Annual financial information Iberdrola, S.A. and subsidiaries

IBERDROLA

2021

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 2021)

(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

(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 2021*, 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 2021* 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.

(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 note 14 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 electricity, 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 8,312 million. IFRS-EU determine the need to carry out an analysis of the recoverable amounts of assets in those cases in which indications of impairment were 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.	Our audit procedures included the following: ▪ 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 specialists. ▪ Analysing the consistency of the estimated growth in future cash flows with the business plans approved by the governing bodies, including their consistency with the Group's strategy to address climate change and the Paris Agreement. ▪ Performing a comparative analysis of the cash flow forecasts estimated in the prior year with the actual cash flows obtained (retrospective analysis). ▪ Evaluating the sensitivity of the recoverable amount to changes in certain assumptions that can be considered reasonable. ▪ Assessing whether the disclosures in the consolidated annual accounts comply with the requirements of the applicable financial reporting framework.

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

Provisions for pensions and similar obligations See note 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 9,545 million, of which Euros 1,401 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.	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 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 investment property and other financial assets. ▪ Evaluating the competence, capacity and objectivity of the experts engaged in our audit procedures. ▪ Analysing compliance with the disclosure requirements established in IFRS-EU.

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

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 electricity 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. Unbilled electricity supplied is estimated based on internal and external information that is compared with the measurements contained in the management systems used by the businesses. Revenue is calculated by multiplying the volume of estimated unbilled use by the tariff agreed for each customer, a process that is subject to a high degree of uncertainty. Estimated electricity supplied and not billed amounts to Euros 2,662 million.	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 electricity 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.

Other Information: Consolidated Directors' Report

Other information solely comprises the *2021* consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

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

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

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

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

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 *2021*, 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.

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

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.

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

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 subsidiaries for *2021* 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 Company, which will form part of the annual financial report.

The Directors of *Iberdrola, S.A.* are responsible for the presentation of the *2021* 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 2022*.

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

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on *2 April 2020* for a period of *two* years, from the year ended *31 December 2020*.

Previously, we had been appointed for a period of *three* 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)

Enrique Asla García
On the Spanish Official Register of Auditors ("ROAC") with No. *1,797*

25 February 2022

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

Management Report

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 2021

Millions of euros			
ASSETS	**Note**	**31.12.2021**	**31.12.2020 (*)**
Intangible assets	**9**	**19,909**	**18,222**
Goodwill		8,312	7,613
Other intangible assets		11,597	10,609
Investment property	**10**	**310**	**301**
Property, plant and equipment	**11**	**79,981**	**71,779**
Property, plant and equipment in use		70,919	64,879
Property, plant and equipment under construction		9,062	6,900
Right-of-use assets	**12**	**2,260**	**1,974**
Non-current financial investments		**6,499**	**5,461**
Equity-accounted investees	15.a	1,058	1,145
Non-current equity investments		25	38
Other non-current financial investments	15.b	3,995	2,909
Derivative financial instruments	29	1,421	1,369
Non-current trade and other receivables	**16**	**3,764**	**3,161**
Current tax assets	**34**	**729**	**666**
Deferred tax assets	**34**	**5,917**	**5,982**
NON-CURRENT ASSETS		**119,369**	**107,546**
Assets held for sale	**15.a**	**124**	**—**
Nuclear fuel	**18**	**267**	**260**
Inventories	**19**	**2,639**	**2,443**
Current trade and other receivables		**10,956**	**7,664**
Current tax assets	35	367	564
Other public administration receivables	35	2,406	623
Current trade and other receivables	16	8,183	6,477
Current financial investments		**4,364**	**1,178**
Other current financial investments	15.b	1,533	578
Derivative financial instruments	29	2,831	600
Cash and cash equivalents	**20**	**4,033**	**3,427**
CURRENT ASSETS		**22,383**	**14,972**
TOTAL ASSETS		**141,752**	**122,518**

(*) The consolidated Statement of financial position at 31 December 2020 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 2021.

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 2021

Millions of euros			
EQUITY AND LIABILITIES	**Note**	**31.12.2021**	**31.12.2020 (*)**
Parent company		**40,479**	**35,412**
Subscribed capital		4,775	4,762
Valuation adjustments		547	(242)
Other reserves		35,911	34,420
Treasury shares		(1,860)	(1,985)
Translation differences		(2,779)	(5,154)
Net profit for the year		3,855	3,611
Non-controlling interests		**15,647**	**11,806**
EQUITY	**21**	**56,126**	**47,218**
Capital grants	**24**	**1,261**	**1,240**
Facilities assigned and financed by third parties	**25**	**5,424**	**5,043**
Non-current provisions		**5,330**	**5,836**
Provision for pensions and similar obligations	26	1,592	2,318
Other provisions	27	3,738	3,518
Non-current financial liabilities		**37,175**	**35,096**
Bank borrowings, bonds and other marketable securities	28	31,179	30,334
Equity instruments having the substance of a financial liability	23	525	334
Derivative financial instruments	29	1,673	991
Leases	31	2,253	1,927
Other non-current financial liabilities	32	1,545	1,510
Other non-current liabilities	**33**	**418**	**262**
Current tax liabilities		**300**	**285**
Deferred tax liabilities	**34**	**11,364**	**9,607**
TOTAL NON-CURRENT LIABILITIES		**61,272**	**57,369**
Current provisions		**789**	**579**
Provision for pensions and similar obligations	26	27	23
Other provisions	27	762	556
Current financial liabilities		**21,297**	**15,470**
Bank borrowings, bonds and other marketable securities	28	9,984	7,703
Equity instruments having the substance of a financial liability	23	100	57
Derivative financial instruments	29	2,111	297
Leases	31	158	131
Trade payables		5,964	5,138
Other current financial liabilities	32	2,980	2,144
Other current liabilities		**2,268**	**1,882**
Current tax liabilities	35	227	178
Other public administration payables	35	1,205	1,226
Other current liabilities	33	836	478
TOTAL CURRENT LIABILITIES		**24,354**	**17,931**
TOTAL EQUITY AND LIABILITIES		**141,752**	**122,518**

(*) The consolidated Statement of financial position at 31 December 2020 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 2021.

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 2021

Millions of euros	Note	31.12.2021	Restated (Note 2.c) 31.12.2020 (*)
Revenue	37	39,114	33,145
Supplies	38	(22,052)	(17,000)
GROSS INCOME		**17,062**	**16,145**
Personnel expenses	39	(3,002)	(2,810)
Capitalised personnel expenses	39	716	661
External services		(2,936)	(2,841)
Other operating income		995	704
Net operating expenses		(4,227)	(4,286)
Taxes other than income tax	40	(829)	(1,821)
GROSS OPERATING PROFIT (EBITDA)		**12,006**	**10,038**
Impairment losses, trade and other receivables	16	(369)	(381)
Amortisation, depreciation and provisions	41	(4,294)	(4,093)
OPERATING PROFIT (EBIT)		**7,343**	**5,564**
Result of equity-accounted investees	15.a	(39)	480
Finance income	42	1,265	1,038
Finance expense	43	(2,268)	(2,029)
Net finance expense		(1,003)	(991)
PROFIT BEFORE TAX		**6,301**	**5,053**
Income tax	34	(1,914)	(1,083)
NET PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**4,387**	**3,970**
NET PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS (NET OF TAXES)		**(35)**	**(18)**
Non-controlling interests	21	(467)	(341)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT		**3,885**	**3,611**
BASIC EARNINGS PER SHARE IN EUROS FROM CONTINUING OPERATIONS	**52**	**0.585**	**0.536**
DILUTED EARNINGS PER SHARE IN EUROS FROM CONTINUING OPERATIONS	**52**	**0.583**	**0.535**
BASIC AND DILUTED EARNINGS PER SHARE IN EUROS FROM DISCONTINUED OPERATIONS	**52**	**(0.006)**	**(0.003)**

(*) The consolidated Income statement at 31 December 2020 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 2021.

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 2021

		31/12/2021			31.12.2020 (*)		
Millions of euros	**Note**	**Parent company**	**Non-controlling interests**	**Total**	**Parent company**	**Non-controlling interests**	**Total**
NET PROFIT/(LOSS) FOR THE YEAR		**3,885**	**467**	**4,352**	**3,611**	**341**	**3,952**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT YEARS							
In valuation adjustments		**799**	**(107)**	**692**	**301**	**18**	**319**
Change in value of cash flow hedges	21	1,005	(151)	854	348	30	**378**
Changes in hedging costs		4	—	4	2	—	**2**
Tax effect	34	(210)	44	(166)	(49)	(12)	**(61)**
In translation differences		**2,375**	**380**	**2,755**	**(3,053)**	**(1,138)**	**(4,191)**
TOTAL		**3,174**	**273**	**3,447**	**(2,752)**	**(1,120)**	**(3,872)**
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENTS IN SUBSEQUENT YEARS							
In other reserves		**693**	**52**	**745**	**(19)**	**(10)**	**(29)**
Actuarial gains and losses on pension schemes	26	915	73	988	(26)	(16)	(42)
Tax effect	34	(222)	(21)	(243)	7	6	13
TOTAL		**693**	**52**	**745**	**(19)**	**(10)**	**(29)**
OTHER COMPREHENSIVE INCOME FROM EQUITY-ACCOUNTED INVESTEES (NET OF TAXES)							
In valuation adjustments		**(10)**	**—**	**(10)**	**1**	**—**	**1**
TOTAL	**15.a**	**(10)**	**—**	**(10)**	**1**	**—**	**1**
TOTAL NET PROFIT RECOGNISED DIRECTLY IN EQUITY		**3,857**	**325**	**4,182**	**(2,770)**	**(1,130)**	**(3,900)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**7,742**	**792**	**8,534**	**841**	**(789)**	**52**

(*) The consolidated Statement of comprehensive income for financial year 2020 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 2021

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 2021

			Other reserves								
Millions of euros	Subscribed capital	Treasury shares	Legal reserve	Share premium	Other restricted reserves	Retained earnings	Valuation adjustments	Translation differences	Net profit/(loss) for the year	Non-controlling interests	Total
Balance at 01.01.2021	**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**

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

			Other reserves								
Millions of euros	**Subscribed capital**	**Treasury shares**	**Legal reserve**	**Share premium**	**Other restricted reserves**	**Retained earnings**	**Valuation adjustments**	**Translation differences**	**Net profit/(loss) for the year**	**Non-controlling interests**	**Total**
Balance at 01.01.2020 (*)	**4,771**	**(1,436)**	**969**	**14,512**	**1,052**	**16,989**	**(544)**	**(2,101)**	**3,466**	**9,517**	**47,195**
Comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**(19)**	**302**	**(3,053)**	**3,611**	**(789)**	**52**
Transactions with shareholders or owners											
Share capital increase (Note 21)	151	—	—	(151)	—	—	—	—	—	—	—
Capital reduction (Note 21)	(160)	1,918	—	—	—	(1,758)	—	—	—	—	—
Distribution of 2019 profit	—	—	—	—	—	2,904	—	—	(3,466)	(150)	(712)
Business combinations (Notes 8 and 22)	—	—	—	—	—		—	—	—	254	254
Transactions with non-controlling interests (Notes 7 and 21)	—	—	—	—	—	(73)	—	—	—	(48)	(121)
Transactions with treasury shares (Note 21)	—	(2,467)	—	—	—	5	—	—	—	—	(2,462)
Other changes in equity											
Equity instruments-based payments (Note 22)	—	—	—	—	—	(28)	—	—	—	1	(27)
Issuance of perpetual subordinated bonds (Note 21)	—	—	—	—	—	(10)	—	—	—	3,000	2,990
Other changes	—	—	—	—	—	28	—	—	—	21	49
Balance at 31.12.2020 (*)	**4,762**	**(1,985)**	**969**	**14,361**	**1,052**	**18,038**	**(242)**	**(5,154)**	**3,611**	**11,806**	**47,218**

