**													
Total (A+B)		**-1,795,266**	**100**													

VI. About this report

- VI.1. Scope of information
- VI.2. Defining report content. Materiality analysis
- VI.3. Disclosures from the Statement of Non-Financial Information
- VI.4. GRI content index
- VI.5. SASB content index
- VI.6. TCFD content index
- VI.7. Content index in relation to the principles of the Global Compact

- Contact point for questions regarding the report

Iberdrola has been a world leader in transparency and in its commitment to a sustainable and environmentally-friendly growth model since 2004, the year in which the company prepared its first Sustainability Report. Continuing with this commitment, Iberdrola once again submits its *Statement of Non-Financial Information. Sustainability Report* 2022, authorised for issuance by its Board of Directors on 21 February 2023.

Iberdrola publishes this report so as to allow its Stakeholders to see the company's performance in the area of sustainability in 2022. The report contains relevant information on the social dividend provided by the group and on its contribution to the Sustainable Development Goals of the 2030 Agenda of the United Nations, pursuant to the commitments made in the *By-Laws* and in its General Sustainable Development Policy.

Iberdrola thus satisfies the growing demand by society in general, and shareholders and investors in particular, for companies to provide a detailed report of their non-financial performance in the environmental, social and corporate governance (ESG) areas, considered to be essential factors for the long-term success of the companies.

This document forms part of the *Management Report of Iberdrola, S.A.* and of the *Management Report of Iberdrola, S.A. consolidated* with its subsidiaries for financial year 2022, and is subject to the same approval, deposit and publication standards as said reports. By issuing this report, Iberdrola, S.A. complies with the provisions of Section 262 of *the Companies Act (Ley de Sociedades de Capital) and Article 49 of the Code of Commerce (Código de Comercio)* as amended by Law 11/2018 of 28 December on non-financial and diversity information, which transposes into the Spanish legal system Directive 2014/95/EU, reporting with the detail required by these laws on environmental and social aspects, the management of people, diversity, respect for human rights, and the fight against corruption and bribery, particularly describing the risks, policies and results connected to all of these issues.

This section also complies with the provisions of *Article 8 of Regulation 852/2020* on the establishment of a framework to facilitate sustainable investments ("*Regulation on Taxonomy of Sustainable Activities*"), and *Delegated Regulation (EU) 2021/2178*, which implements the above-mentioned Article 8 and establishes the methodology for reporting the degree of eligibility and alignment with the Taxonomy. It also complies with the C*omplementary Climate Delegated Act to accelerate decarbonisation*, approved by the European Commission on 2 February 2022 (and last updated on 11 July 2022).

This report has been prepared in accordance with the reporting requirements and recommendations of the *Consolidated Set of Global Reporting Initiative (GRI)*[95] *Sustainability Reporting Standards* ("in accordance GRI"). The document also complies with the information requirements of the GRI Electric Utilities Sector Supplement. The company has also reported on the reporting requirements and recommendations of the Sustainability Accounting Standards Board (SASB) in its specific standard for Electric Utilities & Power Generators. References to the GRI and SASB indicators covered in each section have been added in the texts (e.g.: **GRI 2-6 SASB IF-EU-000.B**).

Anyone reading the *Statement of Non-Financial Information. Sustainability Report 2022* may also access the *Annual Financial Report 2022* and the *Annual Corporate Governance Report 2022*, as well as the microsite with Annual Non-Financial Information which will be available in its online version, all of which can be accessed in the *Annual Reports*,section of the website, which contains additional useful information for better understanding Iberdrola's performance during the year and its future outlook, based on the principles of transparency and communication set out in the *Stakeholder Engagement Policy*.

[95] The most recent version of these standards is now available and, similarly, this report is in line with and updated according to the guidelines and reporting principles of the new GRI Universal Standards 2021.

Finally, to facilitate maximum access to other available information, direct links are included throughout this report to both the corporate website (www.iberdrola.com) and to other pages of the group, as well as to official documents published thereon in PDF format. To open these links, click with the left button of your mouse directly on texts identified with the following format: example link.

Notes:

- The report boundary is described in this document in chapter "VI. About this report".
- The figures included in this translation follow the customary English convention, with figures in thousands separated by a comma (,) and decimals indicated by a full stop (.).
- Slight variations may appear in the 2021 and 2020 data with regard to those published in last year's report due to rounding of figures. Those cases in which recalculations have been performed are indicated with a footnote. As the percentage interests in certain companies may not be 100%, sums may not correspond to the total presented due to rounding.

VI.1. Scope of information

Introduction on the scope of information

Iberdrola has followed the GRI recommendations for defining the boundary of this report, taking into account the entities over which it has control, those over which it has significant influence, and those activities that are significant for the group from the economic, environmental and social standpoint.

For purposes of this report, the following terms have the meanings set forth below:

- "Iberdrola" or the "company": the Spanish company Iberdrola, S.A., parent company of the Iberdrola group.
- "Iberdrola Group" or the "group": Iberdrola (as parent company) and the group of subsidiaries over which Iberdrola has the power of control or joint control.
- "Minority-owned companies" (or "investees"): the group of companies in which Iberdrola has a percentage interest but not the power to exercise control. At these minority-owned companies Iberdrola promotes the policies approved within the group through the governance bodies of such companies and includes information on those considered significant in terms of sustainability.

The document *Consolidated Financial Statements, Consolidated Management Report, and Audit Report* for financial year 2022 lists all of the companies in which Iberdrola has direct or indirect ownership interests.

Perímetros de información del presente informe

Time scope

■ GRI 2-3

2022. The report is published on an annual basis and covers a 12-month calendar year for the financial year from 1/01/2022 to 31/12/2022. This document is published on 24/02/2023 following the preparation hereof by the Board of Directors of Iberdrola, S.A. on 21/02/2023.

Organisational scope

■ GRI 2-2 2-6

The preparation of this report considers the following frames of reference, which determine its structure, scope and contents:

- The financial information published in this report must be consistent with the financial statements and, therefore, comply with the relevant Spanish and European legal provisions.
- Sustainability, or ESG, information is prepared by applying a reporting standard or framework pursuant to Spanish legislation. Iberdrola has opted to use the GRI Standards, in its "in accordance GRI" option, taking into account the scope of this standard, its recognition and universality, and over a decade of experience in its application.

To reconcile these frames of reference, Iberdrola has established two quantitative reporting boundaries for the report: global boundary and report boundary:

Global boundary (Iberdrola consolidated total)

Relates to all group companies, their subsidiaries and investees.

The financial information included in this *Statement of Non-Financial Information. Sustainability Report* 2022 is based on the *Annual Financial Report* for financial year 2022. It therefore corresponds to the global boundary defined above.

Report boundary (Iberdrola total)

Comprising Iberdrola, S.A. and the consolidated subsidiaries under its control[96], which operate in the countries and carry out the activities shown in the table below.

This *Consolidated Statement of Non-Financial Information 2022* covers the companies forming part of the Iberdrola Group, listed in Appendix I of the *Annual Financial Report 2022* of Iberdrola, S.A. and its subsidiaries.

Significant countries and activities for the Iberdrola group in terms of sustainability(1) and included in the 2022 reporting boundary

	Group office	Electricity production		Transmission and/or Distribution of electricity or gas	Electricity and/or gas supply (2) (3)		Gas storage	Real estate
		Conventional	Renewable (4)		Wholesale market	Retail market		
Spain(5)	X	X	X	X	LIB	LIB /REG		X
United Kingdom	X		X	X	LIB	LIB		
US	X	X	X	X	LIB	REG		
Brazil (6)	X	X	X	X	LIB	REG/LIB		
Mexico	X	X	X		LIB	LIB		X
Portugal	X		X		LIB	LIB		
Australia	X	X	X					
Germany	X		X		LIB	LIB		
Greece	X		X(7)					
Hungary	X		X					
France	X		X(8)		LIB	LIB		
Poland	X		X					
Romania	X		X					
Italy	X		X		LIB	LIB		
Ireland	X		X		LIB	LIB		
Canada	X						X(9)	
Other countries (10)	X							X

1. The countries set out herein are those in which the company does business, with facilities and employees. Countries in which the company makes purchases of general supplies and procures fuel are not included. The workforce reported is as at year-end.
2. Types of sales activities:
   - LIB: activities in liberalised markets, independent of distribution activities.
   - REG: activities in regulated markets, together with distribution activities. The supply to these markets has not been considered as an activity in the wholesale market.

[96] With regard to co-controlled subsidiaries, such as companies owning nuclear generation assets, in addition to installed capacity and production indicators, other indicators are reported where considered relevant.

3. Environmental information on sales activities in Germany is not consolidated, because it is not yet integrated into the corporate systems as at the date of preparation of this report. It will be included in future reports to the extent the systems collect this information. These activities are not considered to be material in the context of the group
4. It includes the activities of hydroelectric, wind and solar generation. Environmental information on construction projects is not included, except in the area of biodiversity.
5. Any reference to the 7th Collective Bargaining Agreement includes the following companies at 31 de diciembre de 2022: Iberdrola, S.A., Iberdrola España, S.A.U., Iberdrola Generación, S.A.U., Iberdrola Generación España, S.A.U., Iberdrola Generación Nuclear, S.A.U., Iberdrola Clientes, S.A.U., Iberdrola Operación y Mantenimiento, S.A.U., i-DE Redes Eléctricas Inteligentes, S.A. (Sociedad Unipersonal), Iberdrola Infraestructuras y Servicios de Redes, S.A.U., Iberdrola Renovables Energía, S.A.U. and Iberdrola Ingeniería y Construcción, S.A.U.
6. The environmental performance of solar activities is not included in Brazil.
7. Renewables activities in Cyprus are included in Greece.
8. Activities related to the Saint Brieuc offshore facility, currently under development, as well as Aalto Power's assets.
9. Activities are not significant from the environmental standpoint. Labour information is included in the information for the United States.
10. Other countries: Bulgaria, Qatar, Netherlands, Japan, South Africa, Norway, Taiwan, Singapore, Vietnam, Morocco. In social information relating to people (excluding salary remuneration data), Belgium, Qatar, Hungary, Japan, Latvia, Romania, Singapore, Vietnam, Taiwan, Sweden and South Korea are reported. These countries are not included in the environmental information or the other social information as the activities are not considered relevant in terms of sustainability.

At affiliate nuclear plants, the percentage interest held by Iberdrola in each of them is used to consolidate environmental performance data: Vandellós (28%); Almaraz (52.69%); Trillo (49%) and Ascó (15%). For social information, on the other hand, because of the structure of the available information systems, nuclear plants are consolidated according to the percentage interest held by Iberdrola in the economic interest grouping created for that purpose; such interest is 51.44% in the case of Trillo-Almaraz and 14.59% in the case of Ascó-Vandellós. A 50% share of the environmental and social data corresponding to the activities of Nuclenor, S.A. is applied according to the participation method.

Summary of the information boundaries by country

Following the GRI recommendation, the information in this report is structured by country. The table below shows the structure of information by country applied to the boundaries described above:

Structure of information by country in this report	
Report boundary (Iberdrola Total) = Iberdrola, S.A., controlled subsidiaries and co-controlled affiliates considered to be significant for sustainability purposes.	Spain United Kingdom United States Brazil Mexico IEI Germany, Australia, France, Greece (includes Cyprus), Hungary, Ireland, Italy, Poland, Portugal, Romania (*) IEI also includes Belgium, Bulgaria, Qatar, Japan, Latvia, Singapore and Vietnam in the social information relating to people.
Global boundary (consolidated Iberdrola Total) = report boundary plus the information of affiliates consolidated by the equity method that are not considered significant for purposes of this report.	Information reflected in the corporate boundary of the Consolidated Financial Statements.

Limitations on the scope of information

Iberdrola believes that this report reflects the economic, environmental and social performance of the company in a reasonable and balanced manner, on the understanding that the exceptions to the scope of the report described in the table "*"Significant countries and activities for the Iberdrola group in terms of sustainability and included in the 2022 reporting boundary"* do not significantly alter the consolidated indicators and therefore do not affect the reader's assessment of the company's performance.

Explanatory footnotes are added in case a particular indicator could not be compiled in accordance with the reporting boundary.

Significant changes to the organisation and its supply chain

■ GRI 2-3 2-6

Changes in activities and/or in operations

In the course of their business, the various subsidiaries and affiliates of Iberdrola have engaged in transactions that change the composition of their assets in 2022, including the following:

- In the Retail Business, the largest complex in Europe for green hydrogen for industrial use has been built. The plant has a capacity of 20 MW of electrolysers and is fed from a 100 MW photovoltaic solar plant with 20 MWh of battery storage capacity. The complex will supply green hydrogen to produce green fertilisers at the Fertiberia plant.
- In the Renewables Business, the following notable corporate transactions were carried out during the year.

    - In the United States, AVANGRID Renewables restructured Vineyard Wind, LLC in a joint venture with Copenhagen Infrastructure (CIP). After the operation, AVANGRID Renewables owns 100% of lease area 534, housing the Park City Wind (804 MW) and Commonwealth Wind (1,200 MW) projects, and CIP owns 100% of lease area 522.
    - In Australia, Iberdrola Renovables Australia acquired the rights to the Mount James wind farm (1,000 MW) in Queensland, a region which the company believes will play a significant role in achieving the objective of decarbonising the country's economy.
    - In the United Kingdom, an agreement has been reached for the purchase of seventeen photovoltaic solar energy projects, with an aggregate capacity of more than 800 MW. Contracts have been concluded, separately, with the companies Elgin Energy, the owner of 12 projects, and Lightsource BP, which controlled the rest.
    - In Poland, Iberdrola has concluded a preliminary agreement for the acquisition of two wind farms and six photovoltaic plants, a total of 98 MW, with the company Augusta Energy sp. z o.o., a joint venture of Greenvolt's subsidiary V-ridium Power Group and the asset manager KGAL.

- In Brazil, Neoenergia has reached an agreement for the exchange of assets with Eletrobras. In the exchange, the company will receive 49% of the Dardanelos hydroelectric plant, and will come to hold 100% of the share capital, consolidating the plant as a major asset. It will also include 0.04% of Coelba, Cosern, and Afluente distributors. Eletrobras will receive 51% of the shares in the Teles Pires hydroelectric plant and 51% of the shares in Baguari. The exchange will occur in 2023.
- In Germany, Iberdrola has signed an agreement with Energy Infrastructure Partners (EIP) for the sale of 49% of the Wikinger offshore wind farm, in which Iberdrola will retain a 51% majority share.

In addition, in January 2023 Iberdrola Renovables Energía, S.A. and its subsidiary Iberenova Promociones, S.A. have signed a framework agreement to co-invest in renewable assets in Spain, contributing to accelerating the country's decarbonisation. The agreement includes the acquisition by NBIM Iberian Reinfra AS (NBIM Iberian), a member of the group headed by Norges Bank, of a 49% share in the capital of several Iberdrola Group companies that own onshore wind and photovoltaic solar projects in Spain. The total project portfolio of these companies totals 1,265 MW (137 MW of which are already operating and 1,128 MW of which are under development). Once NBIM Iberian acquires these shares, Iberenova Promociones and NBIM Iberian will contribute their respective shares in the project owners to a holding in which each company will also hold respectively a 51% and 49% capital share.

Iberdrola Renovables Energía will continue to retain indirect control over the project owners and manage the development of non-operational projects until they commence commercial operation and, and the Iberdrola Group will continue to provide the operation and maintenance services required for the operation thereof. The agreement provides that the parties can expand it to other renewable assets in addition to those making up its initial boundary perimeter in Spain or in other countries.

Changes in capital structure

The shareholders acting at the General Shareholders' Meeting of Iberdrola held on 17 June 2022 approved two increases in capital by means of a scrip issue in order to once again implement the *Iberdrola Retribución Flexible,* optional dividend system, implementing the first increase in capital in July 2022 and the second in February 2023. To offset the dilutive effect of the capital increases and to maintain earnings per share, a capital reduction was implemented in July 2022 under the terms approved at the aforementioned Shareholders' Meeting.

Changes in supply chain

New market conditions, mainly affected by the war in Ukraine, have driven the raw materials market upwards. This has particular impact on the gas chain due to the high prices of this raw material in Europe, as well as the increase in the purchase prices of new equipment, materials and works.

VI.2. Defining report content. Materiality Analysis

GRI 3-1

Iberdrola directly identifies material aspects for its Stakeholders and for the company itself, by preparing its own materiality study, with the advice of an independent outside firm, based on in-house and outside sources.