(*) The consolidated Statement of changes in equity for financial year 2020 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 2021

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 2021

Millions of euros	Note	31.12.2021	Restated (Note 2.c) 31.12.2020 (*)
Profit before tax from continuing operations		6,301	5,053
Profit before tax from discontinued operations		(45)	(25)
Adjustments for			
Amortisation, provisions, valuation adjustments of financial assets and personnel expenses for pensions	39, 41	5,088	4,651
Net profit/loss from investments in associates and joint ventures	15.a	39	(480)
Capital grants and other deferred income	24	(282)	(278)
Finance income and finance costs	42, 43	975	1,006
Changes in working capital		—	—
Change in trade receivables and other		(4,707)	(696)
Change in inventories		52	46
Change in trade payables and other liabilities		1,927	394
Provisions paid		(459)	(538)
Income taxes paid		(832)	(843)
Dividends received		(49)	57
Net cash flows from operating activities		**8,106**	**8,347**
Acquisition of subsidiaries	7	(536)	(391)
Change in cash flow due to modification of the consolidation scope	7	21	114
Acquisition of intangible assets	9	(591)	(446)
Acquisition of associates	15.a	(203)	(59)
Acquisition of investment property	10	(3)	(2)
Acquisition of property, plant and equipment	11	(6,327)	(5,405)
Capitalised interest paid	42	(145)	(149)
Capitalised personnel expenses paid	39	(716)	(661)
Capital grants and other deferred income		8	8
Proceeds/(payments) for securities portfolio		—	(1)
Proceeds/(payments) for other investments		(1,103)	(930)
Proceeds/(payments) for current financial assets		(364)	(104)
Interest received		33	25
Proceeds from disposal of non-financial assets		305	235
Proceeds from disposal of financial assets		133	1,122
Net cash flows used in investing activities		**(9,488)**	**(6,644)**
Dividends paid		(570)	(562)
Dividends paid to non-controlling interests		(229)	(150)
Perpetual subordinated bonds	21		
Issue		2,740	2,990
Interest paid		(94)	(63)
Bank borrowings, bonds and other marketable securities	30		
Issues and disposals		9,748	11,655
Redemption		(7,641)	(10,480)
Interest paid excluding capitalised interest		(741)	(740)
Financial liabilities from leases	31		
Payment of principal		(154)	(159)
Interest paid excluding capitalised interest		(49)	(39)
Equity instruments having the substance of a financial liability	23		
Issue		272	267
Payments		(110)	(86)
Acquisition of treasury shares	21	(1,897)	(2,710)
Proceeds from disposal of treasury shares	21	73	127
Payments for transactions with non-controlling interests	21	(94)	(327)
Proceeds from transactions with non-controlling interests	21	615	206
Net cash flows from/(used in) financing activities		**1,869**	**(71)**
Effect of exchange rate fluctuations on cash and cash equivalents		**119**	**(318)**
Net increase/(decrease) in cash and cash equivalents		**606**	**1,314**
Cash and cash equivalents at beginning of year		**3,427**	**2,113**
Cash and cash equivalents at end of year		**4,033**	**3,427**

(*) The consolidated Statement of cash flows for 2020 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 2021.

Notes to the consolidated Financial Statements for the year ended 31 December 2021

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 2021 consolidated Financial Statements were authorised for issue by the directors on 22 February 2022, 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 2020 consolidated Financial Statements were approved by the shareholders at the General Meeting held on 18 June 2021.

At 31 December 2021, the consolidated Financial Statements presented negative working capital of EUR 1,971 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 15,360 million.

These consolidated Financial Statements have been prepared on a historical cost basis, except for certain 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 2020, except for the application on 1 January 2021 of the following amendments adopted by the European Union to be applied in Europe:

– Amendment to IFRS 16 — COVID-19-related rent concessions regarding the accounting treatment of deferrals or reductions of rent payments under IFRS 16 amid the COVID-19 pandemic. This change had no impact on the consolidated Financial Statements of the IBERDROLA Group at 31 December 2021.

– Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 — IBOR reform (Phase 2) (Note 4).

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.

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 CNMV considers that:

i. In general, each positive and negative market deviation arising under Royal Decree 413/2014 must be recognised in the Statement of financial position.

ii. However, if over the residual regulatory life of the assets, a company considers —based on its best estimate of the future trend in energy market prices— that it would be highly probable that market returns exceeding those set out in Royal Decree 413/2014 would be obtained and that, therefore, leaving the remuneration regime would not have significantly more adverse economic consequences than remaining there, then in that situation it would be permissible to recognise only the asset.

The IBERDROLA Group has adopted the criteria published by the CNMV with retroactive effect back to 1 January 2021, with the following impact by heading:

Millions of euros	Debit/(credit)
Other reserves	97
Deferred tax assets	32
Non-controlling interests	4
Equity-accounted investees	(3)
Other non-current liabilities	(130)

The IBERDROLA Group has chosen not to amend the comparative information as it believes that the restatement would not be material in relation to the 2020 Financial Statements. Had the new approach been applied with retroactive effect back to 1 January 2020, the impact on the 2020 consolidated Income statement would have been as follows:

Millions of euros	Debit/(credit)
Income tax	5
Revenue	(21)

Standards issued pending application

At the date of authorisation for issue of these consolidated Financial Statements, the following standards, amendments and interpretations had been issued, all of which take effect in relation to periods starting on or after 1 January 2022:

Standard		Mandatory application	
		IASB	European Union
IFRS 17	Insurance contracts	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 37	Onerous contracts — Costs of fulfilling a contract	01/01/2022	01/01/2022
Annual improvements to IFRSs	2018-2020 Cycle	01/01/2022	01/01/2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use	01/01/2022	01/01/2022
Amendments to IFRS 16	Covid-19-Related Rent Concessions, from 30 June 2021	01/04/2021	01/01/2022
Amendments to IAS 8	Definition of Accounting Estimates	01/01/2023	(*)
Amendments to IAS 1	Disclosure of Accounting Policies	01/01/2023	(*)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	(*)

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

When preparing these consolidated Financial Statements, the IBERDROLA Group has not early applied any published standard, interpretation or amendment that has not yet come into force.

– **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 (such as direct labour and materials) and other costs directly related to the contract, such as an allocation of the depreciation cost of items of property, plant and equipment that are used to perform the contract, among others.

In the consolidated Financial Statements for 2021, the IBERDROLA Group considers only incremental costs as 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 obligations had been fulfilled as at 1 January 2022 (date of initial application). The amendments will generate an estimated gross tax effect of EUR 78 million under "Other reserves" in the consolidated Statement of financial position as at 1 January 2022.

The IBERDROLA Group will not restate the comparative information and will recognise the cumulative effect of the initial application of the amendments as an adjustment to the opening balance of retained earnings at 1 January 2022.

– **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 from 1 January 2022 onward, with retroactive effect to facilities that were commissioned from 1 January 2021 onwards. The IBERDROLA Group does not believe that the amendments will have a significant impact on the date of first application.

– **Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments restrict 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 had a material impact on these consolidated Financial Statements.

2.b) Consolidation principles

Appendix I to these consolidated Financial Statements lists all IBERDROLA subsidiaries, joint ventures, 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, as well as other equity items 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 at their fair value on the date when this loss of control occurred.

The income obtained in stock purchase transactions with non-controlling interests in controlled companies and the sale of stock without loss of control will charged or credited to reserves.

Investments accounted for using the equity method

Equity-accounted investees include investments in associates and joint ventures. 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 venture is a joint agreement in which the Group has the right to net assets of the agreement.

The result of measuring investments 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.

Harmonisation

The closing date of the Financial Statements of the subsidiaries, joint ventures and associates is 31 December.

The accounting policies of consolidated companies are the same as or have been harmonised with the those 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 no 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 retained earnings). The resulting translation differences are taken directly to equity.

2.c) Amendment to comparative information

In 2021, the IBERDROLA Group changed the format of the consolidated Income statement, eliminating the heading “Gains/(losses) from non-current assets”, which mainly included capital gains or losses from the sale of non-current assets or the sale of equity accounted holdings. The items that used to make up this heading are now classified either under the heading of “Other operating income” forming part of “Gross operating profit (EBITDA)” or in the heading of “Result of equity-accounted investees”, depending on their nature.

The above accounting approach has been applied retroactively, which has resulted in the restatement of the 2020 consolidated Income statement. The amounts of the reclassification made are as follows:

Millions of euros	Amount
Gains /(losses) from non-current assets	(513)
Gross operating profit (EBITDA)	28
Result of equity-accounted investees (1)	485

(1) The result corresponds to the gross capital gain obtained from the sale, in the first half of 2020, of the entire stake held by IBERDROLA PARTICIPACIONES in Siemens Gamesa Renewable Energy, S.A. (GAMESA), representing 8.07% of its share capital.

The directors of the IBERDROLA Group consider that the above change delivers information that is consistent with market practice.

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

Intangible assets under IFRIC 12

IFRIC 12 — “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 (e.g. 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 and transmission 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 investments” 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 any 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 revalued 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 the deemed 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 interest accrued by specific-purpose sources of financing used to build certain assets are fully capitalised.

    – The interest accrued by general-purpose borrowings is 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 at their present value, with a credit to the sub-heading "Non-current provisions — Other provisions" of the consolidated Statement of financial position (Note 3.r).

The IBERDROLA Group 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.

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. Based on this review, the IBERDROLA Group considers that the best estimate of the useful life of wind turbines of less than 1 MW and photovoltaic installations is 30 years (compared to the 25 years previously estimated). The impact of this change in estimate has thus been included under "Amortisation, depreciation and provisions" in the 2021 consolidated Income statement. The effect of this change, which, in accordance with accounting standards, has been applied prospectively as from 1 January 2021, has been to reduce depreciation by EUR 54 million.

The cost of property, plant and equipment in use is depreciated on a straight-line basis, less any 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.

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

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 at 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 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, when calculating the impairment of a right-of-use asset, the Group applies the criteria for impairing non-current assets described in Note 3.i.

The right of-use asset is later adjusted for 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 if can be reliably determined or, otherwise, at the incremental interest rate.

Lease payments include:

- Fixed or substantially fixed lease payments specified in the contract, minus any incentive to be received by the lessee;
- Variable payments 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 reasonably certain or early lease cancellation penalties if the lease period includes early cancellation.

Contingent rents subject to the occurrence of a specific event and variable payments 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 the finance cost and is reduced by the amounts paid. The discounting to present value is recorded under the “Finance cost” 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 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 component.

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 finance 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 weighted average cost 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.

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 costs necessary to sell the asset.

For other land and plots, net realisable 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 based on 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 physical construction 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 energy certificates

Emission allowances and renewable energy certificates are measured at acquisition cost, calculated using the weighted average cost method, or net realisable value, if the latter is lower. No adjustments to the value of emission allowances and renewable energy certificates 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.

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

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 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 the asset's fair value less costs to sell and its value in use, measured as the present value of its estimated future cash flows. The assumptions used in assessing value in use include discount rates, growth rates and expected changes in selling prices and direct costs. The discount rates reflect the time value of money and the risks specific to each cash-generating unit. The growth rates and the changes in prices and direct costs are based on contractual commitments that have already been signed, information in the public domain, sector forecasts and the experience of the IBERDROLA Group (Note 14).

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

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 investments — 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 arrangement is 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

   Under this category financial assets that meet the following conditions are included:

   – The assets are held within a business model whose objective is to hold the assets in order to collect 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. Interests accrued on these liabilities are 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 nominal value when the impact of not discounting cash flows is not significant.

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 “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 expected credit losses of 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 than contract assets and trade receivables without a significant financial component, for which the simplified model will be applied.

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

Under the simplified approach, expected credit losses over the life of the asset are considered. 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 recognising in the consolidated Income statement the difference between its carrying amount and the sum of the consideration received less directly attributable transaction costs, including assets obtained or liabilities assumed and any deferred loss or gain in other comprehensive income.

Classification and measurement of financial liabilities

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

Derecognition of financial liabilities

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

IBERDROLA considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any net paid fee of any received fee, and using the original effective interest rate for the discount, differs by 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 derecognised and the consideration paid, 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 discounted at the original interest rate, and any difference with the previous carrying amount is recognised in the consolidated Income statement. In addition, costs or commissions adjust the carrying amount of financial liabilities and are amortised using the amortised cost method during the rest of the life of the changed liability.

Interests and dividends

Interest income is accrued 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 operations.

At the start of the hedge, the hedging relationships are designated and formally documented, together with the risk management objective and strategy. It is also assessed at the beginning of the hedging relationship and on an ongoing basis, to see 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 2021, 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 in foreign operations 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 statement.

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 its market 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 nature 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 "Equity-Treasury shares" heading of the consolidated Statement of financial position and are measured at acquisition cost.

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

3.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 recognised as an expense under "Personnel expenses" in the consolidated Income statement on an accrual basis.

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

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

If the fair value of the assets exceeds the present value of the obligation, the net asset is recognised in the consolidated Statement of financial position 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 by reference to the market yields at the end of the reporting period, corresponding to corporate bonds or debentures 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 debentures, the discount rate is determined by reference to Government bonds.

For the Eurozone, the 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 withdraw the offer or when the expenses of restructuring are recognised from which the payment of severance payments arises, in the case that said recognition is made previously.

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

The IBERDROLA Group recognises the full amount of the expenditure relating to these plans when the obligation arises by performing the appropriate actuarial studies to calculate the present value of the actuarial obligation at year end. The actuarial gains and losses 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” when the asset commences operation (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 discount 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 maturity 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 constructive, 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 relevant heading of the consolidated Income statement depending on 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 control 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 retailing 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).

Revenue 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 revenue accounts and compliance with the requirements of accounting regulations.

In the case of contracts with customers with several performance obligations, revenue 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 revenue at 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 reevnue 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 to the customer 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. Order TED/171/2020 sets out the remuneration parameters for estimating these incentives over the 2020-2022 regulatory 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.

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 (Note 2-a) 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 receive only remuneration for the investment, at 31 December 2021 liabilities totalling EUR 254 million in connection with the negative price deviations established by the aforementioned Royal Decree that have occurred since 2014 were not recognised. This is because, according to the Group's estimates at year-end, they will cease to receive remuneration on the investment in the next regulatory half-period and therefore the effect of leaving the feed-in tariff regime, were this to occur, would not have a material adverse effect on the IBERDROLA Group's financial statements.

  The most significant standard installations for which the liabilities associated with price deviations have not been recorded are IT-654, 655, 656 and 657.

– 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 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 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;

- they correspond to timing differences relating to investments in subsidiaries, associates and joint ventures 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;

- they correspond to temporary differences related with investments in subsidiaries, associates and joint ventures inasmuch as the temporary differences will not be reinvested in the 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 measures it at the lower of its carrying amount and its fair value less costs to sell.

The impairment losses related with the disposal asset groups are assigned first to the goodwill and then to the rest of assets and liabilities proportionally. Value adjustments that could affect the invetories, financial assets, deferred tax assets, assets related with staff commitments are not recognised. These assets are measured in accordance with the principles contained in the previous sections. The losses recognised at the time of initial classification in this sub-heading and the capital gains and/or losses that are highlighted later are recognised in the consolidated Income statement.

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

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.

The IBERDROLA Group recognises a single heading in the consolidated statement of comprehensive income 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 to sell, or sale or disposal by other means of the assets or disposal 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 by 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 eventually vest.

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 and sectors 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 which it uses to identify, measure and control the financial risks to which the group is exposed.

<u>Interest rate risk</u>

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, Libor-pound sterling, Libor-dollar 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

In relation to the global reform of interbank interest rates (IBOR), the IBERDROLA Group considers it relevant to add that, with respect to the information already provided in its consolidated Financial Statements at 31 December 2020, on 5 March 2021 the International Swaps and Derivatives Association, Inc. (ISDA) published the equivalences between these indices and the new Risk Free Rate (RFR) references, thus eliminating the existing uncertainty in this regard.

At 31 December 2021, the IBERDROLA Group had carried out the contractual transition of all positions indexed to IBOR benchmarks in GBP currency, which will be replaced, where appropriate in each case, by the RFR benchmark in this currency, SONIA (Sterling Overnight Index Average).

The IBERDROLA Group has likewise replaced the EONIA benchmark with the €STR (Euro short-term rate) in those transactions referenced to EONIA. At 31 December 2021, there were no transactions referenced to this interest rate benchmark.

Meanwhile, as part of its interest rate risk management processes, in 2021 the IBERDROLA Group began to arrange interest rate swaps indexed to the RFR benchmark for GBP, SONIA.

In addition, the IBERDROLA Group has carried out the contractual novation of its multi-currency syndicated Revolving Credit Facilities and of a bilateral Revolving Credit Facility in JPY to incorporate RFR interest rate substitution clauses for eventual drawdowns in USD and GBP in the case of the former or in JPY in the case of the latter.

At 31 December 2021 and 2020, the nominal amount of hedging instruments indexed to IBOR indices, with the exception of Euribor, with a maturity date after 31 December 2021, is as follows:

Millions in currency	Currency	Notional value at 31.12.2021	Notional value at 31.12.2020
Libor-pound indexed interest rate swap	GBP	550	550
Libor-USD indexed interest rate swap	USD	1,706	—
Cross currency swap indexed to Libor-dollar	USD	212	238
Cross currency swap indexed to Libor-pound sterling	GBP	201	201

At 31 December 2021 and 31 December 2020, 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 2021, is as follows:

Millions in currency	Currency	Notional value at 31.12.2021	Notional value at 31.12.2020
Libor-pound sterling bank loans	GBP	—	88
Libor-dollar bank loans	USD	1,200	1,196

In 2022, the IBERDROLA Group will continue to trade in cross currency swaps and floating rate bank loans, as discussed in its consolidated Financial Statements at 31 December 2020, which are designated as hedged items of such derivatives at the subsidiary company Neoenergia to ensure symmetry between the hedge and hedged position clauses.

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 and other fuels) and emission allowances, 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 with expected sales of gas and electricity.

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.

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

Looking ahead to 2022, 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 EIB), even though the Group has sufficient credit facilities and loans in place with which to cover these investments.

At 31 December 2021 and 2020, the IBERDROLA Group had undrawn loans and credit facilities totalling EUR 15,360 million and EUR 11,265 million, respectively. Additionally, at 31 December 2021 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 2021 and 2020, based on the balance of the “Cash and cash equivalents” heading of the consolidated Statement of financial position and current financial investments (between three and 12 months).

Millions of euros	2021	2020
Available maturity		
2021	—	268
2022	219	446
2023	674	565
2024 and beyond	14,467	9,986
Total	**15,360**	**11,265**
Current financial investments (between 3 and 12 months) (Note 15.b)	12	247
Cash and cash equivalents (Note 20)	4,033	3,427
Liquidity position	**19,405**	**14,939**

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.

This risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. More precisely, 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 2021 and 2020 of financial assets and contract assets:

	Other non-current financial investments (Note 15.b)		Other current financial investments (Note 15.b)		Non-current trade and other receivables (Note 16)		Current trade and other receivables (Note 16)	
Millions of euros	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Spain	192	282	675	199	291	474	3,608	2,328
United Kingdom	317	—	265	33	32	19	1,286	1,079
United States	239	99	229	291	95	13	1,151	988
Mexico	30	28	16	10	572	426	129	622
Brazil	3,192	2,468	345	44	2,764	2,223	1,469	1,025
Iberdrola Energía Internacional (IEI)	25	32	3	1	10	6	540	435
Total	**3,995**	**2,909**	**1,533**	**578**	**3,764**	**3,161**	**8,183**	**6,477**

Balances of “Other current and non-current financial investmens” 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 in the liberalised market, despite the extraordinary situation arising from the COVID-19 pandemic, the historical cost of defaults has remained moderate, at slightly above 1% of total revenue of this activity across all countries where it is carried out.

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 2021 and 2020.

– Interest rates:

To calculate the sensitivity of consolidated profit or loss to changes in interest rates, an increase or decrease of 25 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 25 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 the variation in interest rates 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
2021	25	(27)	87	60
	(25)	27	(87)	(60)
2020	25	(29)	79	50
	(25)	29	(79)	(50)

– 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
2021	Depreciation 5%	(13)	(1,023)	(1,036)
	Appreciation 5%	7	1,131	1,138
2020	Depreciation 5%	(8)	(825)	(833)
	Appreciation 5%	6	912	918

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
2021	Depreciation 5%	—	(781)	(781)
	Appreciation 5%	—	863	863
2020	Depreciation 5%	(5)	(641)	(646)
	Appreciation 5%	5	708	713

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
2021	Depreciation 5%	(7)	(198)	(205)
	Appreciation 5%	2	219	221
2020	Depreciation 5%	(4)	(162)	(166)
	Appreciation 5%	5	179	184

– Commodities:

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

Millions of euros				
Year 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)

Millions of euros				
Year 2020	Variation in price	Impact on profit/(loss) before tax	Direct impact on equity before tax	Impact on equity before tax
Gas	5%	(5)	20	15
	(5%)	5	(20)	(15)
Electricity	5%	16	38	54
	(5%)	(16)	(38)	(54)

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 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 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). Estimated unbilled power at 31 December 2021 and 2020 amounted to EUR 2,662 and 2,037 million, respectively. This amount is included under "Trade and other receivables" of the consolidated Statements of financial position at 31 December 2021 and 2020 (Note 16).