Iberdrola has evolved in the methodology of this study this year, taking into account the recommendations of the GRI standards and considering the contents of the latest draft standards published by EFRAG. This methodological evolution maintains the dual materiality approach applied in the past, and thus considers both the impacts that the company might have on the economy, the environment and people, including human rights, and the (positive and negative) impacts that a material issue might have on Iberdrola.

The methodology applied, which is described below, considers the nature of the industry in which the company operates, the activities it performs, the policies that it applies in the field of sustainable development, long-term objectives, particularly ESG objectives, and its engagement with its Stakeholders. It is described in three phases: identification of material issues, evaluation of external impacts, and evaluation of internal impacts.

1. Identification of material issues

During this phase, different sources of information were analysed to obtain a list of potential issues, e.g. issues that might pose a risk to the company (negative impact) or constitute an opportunity (positive impact), both for stakeholders (external impact) and for the Company (internal impact) over a time period of one to three years. The sources of information used included:

i. Internal sources of information including documents like the *Statement of Non-Financial Information - Sustainability Report 2021*, *the Integrated Report*, the *Iberdrola's Corporate Policies*, the corporate website...
ii. External sources of information included the latest public reports from major influencers, including the European Commission, the World Economic Forum, and the International Energy Agency.

The issues identified as significant in the Iberdrola global stakeholder engagement model were later analysed, cross-comparing these issues with the sustainability aspects already identified.

These sources have led to a list that brings together the results of the sources of information used (internal, external, and Global Stakeholder Engagement Model).

2. Evaluation of external potential impacts (non-financial materiality)

To evaluate external potential impact, external and internal sources were used, as in the identification phase, and the following steps were taken:

i. The potential impacts and opportunities for each of the previously identified material issues were identified, considering at this point the main Stakeholders affected.
ii. An impact assessment scale was defined, based on EFRAG recommendations as well as on the GRI standards, considering the potential severity and associated likelihood.
iii. To calculate severity and likelihood, preferentially qualitative judgments based on the sources used were applied.

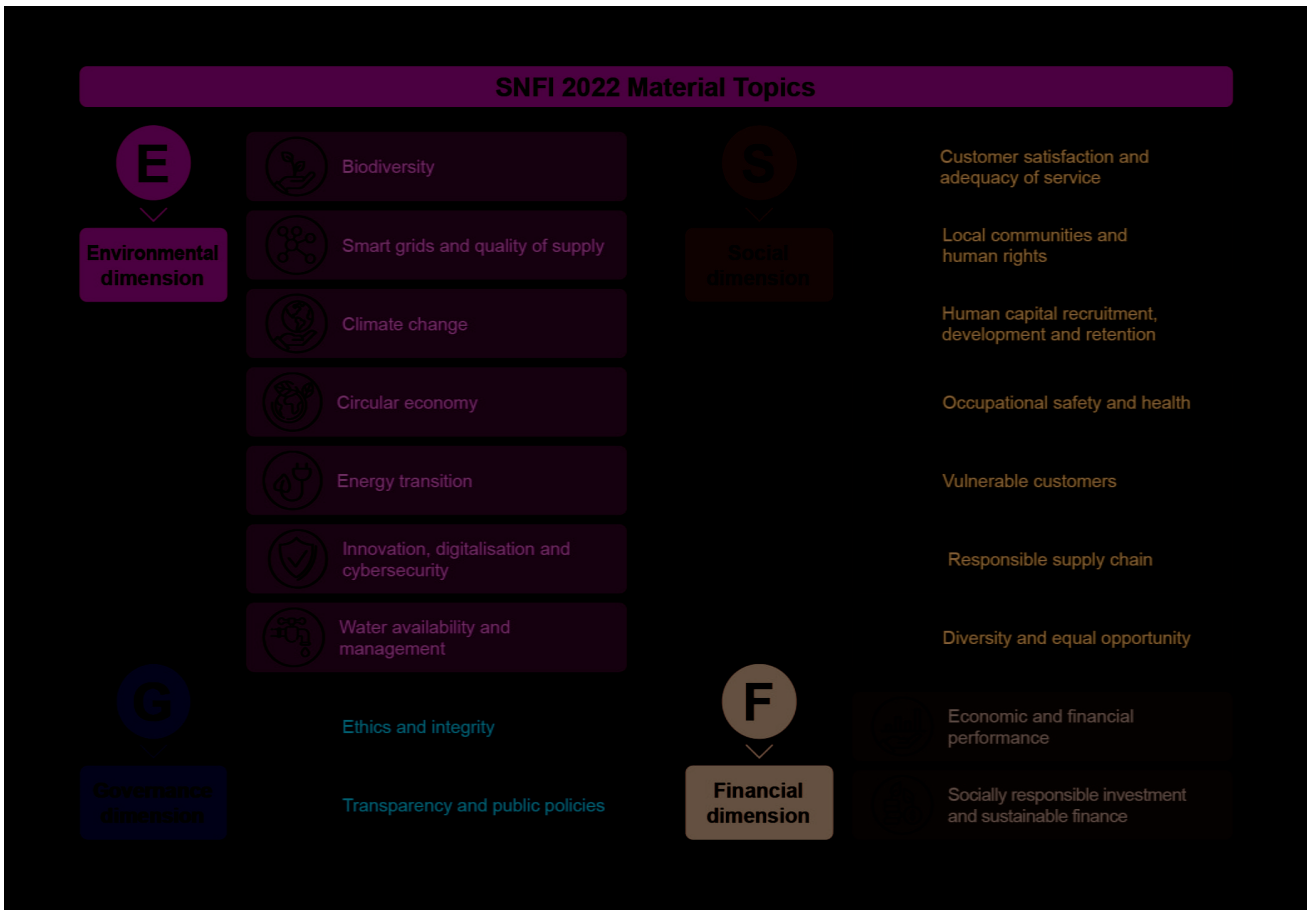
3. Evaluation of internal potential impacts (financial materiality)

To evaluate internal potential impact, preferential internal sources were used, and the following steps were taken:

i. The potential impacts (risks and opportunities) for each of the previously identified material issues were identified.
ii. An impact assessment scale was defined, based on EFRAG recommendations as well as on the GRI standards. The same negative impact and opportunities scale was used as in the analysis of external impact.
iii. The organisations in charge of managing the risks and opportunities identified analysed them, documenting their conclusions by means of structured surveys.
iv. Finally, the results of all the above were consolidated and standardised. This consolidation included, as additional information, the evaluation in the Global Stakeholder Engagement Model, which is widely deployed in the group and is informed by areas and businesses.

As a result of all the above, it is concluded that the material issues continue to be those identified in previous years, namely the following 18 issues:

■ GRI 3-2



All material issues identified are listed in the "GRI Content Index " section of this chapter, and the information presented on each material issue can be found in the corresponding chapter of this report.

GRI 2-12

The Board's Sustainable Development Committee oversees the process and results of the materiality study of which this report is part, and informs the Board of Directors, which prepares this Statement of Non-Financial Information, containing the list of material issues shown in the figure above, on 22 December 2022.

More detailed information on the most relevant issues for the company's stakeholders can be found in the "Stakeholder Engagement" section.

VI.3. Disclosures from the Statement of Non-Financial Information

The table below sets out the pages of this document in which you can find the information required by *Law 11/2018 of 28 December on non-financial information and diversity*:

Disclosures from the Statement of Non-Financial Information

	GRI Disclosures[97]	SNFI pages
Description of the group's business model		
business environment	2-1 2-6 2-22	5-9, 15-17, 18, 20-24, 37-38 62-63, 67-68, 106, 205, 226
organisation and structure		
markets in which it does business		
objectives and strategies		
main factors and trends that might affect its future progress		
Description of policies that the group applies regarding such issues		
due diligence procedures applied to identify, evaluate, prevent and mitigate significant risks and impacts and for verification and control	2-23	14, 30-31 ,65-66, 91, 204, 214, 223, 227
measures adopted		
Results of policies		
key indicators of relevant non-financial results that allow for monitoring and evaluation of progress and that favour comparability among companies and industries, in accordance with the domestic, European or international reference frameworks used for each topic	3-1 3-2 3-3	63, 71-73, 259-261
Principales riesgos relacionados con esas cuestiones vinculados a las actividades del grupo		
when relevant and appropriate, the commercial relations, products or services thereof that might have negative impacts in these areas, and how the group manages these risks, explaining the procedures used to detect and evaluate them in accordance with leading domestic, European or international frameworks for each area	205-1 407-1 408-1 409-1 413-1	15, 33-35, 109-110, 184-186, 190-191, 215-219
information on the impacts detected, providing a breakdown thereof, particularly regarding the main short-, medium- and long-term risks.		
Key indicators of non-financial results that are relevant regarding the specific business activity and that meet the standards of comparability, materiality, relevancy and reliability.	3-3	Global Reporting Initiative Standards (GRI content index)
I. Information regarding environmental surveys		
Detailed information regarding the current and expected effects of the company's activities on the environment and, if applicable, on health and safety	3-3 2-23 201-2 308-1 308-2	29-30, 36, 57-59, 72-73, 92, 95-96, 183, 214-216, 222
environmental evaluation or certification procedures		
resources dedicated to the prevention of environmental risks		
application of the precautionary principle		
amount of reserves and coverage for environmental risks		
Specifically:		
– Pollution:		
measures to prevent, reduce or repair carbon emissions that seriously affect the environ; taking into account any form of atmospheric pollution specific to an activity	305-5 305-7	78-78, 303
including noise and light pollution.	Non-material indicator for the company, as described in the Materiality Analysis 2022 (page 259).	
– Circular economy and waste prevention and management:		
measures for the prevention, recycling, reuse, other forms of recovery and elimination of waste	3-3 301-2 306-1 (2020) 306-2 (2020) 306-3 (2020) 306-4 (2020) 306-5 (2020)	81, 89-91
actions to combat food waste.	Non-material indicator for the company, as described in the Materiality Analysis 2022 (page 259).	

[97] The GRI indicators correspond to the latest version of the GRI Standards in all cases.

Disclosures from the Statement of Non-Financial Information

	GRI Disclosures[97]	SNFI pages
– Sustainable use of resources:		
water consumption and supply in accordance with local limitations	3-3 301-1 301-2 302-1 302-2 302-4 303-1 303-2 (2018) 303-3 303-5 (2018)	81-88, 301
consumption of raw materials and measures adopted to improve the efficient use thereof		
direct and indirect consumption of energy		
measures taken to improve energy efficiency and the use of renewable energy		
– Climate change:		
On important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of property and services that produce it	3-3 201-2 305-1 305-2 305-3 305-4 305-5	36, 57, 74-78, 302-303
measures adopted to adapt to the consequences of climate change		
voluntarily established medium- and long-term targets established to reduce greenhouse gas emissions and the means implemented to such end		
– Protection of biodiversity:		
measures taken to preserve or restore biodiversity	3-3 304-1 304-2 304-3 304-4	92-104, 301
impacts cause by activities or operations in protected areas		
II. Information regarding social issues and personnel		
– Employment:		
total number and distribution of employees by gender, age, country and professional classification	3-3 2-7 2-8 405-1	127, 129, 304-314, 323-324
total number and distribution of types of employment contracts		
annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification,		
number of dismissals by gender, age and professional classification	401-1	132
average remuneration and evolution thereof broken down by gender, age and professional or similar classification;	405-2	141
salary gap	405-2	141
remuneration of same or average job positions of the company	405-2	141
average remuneration of directors and officers, including variable remuneration, attendance fees, severance pay, payment into long-term savings benefit systems and any other remuneration broken down by gender	2-19 2-20 2-21	*211-214, Note 49 to the Annual Financial Statement 2022*
implementation of labour disengagement policies	3-3	140
employees with disabilities	405-1	128
– Organisation of work:		
organisation of work time	3-3	140
number of hours of absenteeism	403-9 401-3	140, 148-150, 320-321
measures to facilitate enjoyment of reconciliation and encouragement of the responsible co-exercise of responsibility by both parents	401-3 3-3	140
– Health and safety:		
occupational health and safety conditions	3-3 403-1 (2018) 403-2 (2018) 403-3 (2018) 403-7 (2018)	142-143, 144-145
occupational accidents, particularly the frequency and seriousness thereof broken down by gender	403-9 (2018)	148, 320-321
occupational diseases; broken down by gender	403-10 (2018)	150

Disclosures from the Statement of Non-Financial Information

	GRI Disclosures[97]	SNFI pages
– Social relations:		
organisation of social dialogue, including procedures to inform and consult with staff and negotiate with them	407-1 2-23	31, 110, 111-112, 184-186, 214-215
percentage of employees covered by collective bargaining agreements by country	2-30	133-134
balance of collective bargaining agreements, particularly in the field of workplace health and safety	403-4 (2018)	146
– Training:		
policies implemented in the field of training	3-3 404-2	154-155
total hours of training by professional category	404-1	155, 322
– Universal accessibility of disabled persons	3-3	135-137
– Equality:		
measures adopted to promote equality of treatment and opportunities between women and men	3-3 405	135-141
equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men)	405	135-141
protocols against sexual and gender-based harassment	405 406	138-139
measures adopted to promote the employment, integration and universal accessibility of disabled persons	405	135-141
policy against all types of discrimination and, if applicable, management of diversity	406-1	139
III. Information regarding respect for human rights:		
application of human rights due diligence procedures	3-3 2-23 2-26 410-1	30-31, 111-112, 194, 214-215, 219
prevention of the risks of violating human rights and, if applicable, measures to mitigate, manage and repair possible abuses	407-1 408-1 409-1	110, 184-186
complaints of human rights violations	406-1 411-1	139, 192-193
promotion of and compliance with the provisions of the basic treaties of the International Labour Organization regarding respect for the freedom of association and the right to collective bargaining; the elimination of discrimination in respect of employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour	407-1 406-1 409-1 408-1	139, 184-186
IV. Information regarding the fight against corruption and bribery:		
measures adopted to prevent corruption and bribery	3-3 2-23 2-26 205-1 205-2 205-3	30-31, 215-220, 227
measures to combat money laundering	205-1 205-2	215-218
contributions to non-profit foundations and entities	2-28 201-1	200, 221-223
V. Information about the company:		
– Commitments of the company to sustainable development:		
impact of the company's operations on employment and local development	3-3 203-1 203-2 204-1 413-1	180, 190-191, 229-230
impact of the company's operations on local communities and on the land	3-3 203-1 203-2 411-1 413-1 413-2	180, 190-193, 229-230
relations with local players and types of dialogue therewith	2-29 413-1	117, 166-148, 190-191
association or sponsorship activities	2-23 2-28 201-1 415-1	221-224

Disclosures from the Statement of Non-Financial Information

	GRI Disclosures[97]	SNFI pages
– Subcontracting and suppliers:		
inclusion of social, gender equality and environmental issues in the purchasing policy	3-3 2-23 308-1 414-1	*Purchasing Policy* 184-186
consideration in relations with suppliers and subcontractors of their social and environmental responsibility	308-1 414-1	183-186
supervision and auditing systems and results thereof	308-2 414-2	183-186
– Consumers:		
grievance systems, complaints received and resolution thereof	416-2 417-2 417-3 418-1	168-170, 176
– Tax information:		
profits per country	207-4 (2019)	199
taxes on profit paid	207-4 (2019)	197-199
public subsidies received	201-4	229
EU Taxonomy		
EU activities taxonomy	N/A	237-248

VI.4. GRI content index

■ GRI 1 2-5

Independent External Assurance

Iberdrola engages in an audit of its annual information, the annual financial statements and directors' reports (individual and consolidated with those of its subsidiaries) through KPMG Auditores, S.L., as well as the Statement of Non-Financial Information. Sustainability Report. The External Independent Assurance Report is included at the beginning of this document.

GRI content index

GRI indicator	Content description	Location (SNFI-SR page) and/or response	Omission	External assurance	Relation to SDGs
Universal Standards					
GRI 1 Foundation 2021 (Note: does not require disclosure of information)					
Statement of use	Iberdrola has prepared the report in accordance with GRI Standards for the period from 01/01/2022 to 31/12/2022.				
GRI 1 used	GRI 1: Foundation 2021				
Estándares Sectoriales GRI aplicables	Suplement for companies in the electric utility sector. This index includes the subjects and content required by said supplement, published in 2014. The * symbol indicates the general standard disclosures and aspects of the GRI Standards where specific sector information is requested.				
GRI 2 General disclosures 2021					
1. The organization and its reporting practices					
2-1	Organisation details	**16, 21, 27**		✓	
2-2	Entities included in the organization's sustainability reporting	**253-255**		✓	
2-3	Reporting period, frequency and contact point	**253, 256, 291**		✓	
2-4	Update of the information	Indicators 2-21, 302-1, 303-4, 303-5, 305-3, 404-1 have been recalculated, explaining the reformulation in detail in the indicators themselves.		✓	
2-5	External assurance	**268**		✓	
2. Activities and workers					
2-6	Activities, value chain and other business relationships	**16, 17, 20, 21, 27, 178-179, 180-186, 250-251, 256-257**		✓	

GRI content index

GRI indicator	Content description	Location (SNFI-SR page) and/or response	Omission	External assurance	Relation to SDGs
2-7	Employees	127, 304-315		✓	8
2-8	Workers who are not employees	128, 129		✓	
3. Governance					
2-9	Governance structure and composition	23-26		✓	5, 16
2-10	Nomination and selection of the highest governance body	207, 208		✓	5, 16
2-11	Chair of the highest governance body	24		✓	16
2-12	Role of the highest governance body in overseeing the management of impacts	22, 24-26, 30-33, 35, 208, 211, 261		✓	16
2-13	Delegation of responsibility for managing impacts	24, 25, 211		✓	
2-14	Role of highest governance body in sustainability reporting	Iberdrola's Board of Directors is the body responsible for approval of the Statement of Non-Financial Information. Sustainability Report 2022, which was formilated on 21 February 2023 (following a report from the Sustainable Development Committee), the date of preparation of the company's annual financial statements for financial year 2022. This report will be submitted to the shareholders for approval at the General Shareholders' Meeting,		✓	
2-15	Conflicts of interest	Section D.6 of the Annual Corporate Governance Report for financial year 2022 describes the mechanisms established to detect, determine, and resolve potential conflicts of interest between Iberdrola and its directors, senior officers, and significant shareholders.		✓	16
2-16	Communication of critical concerns	117-124, 209-213		✓	
2-17	Collective knowledge of highest governance body	211, 212, 208-210		✓	4
2-18	Evaluation of the performance of the highest governance body	210		✓	
2-19	Remuneration policies	211, 212		✓	
2-20	Process to determine remuneration	211, 212		✓	16
2-21	Annual total compensation ratio	214		✓	
4. Strategy, policy and practices					
2-22	Statement on sustainable development strategy	5		✓	
2-23	Policy commitments	14, 30, 31-33, 71-72, 108-109, 214-215		✓	16
2-24	Embedding policy commitments	21, 22, 26		✓	
2-25	Processes to remedy negative impacts	112-114		✓	
2-26	Mechanisms for seeking advice and raising concerns	219		✓	16
2-27	Compliance with laws and regulations	230, 231		✓	
2-28	Membership associations	221-223		✓	

GRI content index

GRI indicator	Content description	Location (SNFI-SR page) and/or response	Omission	External assurance	Relation to SDGs
5. Stakeholder engagement					
2-29	Approach to stakeholder engagement	117-124, 166-168		✓	
2-30	Collective bargaining agreements	133, 134		✓	8
GRI 3 Material topics 2021					
3-1	Process of determining material topics	259, 260		✓	
3-2	List of material topics	260		✓	
Biodiversity *					
3-3	Management of material topics	92, 93, 94, 183		✓	6, 7, 8, 12, 13, 14, 15
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	96-98		✓	
304-2	Significant impacts of activities, products, and services on biodiversity	94, 95, 96		✓	
304-3	Habitats protected or restored	101-104		✓	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	98, 301		✓	
308-2	Negative environmental impacts in the supply chain and actions taken	183		✓	
EU 11	Average generation efficiency of thermal plants by energy source and by regulatory regime	87		✓	
Smart grids and quality of supply*					
3-3	Management of material topics	188		✓	1, 2, 3, 5, 7, 8, 9, 10, 11, 12, 13, 14, 17
203-1	Infrastructure investments and services supported	230		✓	
EU 4	Length of above and underground transmission and distribution lines by regulatory regime	20, 295		✓	
EU 12	Transmission and distribution losses as a percentage of total energy	86		✓	
EU 28	Power outage frequency	165		✓	
EU29	Average power outage duration	166		✓	

Climate change*					
3-3	Management of material topics	37-58, 74, 85		✓	2, 3, 5, 7, 8, 9, 12, 13, 14, 15
201-2	Financial implications and other risks and opportunities due to climate change	38-39, 46-58		✓	
302-1	Energy consumption within the organisation	85-86		✓	
302-2	Energy consumption outside of the organisation	88		✓	
305-1	Direct GHG emissions (Scope 1)	75, 76, 302		✓	
305-2	Energy indirect (Scope 2) GHG emissions	77		✓	
305-3	Other indirect (Scope 3) GHG emissions	78		✓	
305-4	GHG emissions intensity	74		✓	
305-5	Reduction of GHG emissions	78		✓	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions	78, 79, 303		✓	
EU 1	Installed capacity, broken down by primary energy source and by regulatory regime	19		✓	
EU 2	Net energy output broken down by primary energy source and by regulatory regime	19, 20		✓	
EU 12	Transmission and distribution losses as a percentage of total energy	86, 87		✓	
Circular economy*					
3-3	Management of material topics	81, 85,89		✓	3, 6, 7, 8, 12, 13, 14, 15
301-1	Materials used by weight or volume	81		✓	
301-2	Recycled input materials used	81		✓	
302-1	Energy consumption within the organisation	85-86		✓	
302-2	Energy consumption outside of the organisation	88		✓	
306-1	Waste generation and significant waste-related impacts	89		✓	
306-2	Management of significant waste-related impacts	89		✓	
306-3	Waste generated	89, 90		✓	
306-4	Waste diverted from disposal	90		✓	
306-5	Waste directed to disposal	91		✓	

Energy transition*					
3-3	Management of material topics	85		✓	7, 8, 12, 13, 14
302-1	Energy consumption within the organisation	85-86		✓	
302-2	Energy consumption outside of the organisation	88		✓	
302-4	Reduction of energy consumption	87		✓	
302-5	Reductions in energy requirements of products and services	88		✓	
EU 1	Installed capacity, broken down by primary energy source and by regulatory regime	19		✓	
EU 2	Net energy output broken down by primary energy source and by regulatory regime	19		✓	
EU 3	Number of residential, industrial, institutional and commercial customer accounts	17, 20, 294		✓	
EU 11	Average generation efficiency of thermal plants by energy source and by regulatory regime	87		✓	
Connectivity, digitalisation and cybersecurity					
3-3	Management of material topics	114		✓	16
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	176		✓	
Water Availability and Management*					
3-3	Management of material topics	82		✓	6, 8, 12
303-1	Interactions with water as a shared resource	82		✓	
303-2	Management of water discharge-related impacts	82		✓	
303-3	Water withdrawal	82, 83, 301		✓	
303-4	Water discharge	82-85		✓	
303-5	Water consumption	84		✓	
Customer satisfaction*					
3-3	Management of material topics	166-171, 175-176, 188-189		✓	1, 7, 12, 16
417-1	Requirements for product and service information and labelling	169		✓	
417-2	Incidents of non-compliance concerning product and service information and labelling	169		✓	
417-3	Incidents of non-compliance concerning marketing communications	169		✓	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	176		✓	
EU 27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime	189, 325		✓	
EU 28	Power outage frequency	165		✓	
EU 29	Average power outage duration	166		✓	

Human rights and local communities*					
3-3	Management of material topics	**108-115, 189-194**		✓	1, 2, 8, 16
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	**110-112, 184**		✓	
408-1	Operations and suppliers at significant risk for incidents of child labour	**110-112, 184**		✓	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	**110-112, 184**		✓	
410-1	Security personnel trained in human rights policies or procedures	**194**		✓	
411-1	Incidents of violations involving rights of indigenous peoples	**192, 193**		✓	
413-1	Operations with local community engagement, impact assessments and development programs	**190, 191**		✓	
413-2	Operations with significant actual and potential negative impacts on local communities	**190**		✓	
EU 22	Number of people physically or economically displaced and compensation, broken down by type of project	**191, 192**		✓	
EU 25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	**171**		✓	
Recruitment, development and retention of human capital*					
3-3	Management of material topics	**126, 128, 130-131, 151-155**		✓	4, 5, 8, 10
401-1	New employee hires and employee turnover	**130-132, 315-318**		✓	
402-1	Minimum notice periods regarding operational changes	**134**		✓	
404-1	Average hours of training per year per employee	**155, 322**		✓	
404-2	Programs for upgrading employee skills and transition assistance programs	**154, 155**		✓	
404-3	Percentage of employees who receive regular performance and career development appraisals	**156**		✓	
405-2	Ratio of basic salary and remuneration of women to men	**141** In application of Requirement 6 of GRI 1, the company considers that the pay gap indicator segmented by professional category and country is not applicable, replacing it with an indicator segmented by age. The nature of the industry and the limited representation of women in technical careers for the last three decades mean that age explains the pay gap better than occupational category.		✓	

Safety and Health*					
3-3	Management of material topics	**142-147**		✓	3, 8, 16
403-1	Occupational health and safety management system	**142, 143**		✓	
403-2	Hazard identification, risk assessment and incident investigation	**144, 145**		✓	
403-3	Occupational health services	**145**		✓	
403-4	Worker participation, consultation and communication on occupational health and safety	**146**		✓	
403-5	Worker training on occupational health and safety	**146, 147**		✓	
403-6	Promotion of worker health	**146, 147**		✓	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	**145**		✓	
403-8	Workers covered by an occupational health and safety management system	**143, 144**		✓	
403-9	Work-related injuries	**148-150, 320**		✓	
403-10	Work-related ill health	**150**		✓	
410-1	Security personnel trained in human rights policies or procedures	**194**		✓	
416-1	Assessment of the health and safety impacts of product and service categories	**170**		✓	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	**170**		✓	
EU 18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	The group's terms of contract, which can be found in the section of the website containing the group's terms and conditions, set out the specific contractual requirements that apply in each country. The company is confident that 100% of its subcontractors' employees, regardless of type or category, have received appropriate health and safety training.		✓	
EU 25	Number of injuries and fatalities to the public involving company assets, including legal judgements, settlements and pending legal cases of diseases	**171**		✓	
Vulnerable customers*					
3-3	Management of material topics	**188**		✓	1, 7
EU 27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime	**189, 325**		✓	

Responsible supply chain*					
3-3	Management of material topics	180-182, 183, 184-185, 229		✓	1, 2, 3, 5, 7, 8, 9, 10, 11, 16, 17
203-2	Significant indirect economic impacts	229		✓	
204-1	Proportion of spending on local suppliers	180		✓	
308-1	New suppliers that were screened using environmental criteria	183			
308-2	Negative environmental impacts in the supply chain and actions taken	183		✓	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	110-112, 184		✓	
408-1	Operations and suppliers at significant risk for incidents of child labour	110-112, 184		✓	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	110-112, 184		✓	
414-2	Negative social impacts in the supply chain and actions taken	184-185		✓	
EU 28	Power outage frequency	165		✓	
Diversity and equal opportunity*					
3-3	Management of material topics	126, 135-141		✓	5, 8, 10, 16
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	129		✓	
401-1	New employee hires and employee turnover	130-132, 315-318		✓	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	134		✓	
401-3	Parental leave	140		✓	
405-1	Diversity of governance bodies and employees	24, 127, 128, 323, 324		✓	
405-2	Ratio of basic salary and remuneration of women to men	141		✓	
406-1	Incidents of discrimination and corrective actions taken	139		✓	

Ethics and equality					
3-3	Management of material topics	172, 175-176, 184-185, 194-197, 214-217, 221-224		✓	5, 8, 16
205-1	Operations assessed for risks related to corruption	215-217		✓	
205-2	Communication and training about anti-corruption policies and procedures	217-218		✓	
205-3	Confirmed incidents of corruption and actions taken	219, 220		✓	
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	172		✓	
207-1	Approach to tax	194		✓	
207-2	Tax governance, control, and risk management	195, 196		✓	
207-3	Stakeholder engagement and management of concerns related to tax	196		✓	
207-4	Country-by-country reporting	199		✓	
414-2	Negative social impacts in the supply chain and actions taken	184-185		✓	
415-1	Political contributions	224		✓	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	176		✓	
Transparency and public policies*					
3-3	Management of material topics	71-73, 175-176, 193-194, 221-224		✓	2, 3, 5, 7, 8, 9, 12, 13, 14, 15, 16
201-4	Financial assistance received from government	229		✓	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	129		✓	
207-1	Approach to tax	194		✓	
207-2	Tax governance, control, and risk management	195, 196		✓	
207-3	Stakeholder engagement and management of concerns related to tax	196		✓	
207-4	Country-by-country reporting	199		✓	
305-1	Direct GHG emissions (Scope 1)	75, 76, 302		✓	
305-4	GHG emissions intensity	74		✓	
305-5	Reduction of GHG emissions	78		✓	
415-1	Contribution to political parties and/or representatives	224		✓	
418-1	Substantiated complaints regarding breaches of customer privacy and loss of customer data	176		✓	

Economic and financial performance					
3-3	Management of material topics	194, 228, 229		✓	1, 2, 3, 5, 7, 8, 9, 10, 11, 13, 17
201-1	Direct economic value generated and distributed	228, 298		✓	
201-2	Financial implications and other risks and opportunities due to climate change	37, 58		✓	
203-2	Significant indirect economic impacts	229		✓	
207-1	Approach to tax	194		✓	
207-2	Tax governance and risk management	195, 196		✓	
207-3	Stakeholder engagement and management of concerns related to tax	196		✓	
207-4	Country-by-country reporting	199		✓	
Socially responsible investment and sustainable finance*					
3-3	Management of material topics	228, 231-236, 237-248		✓	2, 5, 6, 7, 8, 9, 13, 14, 15
201-1	Direct economic value generated and distributed	228, 298, 299		✓	
201-2	Financial implications and other risks and opportunities due to climate change	37-58		✓	
304-2	Significant impacts of activities, products, and services on biodiversity	94-96		✓	
305-1	Direct GHG emissions (Scope 1)	75, 76, 302		✓	
305-4	GHG emissions intensity	74		✓	
305-5	Reduction of GHG emissions	78		✓	
EU 1	Installed capacity, broken down by primary energy source and by regulatory regime	19		✓	
EU2	Net energy output broken down by primary energy source and by regulatory regime	19		✓	

VI.5. SASB content index

SASB content index

Dimension	Material topics	Metric - Code	Metric	Page / Response
Environment	Greenhouse gas emissions and energy resource planning	IF-EU-110a.1	(1) Gross global Scope 1 emissions	Pág. 74-76
		IF-EU-110a.1	(2) Emissions-limiting regulations	Pág. 76
		IF-EU-110a.1	(3) Emissions-limiting regulations	Pág. 76
		IF-EU-110a.2	Greenhouse gas (GHG) emissions associated with power deliveries	8.328.229 t CO2 eq
		IF-EU-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	GRI 305-4 "Climate Action chapter" chapter "Our ESG+F proposal"
		IF-EU-110a.4	(1) Number of customers served in markets subject to renewable portfolio standards (RPS)	Only applies to the United States. Avangrid Renewables serves 2 large retail customers in Oregon as an electricity service provider (ESS). ESS entities are subject to Oregon's RPS statute (ORS 469A).
		IF-EU-110a.4	(2) percentage fulfilment of RPS target by market1	Only applies to the United States. The rule for the most recent compliance year, 2020, is 145%.