– Settlements relating to regulated activities in Spain:

  At the end of each year, the IBERDROLA Group estimates the definitive settlements relating to regulated activities in Spain for that year, establishing the corresponding shortfall in revenue, if any, together with the amount that will be recovered in the future on the basis of the announcements made by the authorities and the periods during which this recovery will take place (Note 37).

  These estimates are made on the basis of the provisional settlements published up to the date of authorisation for issue of the consolidated Financial Statements and all available information on the sector.

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

– Determining the term of a lease:

When determining the term of a lease, the IBERDROLA Group considers all relevant facts and circumstances that create a significant economic incentive for the lessee to exercise the renewal option or not to exercise the cancellation option. 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 100 billion 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.

The IBERDROLA Group is firmly committed to leading the transition towards a zero-emission future, having set itself the goal of becoming a carbon neutral company in Europe by 2030 and of doing so worldwide by 2050. The IBERDROLA Group envisions total investment of EUR 75 billion over the 2020-2025 horizon, which will double to EUR 150 billion by 2030, by which time renewable and storage capacity will have tripled and network assets doubled. In tandem, the IBERDROLA Group will continue to innovate to drive the deployment and implementation of decarbonisation solutions, such as green hydrogen, smart products and heat pumps.

The technologies needed to achieve the 2030 emission reduction targets are already available and the policies needed to drive their development and implementation are already in place, according to the International Energy Agency's (IEA) Net Zero by 2050 report.

6.a) Preparation of the Financial Statements

In preparing the consolidated Financial Statements for financial year 2021, the directors have taken into account the IBERDROLA Group's commitments regarding the strategic plan presented to the markets in 2020 and the current *Climate Action Policy*, 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.

These commitments have not had a material impact on the financial position or on the judgements or estimates made, on the understanding that climate change will not have a material impact on the Group's performance in the coming years.

The IBERDROLA Group continues to invest according to its strategic plan in renewables, hydro power, onshore and offshore wind, photovoltaic and battery storage and in the grids business, as well as in new products for customers such as the production of green hydrogen or smart solutions.

– Installed renewable capacity worldwide increased by 3,156 MW in 2021 to reach 35.419 MW (target 60 GW) and investments amounted to EUR 3,811 million (Note 11).

– Investment over the period in grids to ensure the integration of renewable energies and the electrification of the economy amounted to EUR 3,042 million (Note 11) (commitment of EUR 27,000 million).

– Regarding the installation of green hydrogen, which will be essential in sectors where electrification is hard to achieve, the aim is to reach 600 MW in operation by 2025.

The directors have considered the impact of climate change in a number of key estimates contained in the Financial Statements, including:

– The estimation of the useful life of assets, their residual value and decommissioning provisions, given that the Paris Agreement may affect the thermal generation business in the long run (mainly the Group's cogeneration and combined cycle plants), although it is estimated that the impacts would not be material. Meanwhile, the useful lives of nuclear power plants have been adapted, as of 2019, to the reflect the calendar of plant closures agreed upon with the competent authorities.

  In this regard, the IBERDROLA Group annually reviews the useful life of its assets and considers that, at the date of authorisation for issue of these Financial Statements, they are compatible with the decarbonisation commitments and planned mitigation measures.

  The last coal-fired plants were closed down in 2020 after obtaining the necessary administrative clearance.

– The projections used in the impairment tests of non-financial assets (Note 14) are aligned with the strategic plan, based on the best forward-looking information held by 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.

  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 described in the sensitivity analysis of the impairment tests, foreseeable variations in the underlying assumptions of some businesses —in some cases impacted by the different energy transition scenarios— could reveal impairment of those businesses.

– The performance assessment process for the purposes of the long-term remuneration plans also includes an estimation of compliance with the parameters relating to climate change and sustainable development objectives.

– For further information, see section 4.6.2 Operational risks – Climate change of the Management Report, which describes the risks considered by the Group for its various businesses.

6.b) Financing

The IBERDROLA Group is also firmly committed to ESG (Environmental, Social and Governance) financing and is one of the most prominent and pioneering business group worldwide in this regard. Indeed, respect for the environment is one of the cornerstones of its sustainable business model and growth strategy. The objective here is threefold: (i) to align its financial strategy with its purpose, values and investment strategy; (ii) to optimise the cost of its debt; 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 IBERDROLA Group practises this commitment to ESG financing throughout the different geographies in which it operates and in the different instruments and formats it uses to obtain financing. It therefore relies on green financing to raise funds which it then channels into investments that help to achieve a positive environmental impact; transactions aimed at managing and optimising its liquidity and whose cost is linked to the achievement of strategic environmental, social or governance objectives; and other financial contracts arranged in connection with the circular economy.

- **Green financing arrangements**

In the capital markets, the IBERDROLA Group is once again the world's leading corporate group when it comes to green bonds issued. At the end of 2021, Iberdrola had a total of 15 green bonds issued by the Corporation outstanding, for a total EUR 11,994 million. Meanwhile, the IBERDROLA Group, through subsidiary company Avangrid and several of its subsidiaries, has various green bonds outstanding in the US market for a combined total of USD 2,725 million. Neoenergia and its subsidiaries also have outstanding green operations in the capital markets, for a combined amount of BRL 3.56 billion.

In the banking market, in 2017 Iberdrola obtained the first green loan to be underwritten by an energy company, which has since been followed by other green operations. In 2018, Iberdrola México, a wholly owned subsidiary of Iberdrola, signed the first green corporate loan to be arranged in Latin America, worth USD 400 million.

The IBERDROLA Group obtained its first green loan with a development bank in May 2019 and since then it has arranged further corporate green loans with development banks for assets under construction, notably: i) with multilateral entity the European Investment Bank (EIB); and ii) with the Instituto de Crédito Oficial (ICO), a Spanish public bank, for a total of EUR 2,201 million. In addition, Neoenergia had various financing agreements in effect with the EIB for a total of EUR 457 million at the end of 2021.

In 2021 Avangrid increased its green financing to USD 637 million under the tax equity investment approach.

- **Financing linked to the achievement of sustainability objectives**

The IBERDROLA Group has also entered into other financing contracts with the ESG label. Under these arrangements, the funds cannot simply be channelled into investments that are expected to generate a positive environmental impact, but rather into investments that also feature a sustainability component in order to satisfy the preferences of the socially responsible investor community.

At year-end 2021, the IBERDROLA Group had various credit facilities —at both the Corporation and Avangrid— whose borrowing cost was linked to the achievement of sustainable objectives, for a combined total of EUR 12,586 million.

On 15 April 2021, Iberdrola updated its framework programme for the issuance of short-term notes in the Euromarket (ECP) by raising the maximum outstanding limit to EUR 5 billion (from the previous level of EUR 3 billion) and incorporating the sustainable seal linked to the achievement of three objectives under its ESG strategy.

The IBERDROLA Group has formalised the first loan in the European energy sector linked to the reduction of water consumption. The loan is worth EUR 250 million and has been arranged with Intesa Sanpaolo. It also includes an incentive linked to the achievement of circular economy targets.

ESG financing arranged by the IBERDROLA Group in 2021 totalled EUR 13,532 million, including EUR 5,000 million under the Euromarket Commercial Paper (ECP) framework programme, which has been updated by introducing the sustainable component and increasing the maximum outstanding limit from the previous level of EUR 3,000 million. The breakdown by product is as follows:

Millions of euros	Note	Green financing	Sustainable financing	Total
Perpetual subordinated bonds	21	2,750	—	2,750
Bank borrowings, bonds and other marketable securities	28			—
Debentures and bonds		860	—	860
Promissory notes		—	5,000	5,000
Bank loans and credit facilities		—	3,824	3,824
Development and multilateral banking		806	—	806
Equity instruments having the substance of a financial liability	23	292	—	292
Total		**4,708**	**8,824**	**13,532**

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

Business combinations

In 2021, the IBERDROLA Group carried out the following transactions:

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.

CEB Distribuição has been renamed Neoenergia Distribuição Brasília.

The fair value of the assets and liabilities of Neoenergia Distribuição Brasília and their carrying amount at the takeover date are 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 investments	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. Building will soon begin on the third project, Korytnica 2, which will have a capacity of 50.4 MW. The takeover took place on 22 June 2021.

Goodwill

Details of goodwill at 31 December 2021 arising on the above business combinations are 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.

Accounting for these business combinations has been provisionally determined. Adjustments affecting the provisional valuations that may be required as a result of new information on facts and circumstances existing at the acquisition date that become apparent no later than 12 months after the acquisition date will be recognised retroactively.

In 2020, the IBERDROLA Group also carried out the following business combinations:

Aalto Power, S.A.S. (Aalto Power)

In April 2020 Iberdrola Renovables France, S.A.S., a wholly-owned subsidiary of the IBERDROLA Group, signed an agreement to acquire shares representing 100% of the share capital of the French company Aalto Power and for the assignment of certain loans provided by the sellers to Aalto Power. Aalto Power owned onshore wind farms in France with an installed capacity in operation of 118 MW and had a portfolio comprising a further 636 MW of onshore wind projects in various stages of development.

The price for the purchase and sale of the shares representing the entire share capital of Aalto Power and the assignment of the loans to Aalto Power under the purchase and sale agreement amounted to EUR 100.1 million. Once the conditions precedent often applied in this type of transaction were met, control of the company was effectively transferred on 1 July 2020.

Infigen

In June 2020 Iberdrola Renewables Australia Pty Ltd entered into a bid implementation agreement with Infigen Energy Limited and Infigen Energy RE Limited (together, "Infigen"). Under the terms of this agreement, it was agreed to make a cash tender offer for a price of AUD 0.89, equivalent to approximately EUR 0.545, for all linked securities issued by Infigen which are listed on the Australian Stock Exchange.

Infigen owned onshore wind generation facilities with an installed capacity of 670 MW, with 268 MW of conventional generation assets and back-up energy storage and a production of 246 MW of renewable generation capacity owned by third parties acquired on a firm basis through power purchase agreements, plus a portfolio of wind and solar projects in various stages of development with a total capacity of over 1GW.

Transfer of control was completed on 5 August 2020, through the acquisition of a 52.75% stake in the company. The IBERDROLA Group opted to value the minority shareholders in Infigen at their fair value at the acquisition date, which resulted in a credit of EUR 254 million to "Equity — Non-controlling interests" in the consolidated Statement of financial position. Subsequent to that date, additional acquisitions of 47.25% were made and recognised as transactions with non-controlling interests, giving rise to a charge of EUR 254 million to "Non-controlling interests" (Note 21) in the consolidated Statement of financial position. At 31 December 2021 and 2020, the Group's stake was 100%.

In 2021 the company was renamed Iberdrola Australia Ltd.

Acacia Renewables

In December 2020, the IBERDROLA Group acquired the Japanese company Acacia Renewables from Macquarie's Green Investment Group (GIG). Acacia Renewables has two offshore wind farms under development with a combined capacity of 1.2 GW, which could be operational by 2028. It also has four projects in the pipeline with a combined capacity of 2.1 GW.

IBERDROLA made a fixed payment of EUR 6 million, along with consideration contingent on the success of the projects, which have been estimated to have a fair value of EUR 16 million.