SASB content index

Dimension	Material topics	Metric - Code	Metric	Page / Response
Environment	Air quality	IF-EU-120a.1	Air emissions of the following pollutants (percentage of each in or near areas of dense population): (1) NOx (excluding N2O)	58.186 t Page 79
			Air emissions of the following pollutants (percentage of each in or near areas of dense population): (2) SOx	1.011 t Page 79
			Air emissions of the following pollutants (percentage of each in or near areas of dense population): (3) particles (PM10)	1.165 t Page 79
			Air emissions of the following pollutants (percentage of each in or near areas of dense population): (4) lead (Pb)	Not applicable. These emissions are associated with coal combustion which Iberdrola did not produce in 2022 as it closed all its coal-fired power plants in 2020
			Air emissions of the following pollutants (percentage of each in or near areas of dense population): (5) mercury (Hg)	
	Water management	IF-EU-140a.1	(1) Total water withdrawn, percentage in regions with high or extremely high baseline water stress	1.719.052 ML high 18% extremely high 10%
			(2) Total water consumed, percentage in regions with high or extremely high baseline water stress	88,076 ML alto 42,4 % extremely high 34,2%
		IF-EU-140a.2	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	5 incidents
		IF-EU-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	Non-material indicator, as the overall level of risk in extraction and consumption is very low. Information is likewise published in the CDP Water report.
	Coal ash management	IF-EU-150a.1	Amount of coal combustion residuals (CCR) generated, percentage recycled	Iberdrola has closed all its coal-fired power plants in 2020.
		IF-EU-150a.2	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	

SASB content index

Dimension	Material topics	Metric - Code	Metric	Page / Response
	Energy affordability	IF-EU-240a.1	Average retail electric rate for (1) residential customers	Page 296
		IF-EU-240a.1	Average retail electric rate for (2) commercial customers	Page 296
		IF-EU-240a.1	Average retail electric rate for (3) industrial customers	Page 296
		IF-EU-240a.2	Typical monthly electric bill for residential customers for (1) 500 kWh	Page 296
		IF-EU-240a.2	Typical monthly electric bill for residential customers for (2) 1,000 kWh of electricity delivered per month	Page 296
		IF-EU-240a.3	Number of residential customer electric disconnections for non-payment, percentage reconnected within 30 days	Page 189, 326
		IF-EU-240a.4	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	Page 15, 188
Human capital	Workforce health and safety	IF-EU-320a.1	(1) Total recordable incident rate (TRIR)	Page 148
		IF-EU-320a.1	(2) fatality rate	Page 148
		IF-EU-320a.1	(3) near miss frequency rate (NMFR)	Page 148
Business model and innovation	End-use efficiency and demand	IF-EU-420a.1	Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)	The applicable percentage in the tariff structures applicable to the United States were: (1) 78 % and (2) 0 %
		IF-EU-420a.2	Percentage of electric load served by smart grid technology	Page 59
		IF-EU-420a.3	Customer electricity savings from efficiency measures, by market	Page 88

SASB content index

Dimension	Material topics	Metric - Code	Metric	Page / Response
Leadership and governance	Nuclear safety & emergency management	IF-EU-540a.1	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) action matrix column	Not applicable as there are no nuclear power plants in the United States.
		IF-EU-540a.2	Description of efforts to manage nuclear safety and emergency preparedness	Not applicable as there are no nuclear power plants in the United States.
	Grid resiliency	IF-EU-550a.1	Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	AVANGRID did not experience any breaches of NERC's Critical Infrastructure Protection (CIP) standards leading to physical security or cyber security events. Any such event would have been reported under CIP-008-6, as required by requirement R4 of CIP-008-6. This indicator does not apply to the rest of the group's companies, as this regulation only applies to the United States.
		IF-EU-550a.2	(1) System Average Interruption Duration Index (SAIDI)	Page 166
		IF-EU-550a.2	(2) System Average Interruption Frequency Index (SAIFI)	Page 165
		IF-EU-550a.2	(3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days 5	Page 166

SASB content index

Dimension	Material topics	Metric - Code	Metric	Page / Response
Activity Metrics		IF-EU-000.A	Number of: (1) residential customers served	Page 294
		IF-EU-000.A	Number of: (2) commercial customers served	Page 294
		IF-EU-000.A	Number of: (3) industrial customers served	Page 294
		IF-EU-000.B	Total electricity delivered to: (1) residential customers	Page 297
		IF-EU-000.B	Total electricity delivered to: (2) commercial customers	Page 297
		IF-EU-000.B	Total electricity delivered to: (3) industrial customers	Page 297
		IF-EU-000.B	Total electricity delivered to: (4) all other retail customers	Page 297
		IF-EU-000.B	Total electricity delivered to: (5) wholesale customers	Page 297
		IF-EU-000.C	Length of transmission and distribution lines	Page 295
		IF-EU-000.D	Total electricity generated, percentage by major energy source, percentage in regulated markets	Page 19 The vast majority of our United States assets are in unregulated markets.
		IF-EU-000.E	Total wholesale electricity purchased	The Iberdrola group operates in a number of markets, simultaneously carrying out electricity generation activities, supply on regulated markets, marketing on deregulated markets, and electricity trading on spot and forward markets. For this reason, this indicator is not considered to describe any significant aspect of business performance.

VI.6. Content index in relation to the principles of the Global Compact

The table below shows the connection between the GRI indicators of this report and the 10 Global Compact Principles. Using the table's index, each Stakeholder can assess the level of Iberdrola's advancement with respect to each of such principles:

Global Compact content index

Issue	Global Compact Principles	Associated GRI indicators	Related SDGs
Human rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	201-1, 202-1, 203-1, 203-2, 204-1, 205-2, 205-3, 206-1, 207-1, 207-2, 207-3, 207-4, 2-7, 2-8, 2-9, 2-10, 2-11, 2-12, 2-15, 2-23, 2-26, 2-27, 2-30, 301-1, 301-2, 302-1, 302-2, 303-1, 303-2, 303-3, 303-4, 303-5, 304-1, 304-2, 304-3, 304-4, 305-1, 305-2, 305-3, 305-7, 306-1, 306-2, 306-3, 401-1, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 404-1, 404-2, 404-3, 405-1, 405-2, 406-1, 407-1, 408-1, 409-1, 410-1, 411-1, 413-2, 414-1, 414-2, 415-1, 416-2, 417-3, 418-1	
	Principle 2. Businesses should make sure they are not complicit in human rights abuses.	414-2	

Global Compact content index

Issue	Global Compact Principles	Associated GRI indicators	Related SDGs	
Labour Rules	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	201-1, 202-1, 203-1, 203-2, 204-1, 205-2, 205-3, 206-1, 207-1, 207-2, 207-3, 207-4, 2-10, 2-11, 2-12, 2-15, 2-23, 2-26, 2-30, 2-7, 2-8, 2-9, 301-1, 301-2, 302-1, 302-2, 305-1, 305-2, 305-3, 305-7, 306-1, 306-2, 306-3, 2-27, 401-1, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 404-1, 404-2, 404-3, 405-1, 405-2, 406-1, 407-1, 408-1, 409-1, 410-1, 413-2, 414-1, 414-2, 415-1, 416-2, 417-3, 418-1		
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	201-1, 202-1, 203-1, 203-2, 204-1, 205-2, 205-3, 206-1, 207-1, 207-2, 207-3, 207-4, 2-10, 2-11, 2-12, 2-15, 2-23, 2-26, 2-30, 2-7, 2-8, 2-9, 301-1, 301-2, 302-1, 302-2, 305-1, 305-2, 305-3, 305-7, 306-1, 306-2, 306-3, 2-27, 401-1, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 404-1, 404-2, 404-3, 405-1, 405-2, 406-1, 407-1, 408-1, 409-1, 410-1, 413-2 , 414-1, 414-2, 415-1, 416-2, 417-3, 418-1		
	Principle 5. Businesses should uphold the effective abolition of child labour.	201-1, 202-1, 203-1, 203-2, 204-1, 205-2, 205-3, 206-1, 207-1, 207-2, 207-3, 207-4, 2-10, 2-11, 2-12, 2-15, 2-23, 2-26, 2-30, 2-7, 2-8, 2-9, 301-1, 301-2, 302-1, 302-2, 305-1, 305-2, 305-3, 305-7, 306-1, 306-2, 306-3, 2-27, 401-1, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7 , 403-8, 403-9, 404-1, 404-2, 404-3, 405-1, 405-2, 406-1, 407-1, 408-1, 409-1, 410-1, 413-2, 414-1, 414-2, 415-1, 416-2, 417-3, 418-1		
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	2-7 202-1, 401-1, 401-3, 404-1, 404-3, 405-2, 406-1		

Global Compact content index

Issue	Global Compact Principles	Associated GRI indicators	Related SDGs
Environment	Principle 7. Businesses should support a precautionary approach to environmental challenges.	201-1, 201-2, 203-1, 207-1, 207-2, 207-3, 207-4, 301-1, 301-2, 302-1, 302-2, 303-1, 303-2, 303-3, 303-4, 303-5, 304-1, 304-2, 304-3, 304-4, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-1, 306-2, 306-3, 411-1, 413-2, 417-1	
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	301-1 a 306-3, 308-2	
	Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	201-1, 201-2, 203-1, 207-1, 207-2, 207-3, 207-4, 301-1, 301-2, 302-1, 302-2, 303-1, 303-2, 303-3, 303-4, 303-5, 304-1, 304-2, 304-3, 304-4, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-1, 306-2, 306-3, 411-1, 413-2, 417-1	
Anti-corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	2-23, 2-26 205-2, 205-3, 415-1	

VI.7. Task Force on Climate-Related Financial Disclosures content index

The index below provides links to Iberdrola contents on climate-related risks and opportunities as recommended by the TCFD:

Content index Task Force on Climate-Related Financial Disclosures

	TCFD recommendation	Link to Iberdrola content	Chapter	Page
Governance	a) Describe the oversight of climate-related risks and opportunities	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• I.2. Governance and Sustainability System • Climate governance • Comprehensive Risk System	29, 33-35, 44-46
		Annual Financial Report 2022	Management Report sections 4.1 Comprehensive Risk Control and Management System 4.6.4 ESG	279, 307
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• I.2. Governance and Sustainability System • Climate governance • Comprehensive Risk System	29, 33-35, 44-46
		Annual Financial Report 2022	Management Report sections 4.1 Comprehensive Risk Control and Management System 4.6.4 ESG	279, 307
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• Long-term risks and opportunities • Management of climate opportunities and risks	33-35, 46-57
		Annual Financial Report 2022	Management Report sections • 4.1 Comprehensive Risk Control and Management System • 4.6.2 Climate change	279, 304
	b) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• Long-term risks and opportunities • Management of climate opportunities and risks • Climate Action Plan	33-35, 46-57, 37-44
		Annual Financial Report 2022	• Financial Statements Note 6 (Climate Change and Paris Agreement section) • 1.8 Strategic foundations for the 2023 – 2025 period	55, 246
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• Management of climate opportunities and risks	46-57
		Annual Financial Report 2022	• Financial Statements Note 6 (Climate Change and Paris Agreement section)	55

Content index Task Force on Climate-Related Financial Disclosures

	TCFD recommendation	Link to Iberdrola content	Chapter	Page
Risk management:	a) Describe the organisation's processes to identify and assess climate-related risks.	2022Statement of Non-Financial Information – Sustainability Report	• Long-term risks and opportunities	33-35
		Annual Financial Report 2022	Management Report sections • 4.1 Comprehensive Risk Control and Management System • 4.6.2 Climate change	279, 304
	b) Describe the organisation's processes to manage climate-related risks.	2022Statement of Non-Financial Information – Sustainability Report	• Long-term risks and opportunities	33-35
		Annual Financial Report 2022	Management Report sections • 4.1 Comprehensive Risk Control and Management System • 4.6.2 Climate change	279, 304
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• Long-term risks and opportunities	33-35
		Annual Financial Report 2022	Management Report sections • 4.1 Comprehensive Risk Control and Management System • 4.6.2 Climate change	279, 304
Metrics and objectives	a) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• Indicators and metrics • Emissions reduction and climate change	58, 74-79
		Annual Financial Report 2022	• Financial Statements Note 6 (Climate Change and Paris Agreement section)	55
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• Inventory of Greenhouse Gas (GHG) Emissions	74
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	SNFI-SR 2022Statement of Non-Financial Information – Sustainability Report 2022	• Indicators and metrics • Emissions reduction and climate change	58, 74-79
		Annual Financial Report 2022	• Plan 2023-2025	246

Contact point for questions regarding the report

GRI 2-3

General questions regarding this report may be mailed to Iberdrola's ESG Division at Plaza Euskadi 5, 48009 Bilbao, Bizkaia – Spain, or sent to ESG@iberdrola.es.

The addresses and telephone numbers of Iberdrola's international centres, available contact channels, Customer Services and the Queries Mailbox can be found in the Contact section of the website.

VII. Annexes

- Annex 1: Information Supplementary to the Statement of Non-Financial Information - Sustainability Report *2022*
- Annex 2: Statement

VII.1. Annex 1: Information Supplementary to the Statement of Non-Financial Information - Sustainability Report 2022

Key figures

GRI EU3 SASB IF-EU-000.A

Electricity users (Millions)[98]

		2022	2021	2020
Spain	Residential	8.2	8.0	8.0
	Industrial	0.2	0.2	0.2
	Commercial	1.8	1.7	1.7
	Institutional	0.1	0.1	0.1
	Other	0.0	0.0	0.0
	Total users	**10.4**	**10.0**	**10.0**
	Users that are producers of electricity	**0.1**	**0.0**	**0.0**
United Kingdom	Residential	2.7	2.7	2.7
	Industrial	0.1	0.1	0.1
	Commercial	0.1	0.1	0.1
	Institutional	0.0	0.0	0.0
	Other	0.0	0.0	0.0
	Total users	**2.8**	**2.8**	**2.8**
	Users that are producers of electricity	**0.1**	**0.1**	**0.1**
United States	Residential	2.0	2.0	2.0
	Industrial	0.0	0.0	0.0
	Commercial	0.3	0.3	0.3
	Institutional	0.0	0.0	0.0
	Other	0.0	0.0	0.0
	Total users	**2.3**	**2.3**	**2.3**
	Users that are producers of electricity	**0.0**	**0.0**	**0.0**
Brazil	Residential	14.2	13.9	12.6
	Industrial	0.0	0.0	0.0
	Commercial	1.1	1.1	0.9
	Institutional	0.2	0.2	0.2
	Other	0.5	0.6	0.6
	Total users	**16.0**	**15.7**	**14.3**
	Users that are producers of electricity	**0.4**	**0.1**	**0.0**
Mexico[99]	Residential	0.0	0.0	0.0
	Industrial	0.0	0.0	0.0
	Commercial	0.0	0.0	0.0
	Institutional	0.0	0.0	0.0
	Other	0.0	0.0	0.0
	Total users	**0.0**	**0.0**	**0.0**
	Users that are producers of electricity	**0.0**	**0.0**	**0.0**

[98] User information reported for Spain, the United Kingdom, Mexico and Rest of Europe are provided by the GenerationElectricity Production and RetailCustomers Business, as they correspond to liberalised markets. For the United States and Brazil they are provided by the Networks Business as they correspond to regulated markets.
[99] There are 4,513 industrial customers in Mexico.

Electricity users (Millions)[98]

		2022	2021	2020
Rest of World	Residential	0.4	0.7	0.6
	Industrial	0.0	0.0	0.0
	Commercial	0.1	0.1	0.1
	Institutional	0.0	0.0	0.0
	Other	0.0	0.0	0.0
	Total users	**0.5**	**0.8**	**0.7**
	Users that are producers of electricity	**0.0**	**0.0**	**0.0**
Iberdrola total	Residential	27.5	27.2	25.9
	Industrial	0.4	0.3	0.3
	Commercial	3.4	3.3	3.1
	Institutional	0.3	0.3	0.3
	Other	0.5	0.6	0.6
	Total users	**32.1**	**31.7**	**30.1**
	Users that are producers of electricity	**0.7**	**0.2**	**0.1**

■ GRI EU4 ■ SAS IF-EU-000.C

Power lines (Km)

		Transporte			Distribución		
		2022	2021	2020	2022	2021	2020
Spain	Overhead	0	0	0	159,475	160,857	162,284
	Underground	0	0	0	111,517	108,738	107,845
	Total	**0**	**0**	**0**	**270,991**	**269,595**	**270,129**
United Kingdom	Overhead	3,790	3,756	3,709	38,292	38,392	38,478
	Underground	787	737	636	68,206	67,796	67,441
	Total	**4,577**	**4,493**	**4,345**	**106,498**	**106,188**	**105,919**
United States	Overhead	13,412	13,400	13,483	138,654	136,540	140,074
	Underground	605	605	598	18,792	17,499	16,666
	Total	**14,018**	**14,005**	**14,081**	**157,446**	**154,039**	**156,740**
Brazil	Overhead	2,333	2,333	679	705,516	686,324	654,135
	Underground	0	0	0	3,262	3,160	755
	Total	**2,333**	**2,333**	**679**	**708,777**	**689,484**	**654,890**
Iberdrola total	Overhead	19,536	19,489	17,871	1,041,936	1,022,113	994,971
	Underground	1,392	1,342	1,234	201,777	197,193	192,707
	Total	**20,928**	**20,831**	**19,105**	**1,243,713**	**1,219,306**	**1,187,678**

SASB IF-EU-240a.1

Average retail electric rate in regulated markets (local currency/kWh)[100]

		2022	
United States	Residential	0.20	$/KWh
	Industrial	0.13	$/KWh
	Commercial	0.17	$/KWh
Brazil	Residential	0.60	RM/KWh
	Industrial	0.61	R$/KWh
	Commercial	0.65	R$/KWh

SASB IF-EU-240a.2

Average retail electric rate for residential customers in regulated markets (local currency)

		2022	
United States	500 kW/h	102.7	$/KWh
	1.000 kW/h	189.5	$/KWh
Brazil	500 kW/h	500	R$/KWh
	1.000 kW/h	1,000	R$/KWh

[100] Does not include other markets as they are liberalised markets (Spain, United Kingdom, Mexico and IEI)

SASB IF-EU-000.B

Total electricity supplied (MWh)

		2022	2021
Spain	Retail customers	62,820,000	59,107,000
	Residential customers	27,884,000	31,042,000
	Commercial customers	0	0
	Industrial customers	34,936,000	28,065,000
	Other retail customers	0	0
	Wholesale customers	0	0
	Iberdrola total	**62,820,000**	**59,107,000**
United Kingdom	Retail customers	18,482,000	19,383,000
	Residential customers	9,622,000	10,704,000
	Commercial customers	2,700,000	6,317,000
	Industrial customers	6,160,000	2,362,000
	Other retail customers	0	0
	Wholesale customers	0	0
	Iberdrola total	**18,482,000**	**19,383,000**
United States	Retail customers	36,701,791	36,430,608
	Residential customers	16,081,026	12,301,724
	Commercial customers	14,292,383	6,119,954
	Industrial customers	6,221,022	1,837,109
	Other retail customers	107,360	36,430,608
	Wholesale customers	0	0
	Iberdrola total	**36,701,791**	**36,430,608**
Brazil	Retail customers	72,583,966	66,255,986
	Residential customers	22,749,235	22,713,958
	Commercial customers	14,770,241	12,149,668
	Industrial customers	21,905,757	17,752,399
	Other retail customers	13,158,733	13,639,961
	Wholesale customers	3,178,264	0
	Iberdrola total	**75,762,230**	**66,255,986**
Mexico	Retail customers	19,051	19,753
	Residential customers	0	0
	Commercial customers	0	0
	Industrial customers	19,051	19,753
	Other retail customers	0	0
	Wholesale customers[101]	37,523	34,908
	Iberdrola total	**56,574**	**54,661**
Rest of World	Retail customers	10,838,000	10,112,000
	Residential customers	2,387,000	2,838,000
	Commercial customers	8,451,000	7,274,000
	Industrial customers	0	0
	Other retail customers	0	0
	Wholesale customers	0	0
	Iberdrola total	**10,838,000**	**10,112,000**
Iberdrola total	Retail customers	201,444,808	191,308,347
	Residential customers	78,723,261	83,469,779
	Commercial customers	40,213,624	38,042,392
	Industrial customers	69,241,830	54,319,106
	Other retail customers	13,266,093	15,477,070
	Wholesale customers	3,215,787	34,908
	Iberdrola total	**204,660,595**	**191,343,255**

[101] Corresponds to CFE.

Economic dimension

The main figures relating to turnover, value of assets and liabilities and composition of consolidated property, plant and equipment can be seen in the *Annual Financial Report 2022.*

GRI 201-1

Economic value generated, distributed and retained (€ millions)[102]			
		2022	**2021**
Spain	Revenue (sales and other income) (+)	23,107	15,280
	Direct economic value generated (+)	**23,107**	**15,280**
	Operating costs (-)	16,253	8,626
	Employee remuneration (excluding company social security costs) (-)	861	911
	Payments to providers of capital (-)	1,798	1,347
	Payments to government administrations (-)	1,740	1,586
	Investments to the benefit of the community (verified according to the LBG Model) (-)	24	22
	Economic value distributed (-)	**20,676**	**12,492**
	Economic value retained (-)	**2,432**	**2,787**
United Kingdom	Revenue (sales and other income) (+)	9,976	6,273
	Direct economic value generated (+)	**9,976**	**6,273**
	Operating costs (-)	7,429	3,942
	Employee remuneration (excluding company social security costs) (-)	465	366
	Payments to providers of capital (-)	536	347
	Payments to government administrations (-)	197	341
	Investments to the benefit of the community (verified according to the LBG Model) (-)	15	27
	Economic value distributed (-)	**8,642**	**5,023**
	Economic value retained (-)	**1,335**	**1,251**
United States	Revenue (sales and other income) (+)	8,384	5,895
	Direct economic value generated (+)	**8,384**	**5,895**
	Operating costs (-)	4,109	2,714
	Employee remuneration (excluding company social security costs) (-)	1,110	961
	Payments to providers of capital (-)	721	498
	Payments to government administrations (-)	870	753
	Investments to the benefit of the community (verified according to the LBG Model) (-)	5	4
	Economic value distributed (-)	**6,815**	**4,930**
	Economic value retained (-)	**1,568**	**964**
Brazil	Revenue (sales and other income) (+)	9,103	7,397
	Direct economic value generated (+)	**9,103**	**7,397**
	Operating costs (-)	6,079	5,290
	Employee remuneration (excluding company social security costs) (-)	422	315
	Payments to providers of capital (-)	1,486	820
	Payments to government administrations (-)	180	179
	Investments to the benefit of the community (verified according to the LBG Model) (-)	5	3
	Economic value distributed (-)	**8,172**	**6,607**
	Economic value retained (-)	**932**	**793**

[102] The grouping by country corresponds to the registered office of each company and does not necessarily coincide with the segmentation of the information for management

Economic value generated, distributed and retained (€ millions)[102]

		2022	2021
Mexico	Revenue (sales and other income) (+)	4,375	3,929
	Direct economic value generated (+)	**4,375**	**3,929**
	Operating costs (-)	3,173	2,662
	Employee remuneration (excluding company social security costs) (-)	71	60
	Payments to providers of capital (-)	480	477
	Payments to government administrations (-)	150	177
	Investments to the benefit of the community (verified according to the LBG Model) (-)	2	2
	Economic value distributed (-)	**3,876**	**3,378**
	Economic value retained (-)	**499**	**548**
Other countries	Revenue (sales and other income) (+)	876	2,194
	Direct economic value generated (+)	**876**	**2,194**
	Operating costs (-)	373	1,768
	Employee remuneration (excluding company social security costs) (-)	66	71
	Payments to providers of capital (-)	93	28
	Payments to government administrations (-)	118	89
	Investments to the benefit of the community (verified according to the LBG Model) (-)	0	0
	Economic value distributed (-)	**650**	**1,956**
	Economic value retained (-)	**225**	**237**
Iberdrola consolidated total	Revenue (sales and other income) (+)	55,821	40,967
	Direct economic value generated (+)	**55,821**	**40,967**
	Operating costs (-)	37,415	25,002
	Employee remuneration (excluding company social security costs) (-)	2,995	2,685
	Payments to providers of capital (-)	5,114	3,517
	Payments to government administrations (-)	3,255	3,125
	Investments to the benefit of the community (verified according to the LBG Model) (-)	52	58
	Economic value retained (-)	**48,830**	**34,386**
	Revenue (sales and other income) (+)	**6,991**	**6,581**

Pre-tax profit (€ millions)[103]

	2022	2021	2020
Spain	2,981	3,824	2,223
United Kingdom	665	624	957
United States	1,129	496	461
Brazil	874	803	624
Mexico	414	506	639
IEI	230	49	150
Iberdrola consolidated total	**6,292**	**6,301**	**5,053**

[103] Includes the consolidated results from ongoing activities.
The results from Other Business, Corporation, and Adjustments is included in Iberdrola Spain

Environmental dimension

Water

Total water withdrawal by source

■ GRI 303-3

Use of water in thermal generation 2022 (ML)[104]

	Withdrawal				Discharge	
	Total withdrawal	Water withdrawal from offices	Withdrawal process and standby services	Withdrawal for cooling	Evaporation of water used for cooling	Discharge into receptor environment
Spain	1,489,176	127	4,110	1,484,939	55,069	1,439,869
United Kingdom[105]	51	47	3	0	0	0
United States	3,285	184	13	3,089[106]	1,853	1,234
Brazil	39,958	83	56	39,820	0	39,820
Mexico	186,570	69	1,906	184,596	19,665	149,850
IEI	11	2	1	8	0	5
Total	**1,719,051**	**512**	**6,089**	**1,712,452**	**76,587**	**1,630,778**

Biodiversity

Threatened species included in the UICN Red List and national and regional lists

■ GRI 304-4

IUCN Red List Classification

	Critically endangered (CR)	Endangered (EN)	Vulnerable (VU)	Near threatened (NT)	Least concern (LC)
Spain	7	28	46	50	547
United Kingdom	2	5	8	11	151
United States - Canada	2	15	12	12	40
Brazil	4	20	46	36	933
Mexico	0	4	8	13	364
IEI	0	2	7	11	209
Total	**15**	**69**	**121**	**116**	**1,865**

[104] Withdrawal of water at the thermal generation facilities (coal, combined cycle, nuclear and cogeneration)
[105] United Kingdom does not have thermal generation
[106] Water for cooling is not broken down, included in water from services.

Emissions

Direct greenhouse gas emissions at production facilities, Scope 1 (per GHG Protocol)

GRI 305-1

CO2 emissions at Scope 1 production facilities (t)

	2022	2021	2020
Spain	**4,123,265**	**4,477,856**	**4,667,569**
Generating plants	2,954,193	2,985,589	3,310,122
Cogeneration	1,164,259	1,487,273	1,354,198
Other emissions	4,813	4,994	3,249
United Kingdom	**0**	**0**	**0**
Generating plants	0	0	0
Cogeneration	0	0	0
United States	**1,050,346**	**1,306,778**	**1,173,419**
Generating plants	0	0	0
Cogeneration	1,012,134	1,267,066	1,139,068
Other emissions	38,212	39,712	34,351
Brazil	**19,337**	**921,137**	**699,722**
Generating plants	19,337	921,137	699,722
Cogeneration	0	0	0
Mexico	**6,110,556**	**6,029,997**	**5,968,099**
Generating plants	5,447,776	5,268,632	5,210,591
Cogeneration	662,781	761,365	757,507
IEI	**42,851**	**18,395**	**10,056**
Generating plants	0	0	0
Cogeneration	0	0	0
Other emissions	42,851	18,395	10,056
Total	**11,346,355**	**12,754,162**	**12,518,865**
Generating plants	*8,421,306*	*9,175,358*	*9,220,435*
Cogeneration	*2,839,174*	*3,515,703*	*3,250,773*
Other emissions	*85,876*	*63,101*	*47,656*

NOx, SOx and other significant air emissions[107]

■ GRI 305-7

Emissions of NOX (t) from generation and cogeneration plants	2022	2021	2020
Spain	4,462	5,652	5,125
United Kingdom	0	0	0
United States	68	134	149
Brazil	2	194	141
Mexico	53,655	52,692	57,102
Total	**58,187**	**58,672**	**62,517**

Emissions of sulphur dioxide (SO2) (t) from generation and co-generation plants	2022	2021	2020
Spain	435	603	735
United Kingdom	0	0	0
United States	5	6	6
Brazil	0	10	4
Mexico	572	561	607
Total	**1,012**	**1,180**	**1,352**

Emissions of particulates (t) from generation and cogeneration plants	2022	2021	2020
Spain	50	67	71
United Kingdom	0	0	0
United States	17	21	19
Brazil	0	0	0
Mexico	1,098	1,086	1,181
Total	**1,165**	**1,174**	**1,271**

[107] Own and third-party plants have been included in the calculation of emissions of NOx, SOx and particulates

Social dimension

Employment[108]

■ GRI 2-7

Total workforce by employment type, gender, age and region at year-end

		Full-time			Part-time		
		2022	2021	2020	2022	2021	2020
Spain	Men	**7,514**	**7,596**	**7,586**	**2**	**2**	**1**
	Up to 30 years old	557	536	438	0	0	0
	Between 31 and 50 years old	4,513	4,453	4,340	2	2	0
	More than 51 years old	2,444	2,607	2,807	0	0	0
	Women	**2,186**	**2,128**	**2,007**	**0**	**1**	**0**
	Up to 30 years old	212	191	133	0	1	0
	Between 31 and 50 years old	1,458	1,413	1,342	0	0	0
	More than 51 years old	516	524	532	0	0	0
	Total	**9,700**	**9,724**	**9,593**	**2**	**3**	**1**
	Up to 30 years old	769	727	571	0	1	0
	Between 31 and 50 years old	5,971	5,866	5,683	2	2	1
	More than 51 years old	2,960	3,131	3,340	0	0	0
United Kingdom	Men	**3,938**	**3,767**	**3,671**	**35**	**43**	**43**
	Up to 30 years old	905	706	640	2	4	2
	Between 31 and 50 years old	1,996	1,969	1,927	10	12	16
	More than 51 years old	1,037	1,092	1,104	23	27	25
	Women	**1,436**	**1,434**	**1,362**	**346**	**464**	**487**
	Up to 30 years old	280	217	199	16	12	13
	Between 31 and 50 years old	822	812	800	258	356	385
	More than 51 years old	334	405	363	72	96	89
	Total	**5,374**	**5,201**	**5,033**	**381**	**507**	**530**
	Up to 30 years old	1,185	923	839	18	16	15
	Between 31 and 50 years old	2,818	2,781	2,727	268	368	401
	More than 51 years old	1,371	1,497	1,467	95	123	114

[108] As the percentage interests in certain companies may not be 100%, the sums added may not correspond to the total presented due to rounding

Total workforce by employment type, gender, age and region at year-end

		Full-time			Part-time		
		2022	2021	2020	2022	2021	2020
United States[109]	Men	**5,487**	**5,332**	**5,052**	**2**	**1**	**1**
	Up to 30 years old	945	874	743	0	0	0
	Between 31 and 50 years old	2,813	2,602	2,408	0	0	0
	More than 51 years old	1,729	1,856	1,901	2	1	1
	Women	**2,076**	**2,008**	**1,969**	**8**	**8**	**9**
	Up to 30 years old	285	230	215	0	0	0
	Between 31 and 50 years old	997	925	893	5	6	6
	More than 51 years old	794	853	861	3	2	3
	Total	**7,569**	**7,340**	**7,021**	**10**	**9**	**10**
	Up to 30 years old	1,231	1,104	958	0	0	0
	Between 31 and 50 years old	3,814	3,527	3,301	5	6	6
	More than 51 years old	2,524	2,709	2,762	5	3	4
Brazil	Men	**12,053**	**11,481**	**9,396**	**396**	**873**	**1,144**
	Up to 30 years old	2,841	2,996	2,601	82	159	243
	Between 31 and 50 years old	8,492	7,769	6,104	283	666	837
	More than 51 years old	720	716	691	31	48	64
	Women	**2,777**	**2,501**	**2,074**	**180**	**203**	**200**
	Up to 30 years old	908	804	653	53	62	62
	Between 31 and 50 years old	1,761	1,587	1,316	103	119	119
	More than 51 years old	108	110	105	24	22	19
	Total	**14,830**	**13,982**	**11,470**	**576**	**1,076**	**1,344**
	Up to 30 years old	3,749	3,800	3,254	135	221	305
	Between 31 and 50 years old	10,253	9,356	7,420	386	785	956
	More than 51 years old	828	826	796	55	70	83
Mexico	Men	**1,032**	**1,032**	**1,045**	**0**	**0**	**0**
	Up to 30 years old	198	227	247	0	0	0
	Between 31 and 50 years old	725	713	712	0	0	0
	More than 51 years old	109	92	86	0	0	0
	Women	**273**	**264**	**262**	**0**	**0**	**0**
	Up to 30 years old	78	88	107	0	0	0
	Between 31 and 50 years old	185	168	149	0	0	0
	More than 51 years old	10	8	6	0	0	0
	Total	**1,305**	**1,296**	**1,307**	**0**	**0**	**0**
	Up to 30 years old	276	315	354	0	0	0
	Between 31 and 50 years old	910	881	861	0	0	0
	More than 51 years old	119	100	92	0	0	0

[109]This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

Total workforce by employment type, gender, age and region at year-end

		Full-time			Part-time		
		2022	2021	2020	2022	2021	2020
IEI	Men	**652**	**545**	**548**	**1**	**0**	**0**
	Up to 30 years old	87	85	80	0	0	0
	Between 31 and 50 years old	489	389	410	0	0	0
	More than 51 years old	76	71	58	1	0	0
	Women	**318**	**272**	**270**	**3**	**0**	**0**
	Up to 30 years old	64	55	56	1	0	0
	Between 31 and 50 years old	239	202	192	1	0	0
	More than 51 years old	15	15	22	1	0	0
	Total	**970**	**817**	**818**	**4**	**0**	**0**
	Up to 30 years old	151	140	136	1	0	0
	Between 31 and 50 years old	728	591	602	1	0	0
	More than 51 years old	91	86	80	2	0	0
Iberdrola total	Men	**30,676**	**29,753**	**27,298**	**436**	**919**	**1,189**
	Up to 30 years old	5,533	5,424	4,749	84	163	245
	Between 31 and 50 years old	19,028	17,895	15,901	295	680	853
	More than 51 years old	6,115	6,434	6,647	57	76	90
	Women	**9,066**	**8,607**	**7,944**	**537**	**676**	**696**
	Up to 30 years old	1,827	1,585	1,363	70	75	75
	Between 31 and 50 years old	5,462	5,107	4,692	367	481	510
	More than 51 years old	1,777	1,915	1,889	100	120	111
	Total	**39,748**	**38,360**	**35,242**	**973**	**1,595**	**1,885**
	Up to 30 years old	**7,361**	**7,009**	**6,112**	**154**	**238**	**320**
	Between 31 and 50 years old	**24,494**	**23,002**	**20,594**	**662**	**1,161**	**1,364**
	More than 51 years old	**7,893**	**8,349**	**8,537**	**157**	**196**	**201**