In 2021 the company was renamed Renewables Japan K.K.

Value of assets and liabilities acquired

The fair value of the assets and liabilities of Infigen and Aalto Power at the date of the takeover and their carrying amount at that date are as follows:

		Infigen		Aalto Power		Total	
Millions of euros	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Property, plant and equipment	11	619	733	90	122	709	855
Intangible assets	9	1	109	—	—	1	109
Right-of-use assets	12	40	40	10	10	50	50
Non-current financial investments		11	11	—	—	11	11
Deferred tax assets	34	46	46	5	5	51	51
Non-current trade and other receivables		—	—	—	2	—	2
Inventories		10	10	—	—	10	10
Current trade and other receivables		17	17	2	2	19	19
Current financial investments		4	4	—	—	4	4
Cash and cash equivalents		99	99	12	12	111	111
Total		**847**	**1,069**	**119**	**153**	**966**	**1,222**

Millions of euros	Note	Infigen		Aalto Power		Total	
		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Capital grants		6	—	—	—	6	—
Non-current provisions	27	8	9	3	5	11	14
Non-current financial liabilities							
Bank borrowings, bonds and other marketable securities	28	77	85	77	84	154	169
Derivative financial instruments		18	18	—	—	18	18
Leases	31	39	39	10	10	49	49
Deferred tax liabilities	34	39	105	7	13	46	118
Current financial liabilities							
Bank borrowings, bonds and other marketable securities	28	271	271	—	—	271	271
Derivative financial instruments		10	10	—	—	10	10
Leases	31	1	1	—	—	1	1
Other current financial liabilities		32	32	2	2	34	34
Total		**501**	**570**	**99**	**114**	**600**	**684**

The carrying amount and fair value of the assets and liabilities acquired from Acacia Renewables were considered immaterial.

Goodwill

Details of goodwill at 31 December 2020 arising on the above business combinations are as follows:

Millions of euros	Infigen	Aalto Power	Acacia Renewables	Total
Fair value of acquired net assets	499	39	17	555
Recognition of non-controlling interests	254	—	—	254
Total acquisition cost	284	101	22	407
Goodwill from the acquisition (Note 10)	**39**	**62**	**5**	**106**

Goodwill from these business combinations consists primarily of future economic benefits arising from the acquired companies' own activities that do not meet the conditions for separate accounting recognition at the time of the business combinations.

Other information

The contribution of the Infigen and Aalto Power business combinations to the IBERDROLA Group's 2020 net profit from continuing operations since the takeover amounted to a loss of EUR 1 million and EUR 2 million, respectively. The contribution that the acquisition of Acacia Renewables made to profit was considered immaterial as the acquisition took place in December.

Had the acquisitions of Infigen and Aalto Power taken place on 1 January 2020, the contribution to the IBERDROLA Group's consolidated revenue in 2020 would have been EUR 144 million, while the contribution to net profit for the year from continuing operations would have been a reduction of EUR 18 million.

The costs incurred in the above acquisitions amounted to EUR 9 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 is structured through the company Energías Renovables Ibermap, S.L. (IBERMAP), in which MAPFRE holds an ownership interest of 80% and IBERDROLA will own 20% and will also be responsible for developing, building and maintaining the facilities.

Under the terms of this strategic alliance, IBERDROLA has 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 gross 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)

- In the last quarter of 2021, Iberdrola, S.A. acquired additional shares in NEOENERGIA for EUR 60 million, thus increasing its stake from 51.04% to 52.905%.

  Since the IBERDROLA Group already controlled the company, the transaction was recognised as a transaction with non-controlling interests, thus generating a reduction of EUR 81 million in "Non-controlling interests" and a credit of EUR 21 million under the "Other reserves" heading of the consolidated Statement of financial position at 31 December 2021.

- In February 2020, the IBERDROLA Group reached an agreement to acquire 30% of the shares of Ailes Marines, S.A.S., a company tasked with the development, construction, installation and operation of the Saint-Brieuc Bay offshore wind farm in France, in exchange for EUR 100 million.

  Since IBERDROLA Group, which already owned 70% of this interest, held control of the company, the transaction was recognised as a transaction with non-controlling interests, resulting in a decrease of EUR 0.125 million in "Non-controlling interests" and a credit of EUR 73 million under "Other reserves" in the consolidated Statement of financial position at 31 December 2020.

Other significant transactions

In October 2020, Avangrid, Inc, in which the IBERDROLA Group holds an 81.5% ownership interest, announced that it had signed a merger agreement with PNM Resources, Inc. (PNM), a company whose shares are listed on the New York Stock Exchange, whereby Avangrid undertook to acquire 100% of the capital of PNM. PNM's Board of Directors unanimously approved the merger agreement and has recommended the transaction to its shareholders.

For the deal to go ahead, the following conditions had to be met: (i) it had to be approved by PNM's shareholders at the Annual General Meeting; (ii) all the required regulatory approvals had to be obtained from the relevant federal and state authorities in the United States of America; and (iii) other common conditions in these types of deal also had to be fulfilled.

The first of the conditions —the approval by PNM's General Shareholders' Meeting of the company's merger into AVANGRID— was fulfilled on 12 February 2021.

Regarding the second condition, at 30 June 2021 AVANGRID had already received regulatory approval under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, including approvals from the Committee on Foreign Investment in the United States (CFIUS), the Federal Communications Commission (FCC), the Federal Energy Regulatory Commission (FERC), the Public Utility Commission of Texas (PUCT) and the Nuclear Regulatory Commission (NRC).

On 9 December 2021, the New Mexico Public Regulation Commission (NMPRC) issued a decision rejecting the amended stipulated agreement signed between Avangrid, PNM, a number of its subsidiaries and certain third parties submitted as part of the authorisation procedure for the merger between PNM and Avangrid. The parties have since lodged an appeal with the New Mexico Supreme Court dated 3 January 2022 against the decision handed down by the New Mexico Public Regulation Commission.

Avangrid has also reached an agreement with PNM to extend the expiry date of the merger contract signed by both companies until 20 April 2023, subject to a possible further three-month extension by mutual agreement between both parties provided certain conditions are met.

8. SEGMENT INFORMATION

The IBERDROLA Group combines its segments tending to the nature of the business activities in the different geographic areas in which said activities take place. The operating segments identified by the IBERDROLA Group are as follows:

- Networks business: including all the energy transmission and distribution activities, and any other regulated activity carried out in Spain, the United Kingdom, the United States and Brazil.

- Liberalised business: includes the electricity generation and supply businesses carried out by the Group in Spain, the United Kingdom, Mexico, Brazil and the rest of the countries within the Iberdrola Energía Internacional (IEI) subholding.

- Renewables business: activities related to renewable energies (principally wind, solar and hydroelectric) in Spain, the United Kingdom, the United States, Mexico, Brazil and the rest of the countries within the Iberdrola Energía Internacional (IEI) subholding.

- Other businesses: other non-energy businesses.

Corporation includes the costs of the Group's structure (Single Corporation), and of the administration services of the corporate areas that are subsequently invoiced to the other companies through specific service agreements.

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

The key figures for the identified operating segments are as follows:

2021 Millions of euros	Liberalised	Renewables	Networks	Other businesses, Corporation and adjustments	Total
REVENUE	**22,734**	**6,036**	**14,887**	**(4,543)**	**39,114**
RESULTS					
Segment operating profit	(170)	4,085	3,362	66	7,343
Result of equity-accounted investees — net of taxes	(2)	(55)	13	5	(39)
ASSETS					
Segment assets	21,324	42,150	59,328	3,930	126,732
Equity-accounted investees	17	784	162	95	1,058
LIABILITIES					
Segment liabilities	7,416	9,110	19,615	1,502	37,643
OTHER INFORMATION					
Total cost incurred during the period in the acquisition of property, plant and equipment, rights of use and intangible assets	973	4,148	3,207	144	8,472
Impairment losses, trade and other receivables (expense/income)	209	2	158	—	369
Amortisation and depreciation	847	1,382	1,835	133	4,197
Charges for asset impairment	13	36	—	3	52
Reversal for asset impairment	(10)	(12)	(1)	(1)	(24)
(Charges)/Reversal for other provisions	16	27	41	(15)	69
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	52	9	140	45	246

2020 Restated (Note 2.c) Millions of euros	Liberalised	Renewables	Networks	Other businesses, Corporation and adjustments	Total
REVENUE	**18,305**	**4,161**	**12,900**	**(2,221)**	**33,145**
RESULTS					
Segment operating profit	1,536	1,196	2,879	(47)	5,564
Result of equity-accounted investees — net of taxes	5	(23)	14	484	480
ASSETS					
Segment assets	18,513	36,664	52,610	4,665	112,452
Equity-accounted investees	24	955	140	26	1,145
LIABILITIES					
Segment liabilities	5,807	7,896	17,647	2,176	33,526
OTHER INFORMATION					
Total cost incurred during the period in the acquisition of property, plant and equipment, rights of use and intangible assets	716	3,871	2,870	130	7,587
Impairment losses, trade and other receivables (expense/income)	224	(3)	161	(1)	381
Amortisation and depreciation	798	1,333	1,714	127	3,972
Charges for asset impairment	10	52	—	—	62
Reversal for asset impairment	—	(9)	—	—	(9)
(Charges)/Reversal for other provisions	12	27	29	—	68
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	35	4	106	80	225

The following table presents a grouping by country, discriminating between the activities of Networks and Power Production and Customers, which groups together the production and sale of energy from both renewable and conventional sources. Given the current state of the energy markets and how the system actually works between the power production businesses and the end customer, this grouping more accurately reflects the performance and trend of the activities in each country.