Total workforce by contract type, gender, professional category and region

		Permanent contract			Temporary contract		
		2022	2021	2020	2022	2021	2020
Spain	**Men**	**7,512**	**7,590**	**7,576**	**5**	**8**	**11**
	Leadership	724	841	862	0	0	0
	Qualified Technicians	3,194	3,078	2,885	2	2	7
	Skilled workers and support personnel	3,594	3,671	3,829	3	6	4
	Women	**2,185**	**2,126**	**2,004**	**1**	**3**	**4**
	Leadership	272	323	334	0	0	0
	Qualified Technicians	1,451	1,312	1,184	0	1	3
	Skilled workers and support personnel	462	491	486	0	2	1
	Total	**9,697**	**9,716**	**9,580**	**5**	**11**	**15**
	Leadership	996	1,164	1,196	0	0	0
	Qualified Technicians	4,645	4,390	4,069	2	3	10
	Skilled workers and support personnel	4,056	4,162	4,315	3	8	5
United Kingdom	**Men**	**3,956**	**3,802**	**3,707**	**17**	**8**	**7**
	Leadership	240	576	536	0	1	1
	Qualified Technicians	2,642	2,156	2,108	15	6	6
	Skilled workers and support personnel	1,074	1,070	1,063	2	1	0
	Women	**1,765**	**1,888**	**1,837**	**17**	**10**	**12**
	Leadership	102	258	234	1	0	0
	Qualified Technicians	1,242	1,074	1,020	13	8	11
	Skilled workers and support personnel	421	556	583	3	2	1
	Total	**5,721**	**5,690**	**5,544**	**34**	**18**	**19**
	Leadership	342	834	770	1	1	1
	Qualified Technicians	3,884	3,230	3,128	28	14	17
	Skilled workers and support personnel	1,495	1,626	1,646	5	3	1
United States[110]	**Men**	**5,481**	**5,300**	**5,051**	**8**	**33**	**2**
	Leadership	237	232	214	0	0	0
	Qualified Technicians	2,007	1,863	1,711	0	0	0
	Skilled workers and support personnel	3,237	3,205	3,126	8	33	2
	Women	**2,083**	**2,015**	**1,978**	**1**	**1**	**0**
	Leadership	102	96	88	0	0	0
	Qualified Technicians	1,036	943	844	0	0	0
	Skilled workers and support personnel	945	976	1,046	1	1	0
	Total	**7,570**	**7,315**	**7,029**	**9**	**34**	**2**
	Leadership	339	328	302	0	0	0
	Qualified Technicians	3,046	2,806	2,555	0	0	0
	Skilled workers and support personnel	4,185	4,181	4,172	9	34	2

[110] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information

Total workforce by contract type, gender, professional category and region

		Permanent contract			Temporary contract		
		2022	2021	2020	2022	2021	2020
Brazil	**Men**	**12,447**	**12,343**	**10,537**	**2**	**11**	**3**
	Leadership	289	286	254	0	0	0
	Qualified Technicians	2,027	1,868	1,707	0	1	1
	Skilled workers and support personnel	10,131	10,189	8,576	2	10	2
	Women	**2,957**	**2,702**	**2,272**	**0**	**2**	**2**
	Leadership	117	102	97	0	0	0
	Qualified Technicians	1,454	1,301	1,193	0	0	1
	Skilled workers and support personnel	1,386	1,299	982	0	2	1
	Total	**15,404**	**15,045**	**12,809**	**2**	**13**	**5**
	Leadership	406	388	351	0	0	0
	Qualified Technicians	3,481	3,169	2,900	0	1	2
	Skilled workers and support personnel	11,517	11,488	9,558	2	12	3
Mexico	**Men**	**964**	**959**	**973**	**68**	**73**	**72**
	Leadership	79	78	81	0	0	0
	Qualified Technicians	487	499	517	30	20	30
	Skilled workers and support personnel	398	382	375	38	53	42
	Women	**247**	**250**	**248**	**26**	**14**	**14**
	Leadership	20	16	16	1	0	0
	Qualified Technicians	206	214	210	23	10	14
	Skilled workers and support personnel	21	20	22	2	4	0
	Total	**1,211**	**1,209**	**1,221**	**94**	**87**	**86**
	Leadership	99	94	97	1	0	0
	Qualified Technicians	693	713	727	53	30	44
	Skilled workers and support personnel	419	402	397	40	57	42
IEI	**Men**	**639**	**522**	**523**	**14**	**23**	**25**
	Leadership	80	76	98	0	0	0
	Qualified Technicians	459	352	339	14	23	25
	Skilled workers and support personnel	100	94	86	0	0	0
	Women	**308**	**261**	**260**	**13**	**11**	**10**
	Leadership	14	12	22	0	0	0
	Qualified Technicians	292	246	231	13	11	10
	Skilled workers and support personnel	2	3	7	0	0	0
	Total	**947**	**783**	**783**	**27**	**34**	**35**
	Leadership	94	88	120	0	0	0
	Qualified Technicians	751	598	570	27	34	35
	Skilled workers and support personnel	102	97	93	0	0	0

Total workforce by contract type, gender, professional category and region

		Permanent contract			Temporary contract		
		2022	2021	2020	2022	2021	2020
Iberdrola total	Men	**30,999**	**30,516**	**28,367**	**114**	**156**	**120**
	Leadership	1,649	2,089	2,045	0	1	1
	Qualified Technicians	10,816	9,816	9,267	61	52	69
	Skilled workers and support personnel	18,534	18,611	17,055	53	103	50
	Women	**9,545**	**9,242**	**8,599**	**58**	**41**	**42**
	Leadership	627	807	791	2	0	0
	Qualified Technicians	5,681	5,090	4,682	49	30	39
	Skilled workers and support personnel	3,237	3,345	3,126	6	11	3
	Total	**40,550**	**39,758**	**36,966**	**171**	**197**	**162**
	Leadership	**2,276**	**2,896**	**2,836**	**2**	**1**	**1**
	Qualified Technicians	**16,500**	**14,906**	**13,949**	**110**	**82**	**108**
	Skilled workers and support personnel	**21,774**	**21,956**	**20,181**	**59**	**114**	**53**

Total workforce by contract type, gender, age and region at year-end

		Permanent contract			Temporary contract		
		2022	2021	2020	2022	2021	2020
Spain	Men	**7,512**	**7,590**	**7,575**	**5**	**8**	**11**
	Up to 30 years old	555	533	436	2	3	2
	Between 31 and 50 years old	4,513	4,450	4,332	2	5	9
	More than 51 years old	2,444	2,607	2,807	0	0	0
	Women	**2,185**	**2,126**	**2,004**	**1**	**3**	**3**
	Up to 30 years old	211	191	132	0	2	0
	Between 31 and 50 years old	1,458	1,412	1,340	0	1	3
	More than 51 years old	516	523	532	0	0	0
	Total	**9,697**	**9,716**	**9,579**	**5**	**11**	**14**
	Up to 30 years old	766	724	568	3	5	2
	Between 31 and 50 years old	5,971	5,862	5,672	2	6	12
	More than 51 years old	2,960	3,130	3,339	0	0	0
United Kingdom	Men	**3,956**	**3,802**	**3,707**	**17**	**8**	**7**
	Up to 30 years old	898	710	642	9	0	0
	Between 31 and 50 years old	2,000	1,974	1,937	6	7	6
	More than 51 years old	1,058	1,118	1,128	2	1	1
	Women	**1,765**	**1,888**	**1,837**	**17**	**10**	**12**
	Up to 30 years old	286	226	209	10	3	3
	Between 31 and 50 years old	1,075	1,162	1,177	5	6	8
	More than 51 years old	404	500	451	2	1	1
	Total	**5,721**	**5,690**	**5,544**	**34**	**18**	**19**
	Up to 30 years old	1,184	936	851	19	3	3
	Between 31 and 50 years old	3,075	3,136	3,114	11	13	14
	More than 51 years old	1,462	1,618	1,579	4	2	2
United States[111]	Men	**5,481**	**5,300**	**5,051**	**8**	**33**	**2**
	Up to 30 years old	942	854	743	3	20	0
	Between 31 and 50 years old	2,808	2,589	2,407	5	13	1
	More than 51 years old	1,731	1,857	1,901	0	0	1
	Women	**2,083**	**2,015**	**1,978**	**1**	**1**	**0**
	Up to 30 years old	285	229	215	0	1	0
	Between 31 and 50 years old	1,002	931	899	0	0	0
	More than 51 years old	796	855	864	1	0	0
	Total	**7,570**	**7,315**	**7,029**	**9**	**34**	**2**
	Up to 30 years old	1,228	1,083	958	3	21	0
	Between 31 and 50 years old	3,814	3,520	3,306	5	13	1
	More than 51 years old	2,528	2,712	2,765	1	0	1
Brazil	Men	**12,447**	**12,343**	**10,537**	**2**	**11**	**3**
	Up to 30 years old	2,922	3,149	2,842	1	6	2
	Between 31 and 50 years old	8,774	8,430	6,940	1	5	1
	More than 51 years old	751	764	755	0	0	0
	Women	**2,957**	**2,702**	**2,272**	**0**	**2**	**2**
	Up to 30 years old	961	864	713	0	2	2
	Between 31 and 50 years old	1,864	1,706	1,435	0	0	0
	More than 51 years old	132	132	124	0	0	0
	Total	**15,404**	**15,045**	**12,809**	**2**	**13**	**5**
	Up to 30 years old	3,883	4,013	3,555	1	8	4
	Between 31 and 50 years old	10,638	10,136	8,375	1	5	1
	More than 51 years old	883	896	879	0	0	0

[111] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

Total workforce by contract type, gender, age and region at year-end

		Permanent contract			Temporary contract		
		2022	2021	2020	2022	2021	2020
Mexico	Men	**964**	**959**	**973**	**68**	**73**	**72**
	Up to 30 years old	174	191	216	24	36	31
	Between 31 and 50 years old	684	677	674	41	36	38
	More than 51 years old	106	91	83	3	1	3
	Women	**247**	**250**	**248**	**26**	**14**	**14**
	Up to 30 years old	64	81	98	14	7	9
	Between 31 and 50 years old	174	161	144	11	7	5
	More than 51 years old	9	8	6	1	0	0
	Total	**1,211**	**1,209**	**1,221**	**94**	**87**	**86**
	Up to 30 years old	238	272	314	38	43	40
	Between 31 and 50 years old	858	838	818	52	43	43
	More than 51 years old	115	99	89	4	1	3
IEI	Men	**639**	**522**	**523**	**14**	**23**	**25**
	Up to 30 years old	83	78	75	4	7	5
	Between 31 and 50 years old	480	377	392	9	12	18
	More than 51 years old	76	67	56	1	4	2
	Women	**308**	**261**	**260**	**13**	**11**	**10**
	Up to 30 years old	60	52	56	5	3	0
	Between 31 and 50 years old	232	194	183	8	8	9
	More than 51 years old	16	15	21	0	0	1
	Total	**947**	**783**	**783**	**27**	**34**	**35**
	Up to 30 years old	143	130	131	9	10	5
	Between 31 and 50 years old	712	571	575	17	20	27
	More than 51 years old	92	82	77	1	4	3
Iberdrola total	Men	**30,999**	**30,516**	**28,366**	**114**	**156**	**120**
	Up to 30 years old	5,574	5,515	4,954	43	72	40
	Between 31 and 50 years old	19,259	18,497	16,682	64	78	73
	More than 51 years old	6,166	6,504	6,730	6	6	7
	Women	**9,545**	**9,242**	**8,599**	**58**	**41**	**41**
	Up to 30 years old	1,867	1,643	1,423	29	18	14
	Between 31 and 50 years old	5,805	5,566	5,178	24	22	25
	More than 51 years old	1,873	2,033	1,998	4	1	2
	Total	**40,550**	**39,758**	**36,965**	**171**	**197**	**161**
	Up to 30 years old	**7,442**	**7,158**	**6,377**	**73**	**90**	**54**
	Between 31 and 50 years old	**25,068**	**24,063**	**21,860**	**88**	**100**	**98**
	More than 51 years old	**8,040**	**8,537**	**8,728**	**10**	**7**	**9**

Total workforce by employment type, gender, professional category and region at year-end

		Full-time			Part-time		
		2022	2021	2020	2022	2021	2020
Spain	**Men**	**7,514**	**7,596**	**7,586**	**2**	**2**	**1**
	Leadership	724	841	862	0	0	0
	Qualified Technicians	3,194	3,079	2,891	2	1	1
	Skilled workers and support personnel	3,596	3,675	3,833	1	1	0
	Women	**2,186**	**2,128**	**2,007**	**0**	**1**	**0**
	Leadership	272	323	334	0	0	0
	Qualified Technicians	1,451	1,313	1,187	0	0	0
	Skilled workers and support personnel	463	492	486	0	1	0
	Total	**9,700**	**9,724**	**9,593**	**3**	**3**	**1**
	Leadership	996	1,164	1,196	0	0	0
	Qualified Technicians	4,645	4,392	4,078	2	1	1
	Skilled workers and support personnel	4,059	4,167	4,319	1	2	0
United Kingdom	**Men**	**3,938**	**3,767**	**3,671**	**35**	**43**	**43**
	Leadership	238	567	533	2	10	4
	Qualified Technicians	2,632	2,138	2,088	25	24	26
	Skilled workers and support personnel	1,068	1,062	1,050	8	9	13
	Women	**1,436**	**1,434**	**1,362**	**346**	**464**	**487**
	Leadership	94	217	194	9	41	40
	Qualified Technicians	1,050	870	818	205	212	213
	Skilled workers and support personnel	292	347	350	132	211	234
	Total	**5,374**	**5,201**	**5,033**	**381**	**507**	**530**
	Leadership	332	784	727	11	51	44
	Qualified Technicians	3,682	3,008	2,906	230	236	239
	Skilled workers and support personnel	1,360	1,409	1,400	140	220	247
United States[112]	**Men**	**5,487**	**5,332**	**5,052**	**2**	**1**	**1**
	Leadership	237	232	214	0	0	0
	Qualified Technicians	2,005	1,862	1,710	2	1	1
	Skilled workers and support personnel	3,245	3,238	3,128	0	0	0
	Women	**2,076**	**2,008**	**1,969**	**8**	**8**	**9**
	Leadership	102	96	88	0	0	0
	Qualified Technicians	1,030	937	838	6	6	6
	Skilled workers and support personnel	944	975	1,043	2	2	3
	Total	**7,569**	**7,340**	**7,021**	**10**	**9**	**10**
	Leadership	339	328	302	0	0	0
	Qualified Technicians	3,038	2,799	2,548	8	7	7
	Skilled workers and support personnel	4,192	4,213	4,171	2	2	3

[112] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

Total workforce by employment type, gender, professional category and region at year-end

		Full-time			Part-time		
		2022	2021	2020	2022	2021	2020
Brazil[113]	**Men**	**12,053**	**11,481**	**9,396**	**396**	**873**	**1,144**
	Leadership	289	286	254	0	0	0
	Qualified Technicians	2,024	1,856	1,695	3	13	13
	Skilled workers and support personnel	9,740	9,339	7,447	393	860	1,131
	Women	**2,777**	**2,501**	**2,074**	**180**	**203**	**200**
	Leadership	117	102	97	0	0	0
	Qualified Technicians	1,448	1,297	1,189	6	4	5
	Skilled workers and support personnel	1,212	1,102	788	174	199	195
	Total	**14,830**	**13,982**	**11,470**	**576**	**1,076**	**1,344**
	Leadership	406	388	351	0	0	0
	Qualified Technicians	3,472	3,153	2,884	9	17	18
	Skilled workers and support personnel	10,952	10,441	8,235	567	1,059	1,326
Mexico	**Men**	**1,032**	**1,032**	**1,045**	**0**	**0**	**0**
	Leadership	79	78	81	0	0	0
	Qualified Technicians	517	519	547	0	0	0
	Skilled workers and support personnel	436	435	417	0	0	0
	Women	**273**	**264**	**262**	**0**	**0**	**0**
	Leadership	21	16	16	0	0	0
	Qualified Technicians	229	224	224	0	0	0
	Skilled workers and support personnel	23	24	22	0	0	0
	Total	**1,305**	**1,296**	**1,307**	**0**	**0**	**0**
	Leadership	100	94	97	0	0	0
	Qualified Technicians	746	743	771	0	0	0
	Skilled workers and support personnel	459	459	439	0	0	0
IEI	**Men**	**652**	**545**	**548**	**1**	**0**	**0**
	Leadership	80	76	98	0	0	0
	Qualified Technicians	472	375	364	1	0	0
	Skilled workers and support personnel	100	94	86	0	0	0
	Women	**318**	**272**	**270**	**3**	**0**	**0**
	Leadership	14	12	22	0	0	0
	Qualified Technicians	302	257	241	3	0	0
	Skilled workers and support personnel	2	3	7	0	0	0
	Total	**970**	**817**	**818**	**4**	**0**	**0**
	Leadership	94	88	120	0	0	0
	Qualified Technicians	774	632	605	4	0	0
	Skilled workers and support personnel	102	97	93	0	0	0

[113] In Brazil, part-time is considered to be less than 200 hours.