Millions of euros	Year 2021			Year 2020		
	Revenue	Operating profit	Result of equity-accounted investees - net of taxes	Revenue	Operating profit	Result of equity-accounted investees - net of taxes
Spain	**14,364**	**3,885**	**27**	**12,128**	**2,362**	**492**
Networks	1,986	1,025	2	1,965	1,049	3
Power production and Customers	13,507	2,855	20	10,765	1,330	4
Other businesses, Corporation and adjustments	(1,129)	5	5	(602)	(17)	485
United Kingdom	**6,172**	**850**	**—**	**5,757**	**1,096**	**1**
Networks	1,433	657	—	1,362	646	—
Power production and Customers	4,909	92	—	4,558	450	1
Other businesses, Corporation and adjustments	(170)	101	—	(163)	—	—
United States	**5,763**	**736**	**6**	**5,203**	**514**	**—**
Networks	4,535	600	10	4,077	488	11
Power production and Customers	1,217	182	(4)	1,116	32	(11)
Other businesses, Corporation and adjustments	11	(46)	—	10	(6)	—
Brazil	**7,167**	**1,237**	**(68)**	**5,717**	**765**	**(13)**
Networks	6,933	1,080	—	5,495	698	—
Power production and Customers	541	192	(68)	483	107	(13)
Other businesses, Corporation and adjustments	(307)	(35)	—	(261)	(40)	—
Mexico	**3,489**	**551**	**—**	**2,694**	**690**	**—**
Networks	—	—	—	—	—	—
Power production and Customers	3,489	550	—	2,694	686	—
Other businesses, Corporation and adjustments	—	1	—	—	4	—
Iberdrola Energía Internacional	**2,159**	**84**	**(4)**	**1,646**	**137**	**—**
Networks	—	—	—	—	—	—
Power production and Customers	2,160	38	(4)	1,650	125	—
Other businesses, Corporation and adjustments	(1)	46	—	(4)	12	—
TOTAL	**39,114**	**7,343**	**(39)**	**33,145**	**5,564**	**480**

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

Millions of euros	31.12.2021	31.12.2020
Revenue		
Spain	14,364	12,128
United Kingdom	6,172	5,757
United States	5,763	5,203
Mexico	3,489	2,694
Brazil	7,167	5,717
IEI	2,159	1,646
Total	**39,114**	**33,145**

Millions of euros	31.12.2021	31.12.2020
Non-current assets (*)		
Spain	25,243	24,367
United Kingdom	26,403	24,118
United States	35,699	31,244
Mexico	5,679	5,234
Brazil	4,332	3,467
IEI	5,104	3,846
Total	**102,460**	**92,276**

(*) 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	31.12.2021	31.12.2020
Segment assets	**126,732**	**112,452**
Non-current financial investments	6,499	5,461
Assets held for sale	124	—
Current financial investments	4,364	1,178
Cash and cash equivalents	4,033	3,427
Total Assets	**141,752**	**122,518**

Millions of euros	31.12.2021	31.12.2020
Segment liabilities	**37,643**	**33,526**
Equity	56,126	47,218
Non-current financial liabilities	35,630	33,586
Bank borrowings, bonds and other marketable securities	31,179	30,334
Equity instruments having the substance of a financial liability	525	334
Derivative financial instruments	1,673	991
Leases	2,253	1,927
Current financial liabilities	12,353	8,188
Bank borrowings, bonds and other marketable securities	9,984	7,703
Equity instruments having the substance of a financial liability	100	57
Derivative financial instruments	2,111	297
Leases	158	131
Total Liabilities and Equity	**141,752**	**122,518**

9. INTANGIBLE ASSETS

The changes in 2021 and 2020 in intangible assets and the corresponding accumulated amortisation and impairment allowances were as follows:

Millions of euros	Balance at 01.01.2020	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 31.12.2020	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
Cost:															
Goodwill	8,153	(633)	106	—	—	—	(13)	7,613	590	109	—	—	—	—	8,312
Concessions, patents and similar	7,812	(881)	—	7	—	(22)	—	6,916	463	305	5	—	56	—	7,745
Intangible assets under IFRIC 12 (Notes 3.b and 13)	4,658	(1,366)	—	—	—	257	(39)	3,510	(17)	175	—	—	220	(14)	3,874
Computer software	2,353	(116)	4	162	12	(8)	(7)	2,400	115	15	235	20	9	(30)	2,764
Customer acquisition costs	646	(14)	—	278	7	—	(29)	888	20	—	324	—	—	(42)	1,190
Other intangible assets	2,976	(243)	108	4	—	(23)	(3)	2,819	223	(4)	32	1	(42)	(2)	3,027
Total cost	**26,598**	**(3,253)**	**218**	**451**	**19**	**204**	**(91)**	**24,146**	**1,394**	**600**	**596**	**21**	**243**	**(88)**	**26,912**

Millions of euros	Balance at 01.01.2020	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 31.12.2020	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
Accumulated depreciation and provisions:															
Concessions, patents and similar	887	(151)	—	86				822	36	(7)	93	—	3	—	947
Intangible assets under IFRIC 12 (Notes 3.b and 13)	2,578	(761)	—	234	—	1	(29)	2,023	(10)	72	232	—	—	(1)	2,316
Computer software	1,735	(81)	3	190	—	—	(7)	1,840	85	14	211	—	—	(29)	2,121
Customer acquisition costs	286	(5)	—	173	—	—	(29)	425	8	—	255	—	—	(36)	652
Other intangible assets	612	(56)	—	111	—	(2)	(1)	664	55	—	99	—	(3)	—	815
Total accumulated depreciation	**6,098**	**(1,054)**	**3**	**794**	**—**	**(1)**	**(66)**	**5,774**	**174**	**79**	**890**	**—**	**—**	**(66)**	**6,851**
Impairment allowance (Notes 8 and 41)	**132**	**(13)**	**—**	**31**	**—**	**—**	**—**	**150**	**12**	**—**	**(10)**	**—**	**—**	**—**	**152**
Total accumulated depreciation and provisions	**6,230**	**(1,067)**	**3**	**825**	**—**	**(1)**	**(66)**	**5,924**	**186**	**79**	**880**	**—**	**—**	**(66)**	**7,003**
Total net cost	**20,368**	**(2,186)**	**215**	**(374)**	**19**	**205**	**(25)**	**18,222**	**1,208**	**521**	**(284)**	**21**	**243**	**(22)**	**19,909**

The amounts incurred in research and development activities (expenses and investment) in 2021 and 2020 total EUR 337 million and EUR 293 million respectively.

Fully amortised intangible assets still in use at 31 December 2021 and 2020 amounted to EUR 1,247 million and EUR 1,133 million, respectively.

At 31 December 2021 and 2020, the IBERDROLA Group had commitments to acquire intangible assets totalling EUR 33 million and EUR 22 million, respectively.

In addition, at 31 December 2021 and 2020, 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 2021 and 2020 is as follows:

Millions of euros	31.12.2021	31.12.2020
Electricity and gas retail supply in the United Kingdom	4,557	4,220
Regulated activities in the United Kingdom	892	827
Renewable energies in the United Kingdom	531	491
Renewable energies in the United States	814	752
Regulated activities in the United States	1,052	970
Regulated activities in Brazil	212	108
Electricity generation and retail supply in Brazil	29	29
Renewable energies in Brazil	85	85
Renewable energies in France	62	62
Renewable energies in Australia	43	39
Renewable energies in Poland	5	—
Corporate activities and others	30	30
Total	**8,312**	**7,613**

The allocation of indefinite life and in-progress intangible assets at 31 December 2021 and 2020 to the different cash-generating units is as follows:

	2021			2020		
Millions of euros	Intangible assets with indefinite useful lives	Intangible assets in progress	Total	Intangible assets with indefinite useful lives	Intangible assets in progress	Total
Electricity distribution in Scotland	791	—	791	732	—	732
Electricity distribution in Wales and England	761	—	761	705	—	705
Electricity transmission in the Uniteed Kingdom	301	—	301	278	—	278
Electricity and gas distribution in New York (NYSEG)	1,048	—	1,048	966	—	966
Electricity and gas distribution in New York (RG&E)	945	—	945	871	—	871
Electricity transmission and distribution in Maine (CMP)	260	—	260	240	—	240
Electricity transmission and distribution in Connecticut (UI)	1,092	—	1,092	1,007	—	1,007
Gas distribution in Connecticut (CNG)	275	—	275	254	—	254
Gas distribution in Connecticut (SCG)	541	—	541	499	—	499
Gas distribution in Massachusetts (BGC)	37	—	37	34	—	34
Other	—	399	399	—	394	394
Total	**6,051**	**399**	**6,450**	**5,586**	**394**	**5,980**

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

10. INVESTMENT PROPERTY

Changes in 2021 and 2020 in the IBERDROLA Group's investment property were as follows:

Millions of euros	Balance at 01.01.2020	Additions and (charges)/reversals	Transfers	Decreases, disposals or reductions	Balance at 31.12.2020	Additions and (charges)/reversals	Transfers	Decreases, disposals or reductions	Balance at 31.12.2021
Investment property	422	2	6	(59)	371	3	84	(75)	383
Impairment allowance	(21)	—	—	12	(9)	—	—	—	(9)
Accumulated depreciation	(59)	(7)	—	5	(61)	(7)	(1)	5	(64)
Total net cost	**342**	**(5)**	**6**	**(42)**	**301**	**(4)**	**83**	**(70)**	**310**

The investment property owned by the IBERDROLA Group relates primarily to properties used for leasing. Income accrued in 2021 and 2020 from this activity amounted to EUR 17 million and EUR 20 million, respectively, and was recognised under the "Revenue" heading of the consolidated Income statement. Operating expenses directly related to investment property in 2021 and 2020 were not significant.

The fair value of investment property in use at 31 December 2021 and 2020 amounted to EUR 326 million and 314 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 2021 and 2020 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 rate of return 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 of approximately 10 years onwards 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.

At 31 December 2021, fully depreciated investment property amounted to EUR 3 million. At 31 December 2020 none of the investment property was fully depreciated. There were no restrictions on their realisation of investment property in either year. Moreover, there were no contractual obligations to acquire, build, develop, repair or maintain investment property.

11. PROPERTY, PLANT AND EQUIPMENT

Changes in 2021 and 2020 in Property, plant and equipment and the appropriate accumulated depreciation and provisions were as follows:

Millions of euros	Balance at 01.01.2020	Translation differences	Modification of the consolidation scope (Note 7)	Additions	Charges/ (reversals)	Transfers	Decreases, disposals or reductions	Write-downs	Balance at 31.12.2020	Translation differences	Modification of the consolidation scope (Note 7)	Additions	Charges/ (reversals)	Transfers	Decreases, disposals or reductions	Write -offs	Balance at 31.12.2021
Cost:																	
Land and buildings	2,539	(212)	1	96	—	80	(7)	—	2,497	114	(1)	71	—	75	(25)	—	2,731
Electric energy technical facilities:																	
Hydroelectric power plants	7,123	(171)	—	—	—	153	(1)	—	7,104	15	—	—	—	56	(22)	—	7,153
Thermal power plants	1,228	—	—	(1)	—	—	—	—	1,227	—	—	—	—	—	—	—	1,227
Combined cycle power plants	8,571	(563)	103	45	—	535	(15)	—	8,676	436	—	(2)	—	97	(38)	—	9,169
Nuclear power plants	7,796	—	—	44	—	79	(40)	—	7,879	—	—	(3)	—	154	(63)	—	7,967
Wind farms and other renewables	26,888	(1,727)	1,184	472	—	2,263	(128)	—	28,952	1,635	(172)	163	—	1,780	(110)	(23)	32,225
Photovoltaic power plants	455	(52)	—	75	—	418	—	—	896	47	—	60	—	412	—	—	1,415
Facilities of:																	
Gas storage	178	(15)	—	—	—	19		—	182	14	—	—	—	(3)	(33)	—	160
Electricity transmission	9,202	(759)	—	5	—	808	(11)	—	9,245	777	—	(1)	—	421	(18)	—	10,424
Electricity distribution	32,088	(1,272)	—	166	—	1,701	(75)	—	32,608	1,347	(33)	183	—	1,590	(57)	—	35,638
Gas distribution	3,309	(311)	—	(17)	—	216	(20)	—	3,177	276	—	—	—	175	(13)	—	3,615
Meters and metering devices	2,131	(113)	—	67	—	52	(83)	—	2,054	116	—	93	—	118	(48)	—	2,333
Dispatching centres and other facilities	2,134	(42)	—	21	—	119	(2)	—	2,230	49	(2)	36	—	211	(12)	—	2,512
Total technical facilities in operation	101,103	(5,025)	1,287	877	—	6,363	(375)	—	104,230	4,712	(207)	529	—	5,011	(414)	(23)	113,838
Others in use	2,196	(141)	2	208	—	(63)	(39)	—	2,163	107	52	208	—	15	(36)	—	2,509
Technical installations under construction	7,239	(396)	38	5,676	—	(5,987)	(203)	(31)	6,336	328	21	6,519	—	(4,768)	(78)	(40)	8,318
Prepayments and other PP&E under construction (*)	642	(73)	—	595	—	(318)	(249)	—	597	29	5	737	—	(384)	(203)	(6)	775
Total cost	113,719	(5,847)	1,328	7,452	—	75	(873)	(31)	115,823	5,290	(130)	8,064	—	(51)	(756)	(69)	128,171

(*) Prepayments at 31 December 2021 and 2020 amounted to EUR 219 million and EUR 138 million, respectively.

Millions of euros	Balance at 01.01.2020	Translation differences	Modification of the consolidation scope (Note 7)	Additions	Charges/ (reversals)	Transfers	Decreases, disposals or reductions	Write-downs	Balance at 31.12.2020	Translation differences	Modification of the consolidation scope (Note 7)	Additions	Charges/ (reversals)	Transfers	Decreases, disposals or reductions	Write-offs	Balance at 31.12.2021
Accumulated depreciation and provisions:																	
Buildings	**595**	**(47)**	**—**	**—**	**37**	**(15)**	**(2)**	**—**	**568**	**28**	**—**	**—**	**46**	**(6)**	**(9)**	**—**	**627**
Technical facilities in operation:																	
Hydroelectric power plants	3,996	(38)	—	—	100	11	—	—	4,069	5	(1)	—	99	—	(20)	—	4,152
Thermal power plants	1,164	1	—	—	54	—	—	—	1,219	—	—	—	1	—	(2)	—	1,218
Combined cycle power plants	2,936	(174)	6	—	256	—	(14)	—	3,010	128	—	—	262	—	(34)	—	3,366
Nuclear power plants	6,076	—	—	—	195	—	(34)	—	6,237	—	—	—	202	—	(62)	—	6,377
Wind farms and other renewables	9,229	(514)	434	—	996	16	(106)	—	10,055	505	(118)	—	1,004	—	(79)	(17)	11,350
Photovoltaic power plants	29	(3)	—	—	26	—	—	—	52	4	—	—	36	1	—	—	93
Facilities of:																	
Gas storage	66	(5)	—		5	—		—	66	5	—	—	4	(5)	(16)	—	54
Electricity transmission	2,128	(175)	—	—	190	—	(8)	—	2,135	182	—	—	187	(6)	(7)	—	2,491
Electricity distribution	11,657	(404)	—	—	813	16	(40)	—	12,042	409	(9)	—	873	(57)	(28)	—	13,230
Gas distribution	1,265	(116)	—	—	23	16	(11)	—	1,177	90	—	—	55	(245)	(4)	—	1,073
Meters and metering devices	975	(49)	—	—	105	—	(65)	—	966	52	—	—	131	37	(34)	—	1,152
Dispatching centres and other facilities	830	(19)	—	—	99	1	(2)	—	909	34	—	—	106	288	(8)	—	1,329
Total technical facilities in operation	**40,351**	**(1,496)**	**440**	**—**	**2,862**	**60**	**(280)**	**—**	**41,937**	**1,414**	**(128)**	**—**	**2,960**	**13**	**(294)**	**(17)**	**45,885**
Others in use	**1,211**	**(46)**	**33**	**—**	**134**	**(10)**	**(38)**	**—**	**1,284**	**44**	**44**	**—**	**150**	**(38)**	**(34)**	**—**	**1,450**
Total accumulated depreciation	**42,157**	**(1,589)**	**473**	**—**	**3,033**	**35**	**(320)**	**—**	**43,789**	**1,486**	**(84)**	**—**	**3,156**	**(31)**	**(337)**	**(17)**	**47,962**
Impairment allowance (Note 41)	273	(3)	—	—	(9)	—	(6)	—	255	1	—	—	(14)	—	(14)	—	228
Total accumulated depreciation and provisions	**42,430**	**(1,592)**	**473**	**—**	**3,024**	**35**	**(326)**	**—**	**44,044**	**1,487**	**(84)**	**—**	**3,142**	**(31)**	**(351)**	**(17)**	**48,190**
TOTAL NET COST	**71,289**	**(4,255)**	**855**	**7,452**	**(3,024)**	**40**	**(547)**	**(31)**	**71,779**	**3,803**	**(46)**	**8,064**	**(3,142)**	**(20)**	**(405)**	**(52)**	**79,981**

The breakdown by business of the main investments in property, plant and equipment made in 2021 and 2020, 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	31.12.2021	31.12.2020
Liberalised Business	567	409
Renewables Business	3,811	3,440
Networks Business	3,042	2,701
Corporation and other	26	59
Total	**7,446**	**6,609**

Fully depreciated property, plant and equipment still in use at 31 December 2021 and 2020 amounted to EUR 3,586 million and EUR 3,611 million, respectively.

At 31 December 2021 and 2020, the IBERDROLA Group had commitments to acquire property, plant and equipment totalling EUR 5,218 million and EUR 3,861 million, respectively.

Additional information

The New England Clean Energy Connect (NECEC) project aims to build a 233-kilometre direct current transmission line between Canada and New England to allow for the supply of 9.45 TWh of 100% hydroelectric power from Quebec to Massachusetts in New England. Construction of the NECEC project got underway in January 2021, after all the necessary permits had been obtained from the public authorities, but was halted in November 2021.

Construction remains on hold pending a court decision on the lawfulness of a citizens' initiative (approved in November 2021) which, among other things, requires House approval for certain transport lines when they cross or use public land. At the date of authorisation for issue of these financial statements it is not possible to accurately predict when these proceedings will end. This situation has been identified as an indication of impairment. Therefore, the corresponding recoverability analysis has been performed and no impairment has been detected on the amounts capitalised in the NECEC project, which at 31 December 2021 amounted to EUR 519 million.

On 31 January 2022, the interconnection contract to operate the Monterrey power plant (Mexico) on a self-supply basis came to an end and the corresponding permit to operate on a market basis has now been requested. This permit has yet to be obtained as at the date of authorisation for issue of these financial statements, although this is believed to be a delay rather than a refusal to grant the permit. A refusal could affect the viability of the plant and legal action would be pursued were that situation to arise. The asset's net carrying amount is USD 217 million (approximately EUR 192 million).

12. RIGHT-OF-USE ASSETS

Changes in 2021 and 2020 in right-of-use assets resulting from contracts in which the IBERDROLA Group is the lessee were as follows:

Millions of euros	Balance at 01.01.2020	Translation differences	Modification of the consolidation scope (Note 7)	Additions and (charges) / reversals	Restatement / modification of lease liabilities (Note 31)	Derecognitions	Balance at 31.12.2020	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
Cost:														
Land	1,287	(78)	50	230	135	(16)	1,608	87	(21)	123	129	(7)	(16)	1,903
Buildings	304	(22)	2	57	17	(7)	351	20	—	46	13	7	(3)	434
Equipment	77	(3)	—	56	(1)	(3)	126	6	—	32	5	—	(1)	168
Fleet	71	(3)	—	15	4	(1)	86	4	—	16	2	—	(3)	105
Other	239	(9)	—	—	(5)	(103)	122	8	—	—	44	—	(45)	129
Total cost	**1,978**	**(115)**	**52**	**358**	**150**	**(130)**	**2,293**	**125**	**(21)**	**217**	**193**	**—**	**(68)**	**2,739**
Accumulated depreciation and provisions:														
Land	(59)	5	(1)	(65)	—	—	(120)	(7)	3	(74)	—	—	1	(197)
Buildings	(59)	5	(1)	(39)	—	2	(92)	(5)	—	(37)	—	(2)	2	(134)
Equipment	(14)	1	—	(9)	—	—	(22)	—	—	(12)	—	2	1	(31)
Fleet	(22)	1	—	(21)	—	1	(41)	(2)	—	(20)	—	—	2	(61)
Other	(41)	3	—	(11)	—	6	(43)	(3)	—	(8)	—	—	—	(54)
Total accumulated depreciation	**(195)**	**15**	**(2)**	**(145)**	**—**	**9**	**(318)**	**(17)**	**3**	**(151)**	**—**	**—**	**6**	**(477)**
Impairment allowance	(1)	—	—	—	—	—	(1)	—	—	(1)	—	—	—	(2)
Total accumulated depreciation and provisions	**(196)**	**15**	**(2)**	**(145)**	**—**	**9**	**(319)**	**(17)**	**3**	**(152)**	**—**	**—**	**6**	**(479)**
Total net cost	**1,782**	**(100)**	**50**	**213**	**150**	**(121)**	**1,974**	**108**	**(18)**	**65**	**193**	**—**	**(62)**	**2,260**

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 indexes.

13. CONCESSION AGREEMENTS

The description of electricity service concession arrangements in Brazil within the scope of IFRIC 12: "Service concession arrangements" (Note 3.b) is as follows:

Distribution

Company	Location	Concession date	Expiry date	No. of municipalities	Tariff cycle	Last review
Elektro Redes, S.A.	State of São Paulo	27/08/1998	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 Energía 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	2017
S.E. Narandiba, S.A. (SE Brumado)	State of Bahia	27/08/2012	27/08/2042	5 years	2018
Potiguar Sul Transmissão 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 Energia S.A.	States of Paraíba and Ceará	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
Neoenergia Jalapão Transmissão de Energia, S.A.	States of Tocantis, Bahia and Piauí	08/03/2018	08/03/2048
EKTT 6 A Serviços de Transmissão de Energia Elétrica SPE S.A.	State of Bahia	20/03/2020	20/03/1950
EKTT 7 A Serviços de Transmissão de Energia Elétrica SPE S.A.	State of Bahia	31/03/2021	31/03/1951

On 17 December 2021, in Transmission Auction No. 02/2021 organised by the National Electricity Agency (ANEEL), the NEOENERGIA Group won lot 04, which includes the installation of three synchronous compensators at the Estreito substation, located in the State of Minas Gerais.

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. At the end of the concession the property 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 (or groups 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.

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 liberalised business:

- Facilities' production: the hours of operation used are consistent with those in previous years, and in line with the expected change over time.

- Electricity and gas sale prices: the selling prices used are those agreed upon in the signed purchase agreements. For unsold production, future prices in the market where the IBERDROLA Group operates are used.

- Electricity and gas retail supply margin: growth forecasts for the number of customers and unit margins based on the knowledge of the markets in which the IBERDROLA Group operates and the company's relative position in each of them.

- Investment: the projections are based on the best available information about the cost of the investments to be made in the coming years.

- Operation and maintenance costs: maintenance agreements for the current facilities were used. Other operating costs were projected consistent with the expected growth.

b) Assumptions used in the Networks business:

- 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 renewables business:

- 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 selling prices used are the ones agreed upon in the signed price purchase agreements. For unsold production, future prices in the market where the IBERDROLA Group operates are used. In all cases, the existing support mechanisms have been taken into account.