Total workforce by employment type, gender, professional category and region at year-end

		Full-time			Part-time		
		2022	2021	2020	2022	2021	2020
Total Iberdrola	Men	**30,676**	**29,753**	**27,298**	**436**	**919**	**1,189**
	Leadership	1,647	2,080	2,042	2	10	4
	Qualified Technicians	10,844	9,829	9,295	33	39	41
	Skilled workers and support personnel	18,185	17,843	15,961	402	870	1,144
	Women	**9,066**	**8,607**	**7,944**	**537**	**676**	**696**
	Leadership	620	766	751	9	41	40
	Qualified Technicians	5,510	4,898	4,497	220	222	224
	Skilled workers and support personnel	2,936	2,943	2,696	308	413	432
	Total	**39,748**	**38,360**	**35,242**	**974**	**1,595**	**1,885**
	Leadership	**2,267**	**2,846**	**2,793**	**11**	**51**	**44**
	Qualified Technicians	**16,357**	**14,727**	**13,792**	**253**	**261**	**265**
	Skilled workers and support personnel	**21,124**	**20,786**	**18,657**	**710**	**1,283**	**1,576**

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New hires by region, gender and age group[114]

		Men			Women		
		2022	2021	2020	2022	2021	2020
Spain	By age group	**394**	**382**	**215**	**208**	**164**	**101**
	Up to 30 years old	182	188	85	82	89	44
	Between 31 and 50 years old	201	186	124	122	73	55
	More than 51 years old	11	8	6	4	2	2
	By age group (%)	**5.24**	**5.03**	**2.83**	**9.50**	**7.70**	**5.03**
	Up to 30 years old	32.69	35.08	19.41	38.71	46.35	33.08
	Between 31 and 50 years old	4.45	4.18	2.86	8.34	5.17	4.10
	More than 51 years old	0.45	0.31	0.21	0.78	0.38	0.38
	Total workforce	**7,516**	**7,598**	**7,587**	**2,186**	**2,129**	**2,008**
United Kingdom	By age group	**582**	**390**	**262**	**238**	**137**	**116**
	Up to 30 years old	309	177	108	124	63	52
	Between 31 and 50 years old	240	185	134	102	63	58
	More than 51 years old	33	28	20	12	11	6
	By age group (%)	**14.65**	**10.24**	**7.05**	**13.36**	**7.22**	**6.27**
	Up to 30 years old	34.07	24.93	16.82	41.89	27.51	24.53
	Between 31 and 50 years old	11.96	9.34	6.90	9.44	5.39	4.90
	More than 51 years old	3.11	2.50	1.77	2.96	2.20	1.33
	Total workforce	**3,973**	**3,810**	**3,714**	**1,782**	**1,898**	**1,849**
United States[115]	By age group	**817**	**738**	**669**	**419**	**243**	**238**
	Up to 30 years old	310	336	288	163	83	91
	Between 31 and 50 years old	390	323	326	202	121	109
	More than 51 years old	117	79	55	54	39	38
	By age group (%)	**14.88**	**13.84**	**13.24**	**20.11**	**12.05**	**12.03**
	Up to 30 years old	32.80	38.44	38.76	57.19	36.09	42.33
	Between 31 and 50 years old	13.86	12.41	13.54	20.16	13.00	12.13
	More than 51 years old	6.76	4.25	2.89	6.78	4.56	4.40
	Total workforce	**5,489**	**5,333**	**5,053**	**2,084**	**2,016**	**1,978**
Brazil	By age group	**1,085**	**2,152**	**1,508**	**494**	**525**	**278**
	Up to 30 years old	556	1,032	754	271	290	153
	Between 31 and 50 years old	521	1,110	745	220	231	122
	More than 51 years old	8	10	9	3	4	3
	By age group (%)	**8.72**	**17.42**	**14.31**	**16.71**	**19.42**	**12.23**
	Up to 30 years old	19.02	32.71	26.51	28.20	33.49	21.40
	Between 31 and 50 years old	5.94	13.16	10.73	11.80	13.54	8.50
	More than 51 years old	1.07	1.31	1.19	2.27	3.03	2.42
	Total workforce	**12,449**	**12,354**	**10,540**	**2,957**	**2,704**	**2,274**

[114] Percentage calculated on headcount at year-end for each of the categories
[115] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

New hires by region, gender and age group[114]

		Men			Women		
		2022	2021	2020	2022	2021	2020
Mexico[116]	By age group	**129**	**62**	**75**	**43**	**20**	**34**
	Up to 30 years old	47	37	36	22	8	18
	Between 31 and 50 years old	78	25	35	20	12	16
	More than 51 years old	4	0	4	1	0	0
	By age group (%)	**12.50**	**6.01**	**7.18**	**15.75**	**7.58**	**12.98**
	Up to 30 years old	23.74	16.30	14.58	28.21	9.09	16.82
	Between 31 and 50 years old	10.76	3.51	4.92	10.81	7.14	10.74
	More than 51 years old	3.67	0	4.65	0.10	0.00	0.00
	Total workforce	**1,032**	**1,032**	**1,045**	**273**	**264**	**262**
IEI	By age group	**182**	**158**	**140**	**98**	**83**	**86**
	Up to 30 years old	36	44	37	38	29	29
	Between 31 and 50 years old	137	103	98	57	52	52
	More than 51 years old	9	11	5	3	2	5
	By age group (%)	**27.87**	**28.99**	**25.55**	**30.53**	**30.52**	**31.85**
	Up to 30 years old	41.38	51.77	46.25	58.46	52.73	51.79
	Between 31 and 50 years old	28.02	26.48	23.90	23.75	25.74	27.08
	More than 51 years old	11.69	15.49	8.62	18.75	13.33	0.23
	Total workforce	**653**	**545**	**548**	**321**	**272**	**270**
Iberdrola total	By age group	**3,189**	**3,882**	**2,869**	**1,500**	**1,172**	**853**
	Up to 30 years old	1,440	1,814	1,308	700	562	387
	Between 31 and 50 years old	1,567	1,932	1,462	723	552	412
	More than 51 years old	182	136	99	77	58	54
	By age group (%)	**10.25**	**12.66**	**10.07**	**15.62**	**12.63**	**9.87**
	Up to 30 years old	25.64	32.47	26.19	36.90	33.86	26.91
	Between 31 and 50 years old	8.11	10.40	8.73	12.40	9.88	7.92
	More than 51 years old	2.95	2.09	1.47	4.10	2.85	2.70
	Total workforce	**31,112**	**30,672**	**28,487**	**9,603**	**9,283**	**8,641**

[116] Of the total turnover reported in Mexico, 46 were temporary positions of union personnel, which is governed by the union contract with SUTERM, and due to the nature of the temporary employment itself there are discharges and subsequent returns of the same worker. They should therefore not be considered as final terminations or new hires

Persons leaving the company by region, gender and age group

		Men			Women		
		2022	2021	2020	2022	2021	2020
Spain	By age group	467	418	244	146	91	47
	Up to 30 years old	54	6	3	30	7	5
	Between 31 and 50 years old	83	54	40	47	28	21
	More than 51 years old	329	358	201	69	56	21
	By age group (%)	6.21	5.50	3.22	6.66	4.27	2.34
	Up to 30 years old	9.72	1.12	0.69	14.16	3.65	3.76
	Between 31 and 50 years old	1.84	1.21	0.92	3.22	1.98	1.56
	More than 51 years old	13.48	13.73	7.16	13.32	10.69	3.95
	Total workforce	**7,516**	**7,598**	**7,587**	**2,186**	**2,129**	**2,008**
United Kingdom	By age group	418	294	299	355	88	162
	Up to 30 years old	53	34	29	38	14	11
	Between 31 and 50 years old	202	89	75	179	42	69
	More than 51 years old	163	171	195	138	32	82
	By age group (%)	10.52	7.72	8.05	19.92	4.64	8.76
	Up to 30 years old	5.84	4.79	4.52	12.84	6.11	5.19
	Between 31 and 50 years old	10.07	4.49	3.86	16.57	3.60	5.82
	More than 51 years old	15.38	15.28	17.27	33.99	6.39	18.14
	Total workforce	**3,973**	**3,810**	**3,714**	**1,782**	**1,898**	**1,849**
United States	By age group	660	471	340	352	220	132
	Up to 30 years old	99	72	45	62	32	14
	Between 31 and 50 years old	200	146	113	133	78	53
	More than 51 years old	361	253	182	157	110	65
	By age group (%)	12.02	8.83	6.73	16.89	10.91	6.67
	Up to 30 years old	10.48	8.24	6.06	21.75	13.91	6.51
	Between 31 and 50 years old	7.11	5.61	4.69	13.27	8.38	5.90
	More than 51 years old	20.86	13.62	9.57	19.70	12.87	7.52
	Total workforce	**5,489**	**5,333**	**5,053**	**2,084**	**2,016**	**1,978**
Brazil	By age group	996	983	718	245	197	179
	Up to 30 years old	279	225	165	70	59	74
	Between 31 and 50 years old	586	522	437	147	109	97
	More than 51 years old	131	236	116	28	29	8
	By age group (%)	8.00	7.96	6.81	8.29	7.29	7.87
	Up to 30 years old	9.55	7.13	5.80	7.28	6.81	10.35
	Between 31 and 50 years old	6.68	6.19	6.30	7.89	6.39	6.76
	More than 51 years old	17.44	30.89	15.36	21.21	21.97	6.45
	Total workforce	**12,449**	**12,354**	**10,540**	**2,957**	**2,704**	**2,274**

Persons leaving the company by region, gender and age group

		Men			Women		
		2022	2021	2020	2022	2021	2020
Mexico[117]	**By age group**	**129**	**76**	**76**	**34**	**19**	**20**
	Up to 30 years old	33	16	19	15	9	8
	Between 31 and 50 years old	88	51	41	19	10	12
	More than 51 years old	8	9	16	0	0	0
	By age group (%)	**12.50**	**7.36**	**7.27**	**12.45**	**7.20**	**7.63**
	Up to 30 years old	16.67	7.05	7.69	19.23	10.23	7.48
	Between 31 and 50 years old	12.14	7.15	5.76	10.27	5.95	8.05
	More than 51 years old	7.34	9.78	18.61	0.00	0.00	0.00
	Total workforce	**1,032**	**1,032**	**1,045**	**273**	**264**	**262**
IEI	**By age group**	**86**	**68**	**28**	**58**	**23**	**9**
	Up to 30 years old	15	13	1	14	11	3
	Between 31 and 50 years old	58	49	25	41	9	6
	More than 51 years old	13	6	2	3	3	0
	By age group (%)	**13.17**	**12.48**	**5.11**	**18.07**	**8.46**	**3.33**
	Up to 30 years old	17.24	15.29	1.25	21.54	20.00	5.36
	Between 31 and 50 years old	11.86	12.60	6.10	17.08	4.46	3.13
	More than 51 years old	16.88	8.45	3.45	0.19	0.20	0.00
	Total workforce	**653**	**545**	**548**	**321**	**272**	**270**
Iberdrola total[118]	**By age group**	**2,756**	**2,310**	**1,705**	**1,190**	**638**	**549**
	Up to 30 years old	533	366	262	229	132	115
	Between 31 and 50 years old	1,217	911	731	566	276	258
	More than 51 years old	1,005	1,033	712	395	230	176
	By age group (%)	**8.86**	**7.53**	**5.99**	**12.39**	**6.87**	**6.35**
	Up to 30 years old	9.49	6.55	5.25	12.07	7.95	8.00
	Between 31 and 50 years old	6.30	4.90	4.36	9.71	4.94	4.96
	More than 51 years old	16.29	15.87	10.57	21.03	11.30	8.80
	Total workforce	**31,112**	**30,672**	**28,487**	**9,603**	**9,283**	**8,641**

[117] Of the total turnover reported in Mexico, 46 were temporary positions of union personnel, which is governed by the union contract with SUTERM, and due to the nature of the temporary employment itself there are discharges and subsequent returns of the same worker. They should therefore not be considered as final terminations or new hires.

[118] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

GRI EU15

Employees eligible to retire in the next 5 years

		By professional category (no.)			By professional category (%)		
		2022	2021	2020	2022	2021	2020
Spain	Leadership	85	105	106	8.55	9.01	8.86
	Qualified technicians	288	288	295	6.20	6.56	7.23
	Skilled workers and support personnel	550	567	619	13.54	13.60	14.33
	Total	**923**	**960**	**1,020**	**9.51**	**9.87**	**10.63**
United Kingdom	Leadership	5	30	28	1.46	3.59	3.63
	Qualified technicians	118	147	154	3.02	4.53	4.90
	Skilled workers and support personnel	116	176	188	7.73	10.80	11.41
	Total	**239**	**353**	**370**	**4.15**	**6.18**	**6.65**
United States	Leadership	61	56	108	17.99	17.07	35.76
	Qualified technicians	587	597	930	19.27	21.28	36.40
	Skilled workers and support personnel	710	833	1,573	16.93	19.76	37.69
	Total	**1,358**	**1,486**	**2,611**	**17.92**	**20.22**	**37.14**
Brazil	Leadership	24	22	25	5.91	5.67	7.12
	Qualified technicians	70	50	58	2.01	1.58	2.00
	Skilled workers and support personnel	103	84	85	0.89	0.73	0.89
	Total	**197**	**156**	**168**	**1.28**	**1.04**	**1.31**
Mexico	Leadership	2	2	8	2.00	2.13	8.25
	Qualified technicians	6	5	23	0.80	0.67	2.98
	Skilled workers and support personnel	1	1	10	0.22	0.22	2.28
	Total	**9**	**8**	**41**	**0.69**	**0.62**	**3.14**
IEI	Leadership	4	4	7	4.26	4.55	5.83
	Qualified technicians	4	3	4	0.51	0.47	0.66
	Skilled workers and support personnel	1	1	2	0.98	1.03	0.02
	Total	**9**	**8**	**13**	**0.92**	**0.98**	**1.59**
Iberdrola total	Leadership	181	219	282	7.95	7.56	9.94
	Qualified technicians	1,073	1,090	1,464	6.46	7.27	10.42
	Skilled workers and support personnel	1,481	1,662	2,477	6.78	7.53	12.24
	Total	**2,735**	**2,971**	**4,223**	**6.72**	**7.44**	**11.37**

GRI 403-9

Number of accidents by type, region and gender (own personnel)

		Men			Women			Total		
		2022	2021	2020	2022	2021	2020	2022	2021	2020
Spain	Fatal	0	0	0	0	0	0	0	0	0
	With leave	15	18	16	1	3	0	16	21	16
	With major consequences	2	1	1	0	0	0	2	1	1
	Without leave	37	28	30	8	10	2	45	38	32
United Kingdom	Fatal	0	0	1	0	0	0	0	0	1
	With leave	1	4	6	0	0	0	1	4	6
	With major consequences	0	0	0	0	0	0	0	0	0
	Without leave	27	27	17	6	0	0	33	27	17
United States	Fatal	0	0	0	0	0	0	0	0	0
	With leave	49	38	41	7	6	5	56	44	46
	With major consequences	13	1	1	2	0	0	15	1	1
	Without leave	471	302	234	53	26	38	524	328	272
Brazil	Fatal	0	3	2	0	0	0	0	3	2
	With leave	7	12	8	0	1	1	7	13	9
	With major consequences	0	1	1	0	0	0	0	1	1
	Without leave	94	113	86	15	6	8	109	119	94
Mexico	Fatal	0	0	1	0	0	0	0	0	1
	With leave	2	0	1	0	0	0	2	0	1
	With major consequences	0	0	0	0	0	0	0	0	0
	Without leave	0	3	3	0	0	1	0	3	4
IEI	Fatal	0	0	0	0	0	0	0	0	0
	With leave	0	1	0	1	0	0	1	1	0
	With major consequences	0	0	0	0	0	0	0	0	0
	Without leave	3	1	0	0	0	0	3	1	0
Iberdrola total	Fatal	0	3	4	0	0	0	**0**	**3**	**4**
	With leave	74	73	72	9	10	6	**83**	**83**	**78**
	With major consequences	15	3	3	2	0	0	**17**	**3**	**3**
	Without leave	632	474	370	82	42	49	**714**	**516**	**419**

Absenteeism by region (hours lost)

		2022	2021	2020
Spain	Occupational injury and disease	37,004	32,540	24,381
	Common illness and COVID-19	539,189	561,526	483,852
	Total	**576,192**	**594,066**	**508,233**
United Kingdom	Occupational injury and disease	104	1,147	1,776
	Common illness and COVID-19	321,409	295,701	288,312
	Total	**321,513**	**296,848**	**290,088**
United States	Occupational injury and disease	23,952	14,432	10,576
	Common illness and COVID-19	293,252	297,818	274,245
	Total	**317,204**	**312,250**	**284,821**
Brazil	Occupational injury and disease	2,912	7,864	1,264
	Common illness and COVID-19	264,283	188,031	129,094
	Total	**267,195**	**195,895**	**130,358**
Mexico	Occupational injury and disease	1,616	0	0
	Common illness and COVID-19	54,704	73,631	90,360
	Total	**56,320**	**73,631**	**90,360**
IEI	Occupational injury and disease	68	8	0
	Common illness and COVID-19	28,579	21,831	23,488
	Total	**28,647**	**21,839**	**23,488**
Iberdrola total	Occupational injury and illness	65,656	55,991	37,997
	Common illness and COVID-19	1,501,416	1,438,538	1,289,351
	Total	**1,567,072**	**1,494,529**	**1,327,348**

GRI 404-1

Average training hours per average employee, broken down by professional category, region and gender

		Men			Women			Total		
		2022	2021	2020	2022	2021	2020	2022	2021	2020
Spain	Leadership	32.9	39.9	42.3	35.7	46.0	48.4	33.7	41.6	44.0
	Qualified technicians	57.0	58.3	61.6	58.9	62.2	64.8	57.6	59.4	62.5
	Skilled workers and support personnel	60.3	48.1	47.1	29.1	27.0	37.0	56.7	45.6	46.0
	Total workforce	**56.1**	**51.2**	**52.0**	**49.1**	**51.2**	**55.2**	**54.5**	**51.2**	**52.7**
United Kingdom	Leadership	7.8	21.1	22.4	7.9	15.0	23.6	7.9	19.2	22.8
	Qualified technicians	26.9	31.7	20.0	15.5	13.4	10.3	23.1	25.6	16.9
	Skilled workers and support personnel	271.9	101.4	80.6	55.9	11.0	10.3	201.9	69.9	54.9
	Total workforce	**92.6**	**49.9**	**38.6**	**25.7**	**12.9**	**11.9**	**70.8**	**37.6**	**29.7**
United States	Leadership	15.5	20.2	12.6	16.5	22.4	18.7	15.8	20.8	14.4
	Qualified technicians	21.8	21.2	17.0	19.9	18.5	15.0	21.2	20.3	16.4
	Skilled workers and support personnel	62.3	57.3	35.3	49.7	33.1	41.7	59.5	51.5	36.9
	Total workforce	**45.8**	**43.2**	**28.2**	**33.6**	**26.0**	**29.4**	**42.5**	**38.5**	**28.6**
Brazil	Leadership	79.1	100.8	73.9	88.7	93.0	65.5	81.7	98.7	71.7
	Qualified technicians	63.2	68.9	48.5	59.6	66.7	52.8	61.8	68.0	50.3
	Skilled workers and support personnel	96.8	99.7	97.3	114.0	113.0	98.8	98.8	101.1	97.5
	Total workforce	**91.1**	**94.9**	**88.5**	**86.6**	**89.0**	**73.0**	**90.3**	**93.9**	**85.7**
Mexico	Leadership	66.7	84.3	90.1	151.7	46.5	71.5	83.3	77.8	87.0
	Qualified technicians	60.0	57.5	36.2	83.1	58.6	44.6	67.0	57.8	38.6
	Skilled workers and support personnel	74.3	85.7	68.5	81.0	50.9	33.5	74.6	83.9	66.5
	Total workforce	**66.5**	**71.1**	**53.2**	**87.8**	**57.2**	**45.1**	**70.9**	**68.2**	**51.6**
IEI	Leadership	17.4	13.3	17.3	20.0	18.7	22.5	17.8	14.1	18.3
	Qualified technicians	22.6	20.3	21.4	19.0	16.6	20.5	21.1	18.8	21.1
	Skilled workers and support personnel	42.0	65.0	29.7	24.5	10.0	16.4	41.6	63.2	28.4
	Total workforce	**25.0**	**27.4**	**22.0**	**19.1**	**16.7**	**20.5**	**23.0**	**23.9**	**21.6**
Iberdrola total	Leadership	32.2	41.5	38.9	35.3	39.1	39.8	**33.1**	**40.8**	**39.2**
	Qualified technicians	43.4	46.0	38.8	41.5	42.6	38.0	**42.7**	**44.8**	**38.5**
	Skilled workers and support personnel	93.0	80.9	71.8	74.1	56.5	51.3	**90.2**	**77.2**	**68.5**
	Total workforce	**72.7**	**66.8**	**58.5**	**52.4**	**47.3**	**43.1**	**67.9**	**62.3**	**54.9**

Diversity and equal opportunity

GRI 405-1

Total workforce by region, gender and professional category

		Men			Women			Total		
		2022	2021	2020	2022	2021	2020	2022	2021	2020
Spain	Leadership	724	841	862	272	323	334	996	1,164	1,196
	Qualified technicians	3,196	3,080	2,891	1,451	1,313	1,187	4,647	4,393	4,078
	Skilled workers and support personnel	3,596	3,677	3,833	463	493	486	4,059	4,170	4,319
	Total	**7,516**	**7,598**	**7,586**	**2,186**	**2,129**	**2,007**	**9,702**	**9,727**	**9,593**
United Kingdom	Leadership	240	577	537	103	258	234	343	835	771
	Qualified technicians	2,657	2,162	2,114	1,255	1,082	1,031	3,912	3,244	3,145
	Skilled workers and support personnel	1,076	1,071	1,063	424	558	584	1,500	1,629	1,647
	Total	**3,973**	**3,810**	**3,714**	**1,782**	**1,898**	**1,849**	**5,755**	**5,708**	**5,563**
United States [119]	Leadership	237	232	214	102	96	88	339	328	302
	Qualified technicians	2,007	1,863	1,711	1,036	943	844	3,046	2,806	2,555
	Skilled workers and support personnel	3,245	3,238	3,128	946	977	1,046	4,194	4,215	4,174
	Total	**5,489**	**5,333**	**5,053**	**2,084**	**2,016**	**1,978**	**7,579**	**7,349**	**7,031**
Brazil	Leadership	289	286	254	117	102	97	406	388	351
	Qualified technicians	2,027	1,869	1,708	1,454	1,301	1,194	3,481	3,170	2,902
	Skilled workers and support personnel	10,133	10,199	8,578	1,386	1,301	983	11,519	11,500	9,561
	Total	**12,449**	**12,354**	**10,540**	**2,957**	**2,704**	**2,274**	**15,406**	**15,058**	**12,814**
Mexico	Leadership	79	78	81	21	16	16	100	94	97
	Qualified technicians	517	519	547	229	224	224	746	743	771
	Skilled workers and support personnel	436	435	417	23	24	22	459	459	439
	Total	**1,032**	**1,032**	**1,045**	**273**	**264**	**262**	**1,305**	**1,296**	**1,307**
IEI	Leadership	80	76	98	14	12	22	94	88	120
	Qualified technicians	473	375	364	305	257	241	778	632	605
	Skilled workers and support personnel	100	94	86	2	3	7	102	97	93
	Total	**653**	**545**	**548**	**321**	**272**	**270**	**974**	**817**	**818**
Iberdrola total	Leadership	1,649	2,090	2,046	629	807	791	**2,278**	**2,897**	**2,837**
	Qualified technicians	10,877	9,868	9,335	5,730	5,120	4,721	**16,610**	**14,988**	**14,056**
	Skilled workers and support personnel	18,586	18,714	17,105	3,244	3,356	3,128	**21,833**	**22,070**	**20,233**
	Total	**31,112**	**30,672**	**28,486**	**9,603**	**9,283**	**8,640**	**40,721**	**39,955**	**37,126**

[119] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information.

GRI 405-1

Total workforce by region, gender and age

		Hombres			Mujeres			Total		
		2022	2021	2020	2022	2021	2020	2022	2021	2020
Spain	Up to 30 years old	557	536	438	212	192	133	769	728	571
	Between 31 and 50 years old	4,515	4,455	4,341	1,459	1,413	1,343	5,973	5,868	5,684
	More than 51 years old	2,444	2,607	2,808	516	524	532	2,960	3,131	3,340
	Total	**7,516**	**7,598**	**7,587**	**2,186**	**2,129**	**2,008**	**9,702**	**9,727**	**9,595**
United Kingdom	Up to 30 years old	907	710	642	296	229	212	1,203	939	854
	Between 31 and 50 years old	2,006	1,981	1,943	1,080	1,168	1,185	3,086	3,149	3,128
	More than 51 years old	1,060	1,119	1,129	406	501	452	1,466	1,620	1,581
	Total	**3,973**	**3,810**	**3,714**	**1,782**	**1,898**	**1,849**	**5,755**	**5,708**	**5,563**
United States [120]	Up to 30 years old	945	874	743	285	230	215	1,231	1,104	958
	Between 31 and 50 years old	2,813	2,602	2,408	1,002	931	899	3,819	3,533	3,307
	More than 51 years old	1,731	1,857	1,902	797	855	864	2,529	2,712	2,766
	Total	**5,489**	**5,333**	**5,053**	**2,084**	**2,016**	**1,978**	**7,579**	**7,349**	**7,031**
Brazil	Up to 30 years old	2,923	3,155	2,844	961	866	715	3,884	4,021	3,559
	Between 31 and 50 years old	8,775	8,435	6,941	1,864	1,706	1,435	10,639	10,141	8,376
	More than 51 years old	751	764	755	132	132	124	883	896	879
	Total	**12,449**	**12,354**	**10,540**	**2,957**	**2,704**	**2,274**	**15,406**	**15,058**	**12,814**
Mexico	Up to 30 years old	198	227	247	78	88	107	276	315	354
	Between 31 and 50 years old	725	713	712	185	168	149	910	881	861
	More than 51 years old	109	92	86	10	8	6	119	100	92
	Total	**1,032**	**1,032**	**1,045**	**273**	**264**	**262**	**1,305**	**1,296**	**1,307**
IEI	Up to 30 years old	87	85	80	65	55	56	152	140	136
	Between 31 and 50 years old	489	389	410	240	202	192	729	591	602
	More than 51 years old	77	71	58	16	15	22	93	86	80
	Total	**653**	**545**	**548**	**321**	**272**	**270**	**974**	**817**	**818**
Iberdrola total	Up to 30 years old	5,617	5,587	4,994	1,897	1,660	1,438	**7,515**	**7,247**	**6,432**
	Between 31 and 50 years old	19,323	18,575	16,755	5,830	5,588	5,203	**25,156**	**24,163**	**21,958**
	More than 51 years old	6,172	6,510	6,738	1,877	2,035	2,000	**8,050**	**8,545**	**8,738**
	Total	**31,112**	**30,672**	**28,487**	**9,603**	**9,283**	**8,641**	**40,721**	**39,955**	**37,128**

[120] This table represents individuals who identify as men or women, so the figures segmented by gender may not coincide with the total because of people who identify as another gender or who choose not to disclose this information

Access to electricity

GRI EU27

Residential disconnections by region (no.)

		2022	2021	2020
Spain	Paid up to 48 h after disconnection	71,652	55,004	14,429
	Paid between 48 h and one week after disconnection	4,918	4,857	1,097
	Paid between one week and one month after disconnection	5,712	5,489	1,402
	Paid between one month and one year	2,356	2,705	435
	Paid after more than one year	0	0	0
	Outstanding and unclassified	0	0	0
	Total	**84,638**	**68,055**	**17,363**
United Kingdom	Paid up to 48 h after disconnection	0	0	0
	Paid between 48 h and one week after disconnection	0	0	0
	Paid between one week and one month after disconnection	0	0	0
	Paid between one month and one year	0	0	0
	Paid after more than one year	0	0	0
	Outstanding and unclassified	0	0	0
	Total	**0**	**0**	**0**
United States	Paid up to 48 h after disconnection	71,056	38,434	2,886
	Paid between 48 h and one week after disconnection	2,993	1,088	436
	Paid between one week and one month after disconnection	2,468	396	94
	Paid between one month and one year	147	168	11
	Paid after more than one year	0	0	0
	Outstanding and unclassified	0	5,958	17,267
	Total	**76,664**	**46,044**	**20,694**
Brazil	Paid up to 48 h after disconnection	975,361	860,392	755,348
	Paid between 48 h and one week after disconnection	141,847	148,968	117,778
	Paid between one week and one month after disconnection	201,814	206,197	162,100
	Paid between one month and one year	172,546	196,706	129,890
	Paid after more than one year	44	15	91
	Outstanding and unclassified	0	0	0
	Total	**1,491,612**	**1,412,278**	**1,165,207**
Rest of Europe	Paid up to 48 h after disconnection	3,377	5,056	7,188
	Paid between 48 h and one week after disconnection	374	845	946
	Paid between one week and one month after disconnection	536	862	1,093
	Paid between one month and one year	262	299	980
	Paid after more than one year	0	0	0
	Outstanding and unclassified	0	0	0
	Total	**4,549**	**7,062**	**10,207**
Iberdrola total	Paid up to 48 h after disconnection	1,121,446	958,886	779,851
	Paid between 48 h and one week after disconnection	150,132	155,758	120,257
	Paid between one week and one month after disconnection	210,530	212,944	164,689
	Paid between one month and one year	175,311	199,878	131,316
	Paid after more than one year	44	15	91
	Outstanding and unclassified	0	5,958	17,267
	Total	**1,657,463**	**1,533,439**	**1,213,471**

Residential reconnections of electricity following payment of unpaid bills, by region (No.)

		2022	2021	2020
Spain	Less than 24 h after payment	83,916	67,153	17,233
	Between 24 h and one week after payment	966	808	193
	More than one week after payment	129	77	23
	Unclassified	0	0	0
	Total	**85,011**	**68,038**	**17,449**
United Kingdom	Less than 24 h after payment	0	0	0
	Between 24 h and one week after payment	0	0	0
	More than one week after payment	0	0	0
	Unclassified	0	0	0
	Total	**0**	**0**	**0**
United States	Less than 24 h after payment	36,665	39,483	2,576
	Between 24 h and one week after payment	302	550	746
	More than one week after payment	2,305	4	105
	Unclassified	0	5,582	14,020
	Total	**39,272**	**45,619**	**17,447**
Brazil	Less than 24 h after payment	1,290,892	1,101,405	967,833
	Between 24 h and one week after payment	183,871	181,233	108,919
	More than one week after payment	77,568	88,746	96,792
	Unclassified	0	0	0
	Total	**1,552,331**	**1,371,384**	**1,173,544**
Rest of World	Less than 24 h after payment	4,121	5,744	9,058
	Between 24 h and one week after payment	699	1,423	1,525
	More than one week after payment	101	198	158
	Unclassified	0	0	0
	Total	**4,921**	**7,365**	**10,741**
Iberdrola total	Less than 24 h after payment	1,415,594	1,213,785	996,700
	Between 24 h and one week after payment	185,838	184,014	111,383
	More than one week after payment	80,103	89,025	97,078
	Unclassified	0	5,582	14,020
	Total	**1,681,535**	**1,492,406**	**1,219,181**

■ SASB IF-EU-240a.3

The percentage of disconnections restored for residential customers within 30 days of the disconnection date was 97% in Spain 80% in the United States and in 98% in Brazil. For the rest of Europe, the percentage of residential customers whose service was restored within 30 days was 79.4% in France, 86% in Italy and 89% in Portugal.

Statement of Non-Financial Information.

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