- Investment: the projections were based on the best information available about the plants that were expected to be put into operation in the next years, taking into account the fixed prices stated in the contracts to buy wind turbines 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 stipulated in land leases and maintenance agreements for the useful life of the facilities are used.

d) Forecast period and nominal growth rate:

The forecast period of future cash flows and the nominal growth rate (g) used to extrapolate these projections beyond the reporting period for the different cash-generating units are as follows:

	2021		2020	
	No. of years	g	No. of years	g
Electricity and gas retail supply in the UK	10	2.0%	10	2.0%
Electricity transmission and distribution in the UK	10	2.0 %	10	2.0 %
Renewable energies in the UK	Useful life	-	Useful life	-
Electricity and gas transmission and distribution in the United States	10	1.0 %	10	1.0 %
Renewable energies in the USA	Useful life	-	Useful life	-
Electricity generation and retail supply in Brazil	Useful life / 10	- / 3.0%	Useful life / 10	- / 3.5%
Electricity transmission and distribution in Brazil	Concession life	-	Concession life	-
Renewable energies in Brazil	Useful life	-	Useful life	-
Renewable energies in Australia	Useful life	-	n/a	n/a
Renewable energies in France	Useful life	-	n/a	n/a

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 assets in the conventional or renewable generation business is to use their remaining useful lives, especially as in many cases there are very 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 the IBERDROLA Group is to add the specific asset risks or risk premium of the asset or business to the time value of money or risk-free rate of each market.

The risk-free rate corresponds to 10-year Treasury bonds issued in the market, with sufficient depth and solvency. In countries with economies or currencies lacking sufficient depth and solvency, a country risk and currency risk is estimated so that the aggregate of all such components is considered to be the finance cost without the risk spread of the asset.

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

The discount rates before taxes used for the impairment test for the different cash generating units are:

	Rates – 2021	Rates – 2020
Electricity and gas retail supply in the United Kingdom	6.80 %	6.74 %
Electricity transmission and distribution in the United Kingdom	3.93 %	3.88 %
Renewable energies in the United Kingdom, onshore/offshore	4.94% / 5.62%	4.89% / 5.56%
Electricity and gas transmission and distribution in the United States	4.68 %	4.52 %
Renewable energies in the United States, onshore/offshore	5.35% / 6.38%	5.48% / 7.30%
Electricity generation and retail supply in Brazil	12.40 %	11.58 %
Electricity transmission and distribution in Brazil	10.15 %	9.32 %
Renewable energies in Brazil	11.73 %	10.88 %
Renewable energies in Australia	6.24 %	n/a
Renewable energies in the France, onshore/offshore	4.38% / 5.06%	n/a

Impairment and write-downs recognised in 2021 and 2020

Note 41 shows the amounts recognised as write-downs and provisions/(reversals) of provisions for non-financial assets affecting the 2021 and 2020 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):

- Electricity and gas generation and retail supply in the United Kingdom and Brazil:
    - Decrease of 5% in produced energy.
    - Decrease of 10% in margin per kWh.
    - No increase in the electricity and gas customer base.
    - Increase of 10% in operating and maintenance costs.
    - Increase of 10% in investment costs.
- Electricity transmission and distribution in the United Kingdom, the United States and Brazil:
    - Decrease of 10% in rate of return on which regulated remuneration is based.

  - Increase of 10% in operating and maintenance costs.

  - Decrease of 10% in investment (resulting in a subsequent decrease in remuneration).

- Renewable energies in the United Kingdom, the United States, Brazil, Australia and France:

  - Decrease of 5% in produced energy.

  - Decrease of 10% in total price per kWh, solely applicable to production for which there are no long-term sales agreements.

  - Increase of 10% in operating and maintenance costs.

  - Increase of 10% in investment costs.

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

These sensitivity analyses carried out separately for each basic assumption did not detect any impairment, except for the following cases:

- Retail supply of electricity and gas in the United Kingdom, whose value in use is EUR 331 million more than its carrying amount, where an increase in the customer base of less than 0.9% per annum, a reduction of 9.2% in the estimated sales margin, or an increase of 29 basis points in the discount rate, would bring the value in use to below the carrying amount.

- Renewable energies in the United States, whose value in use is EUR 888 million more than its carrying amount, where a decrease of 4.7% in energy production, a lower market price of 6.2%, increased operating expenditure of 8.7%, higher unit investment of 5.8%, or an increase of 39 basis points in the discount rate would bring the value in use to below the carrying amount.

- Renewable energies in Australia, whose value in use is EUR 72 million more than its carrying amount, where a decrease of 1.9% in energy production, a lower market price of 2.0%, increased operating expenditure of 5.2%, higher unit investment of 6.5%, or an increase of 23 basis points in the discount rate would bring the value in use to below the carrying amount.

15. FINANCIAL INVESTMENTS

15.a) Equity-accounted investees

Changes in 2021 and 2020 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	Subgroup	Vineyard Wind LLC co	Other joint ventures	Total
Balance at 01.01.2020	**311**	**655**	**176**	**164**	**136**	**197**	**318**	**1,957**
Investment/Additions	—	24	5	—	5	23	2	59
Change in the consolidation perimeter	—	—	—	—	—	—	16	16
Profit for the year from continuing operations	(14)	6	(6)	7	—	(13)	15	(5)
Other comprehensive income	—	1	—	—	—	—	—	1
Dividends	—	(4)	—	(7)	(13)	—	(31)	(55)
Translation differences	(91)	37	(51)	(48)	(12)	(18)	(18)	(201)
Disposals / Derecognitions	—	(622)	—	—	—	—	—	(622)
Other	—	—	—	—	—	—	(5)	(5)
Balance at 31.12.2020	**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 operations	(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**

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

Main transactions

- At year-end 2021, the IBERDROLA Group's 10% interest in the Brazilian company NORTE ENERGIA (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 the interest under "Assets held for sale" in the consolidated Statement of financial position at 31 December 2021 for an amount of EUR 124 million.

  The impairment loss amounting to EUR 75 million is recognised under "Result of equity-accounted investees — net of tax".

- 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.

  The IBERDROLA Group has a capital contribution commitment to finance the development and construction costs of the project in the amount of USD 827 million. Also in 2021, the IBERDROLA Group was repaid the capital contributions previously made for a total of EUR 128 million. The IBERDROLA Group also reached agreements with several banks to secure the future financing necessary to meet the cost of the project.

- In February 2020, Iberdrola Participaciones — a company wholly-owned by Iberdrola, S.A. — and Iberdrola, S.A. entered into an agreement with Siemens Aktiengesellschaft for the sale of IBERDROLA PARTICIPACIONES' entire stake in Siemens Gamesa Renewable Energy, S.A. (SIEMENS GAMESA), representing 8.07% of its share capital.

  The transaction price amounted to EUR 1,100 million, equivalent to EUR 20 per share in SIEMENS GAMESA. The sale and purchase was completed on 5 February 2020 and resulted in a gross capital gain of EUR 485 million, which was recognised under "Result of equity-accounted investees" in the 2020 consolidated Income statement (Note 2.c). This capital gain was considered exempt in the 2020 corporate tax estimate.

Condensed financial information

The condensed financial information at 31 December 2021 and 2020 (at 100% and before intercompany eliminations) for the main subgroups accounted for using the equity method is as follows:

	NORTE ENERGIA		TELES PIRES		EAPSA		Flat Rock subgroup		Vineyard Wind LLC	
Millions of euros	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Segment			Renewables – Brazil				Renewables – United States			
Percentage ownership	5.10 %		26.03 %		26.03 %		40.75 %		40.75 %	
Current assets	253	287	32	43	30	23	18	6	14	27
Non-current assets	6,497	6,705	1,034	1,061	210	208	229	233	473	347
Total assets	**6,750**	**6,992**	**1,066**	**1,104**	**240**	**231**	**247**	**239**	**487**	**374**
Current liabilities	274	302	46	50	19	16	3	7	12	153
Non-current liabilities	4,478	4,616	470	520	52	56	1	40	83	1
Total liabilities	**4,752**	**4,918**	**516**	**570**	**71**	**72**	**4**	**47**	**95**	**154**
Income from ordinary activities	718	788	139	143	46	47	—	10	21	—
Depreciation and amortisation	(244)	(288)	(27)	(32)	(5)	(5)	(1)	(16)	(1)	(1)
Interest income	12	27	8	(6)	1	—	—	—	—	—
Interest expenses	(299)	(343)	(24)	(36)	(3)	(3)	—	(1)	—	—
Tax (expense)/income	8	27	(4)	4	(7)	(3)	—	—	—	—
Profit for the year from continuing operations	(67)	(145)	8	(20)	27	18	(2)	2	3	(19)
Other comprehensive income	—	—	—	—	—	—	—	—	(20)	—
Total comprehensive income	**(67)**	**(145)**	**8**	**(20)**	**27**	**18**	**(2)**	**2**	**(17)**	**(19)**
Other information										
Cash and cash equivalents	129	156	13	25	23	15	17	3	12	26
Current financial liabilities (*)	112	102	23	35	6	6	6	2	2	19
Non-current financial liabilities (*)	4,329	4,442	421	435	22	28	—	—	—	—

(*) Excluding trade and other payables.

15.b) Other financial investments

Details of the “Other non-current financial investments” and “Other current financial investments” headings of the IBERDROLA Group’s consolidated Statement of financial position are as follows:

Millions of euros	31.12.2021	31.12.2020
Non-current (Note 4)		
Accounts receivable in Brazil (Notes 3.b and 13)	2,893	2,261
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	54	—
Non-current deposits and guarantees	273	259
Non-current financial deposits (Note 21)	65	—
Other current financial investments	53	87
Assets for pension plans (Note 26)	317	5
Other investments in equity-accounted investees	13	6
Other	327	292
Bad debt provisions	—	(1)
Total	**3,995**	**2,909**
Current (Note 4)		
Current financial investments (between 3 and 12 months) (Note 21)	12	247
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	264	14
Accounts receivable for financing imbalance in revenues in 2021	26	—
Accounts receivable for financing imbalance in revenues in 2020	—	53
Other investments in equity-accounted investees	11	8
CSA derivatives security deposits (Note 21)	101	50
Other current deposits and guarantees	946	138
Other	189	92
Bad debt provisions	(16)	(24)
Total	**1,533**	**578**

Accounts receivable in Brazil

The “Accounts receivable in Brazil” heading relates to the amount receivable 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 depreciated 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* (IPCAM). 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 realisable value and the IPCAM.

Non-current deposits and guarantees

“Non-current deposits and guarantees” essentially corresponds to the portion of guarantees and deposits received from customers at the time their contracts are arranged as security of electricity supply (recorded under the “Non-current financial liabilities — Other non-current financial liabilities” heading of the consolidated Statement of financial position — Note 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 2020, as estimated in that year, presented a shortfall which was offset by unused surpluses from previous years. In 2021, 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 2021 and 2020 amounted to EUR 148 million and EUR 248 million, respectively.

At 31 December 2021 and 2020 the amounts of EUR 122 million and EUR 195 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 2021 and 2020.

The deficit financed by the IBERDROLA Group at 31 December 2019 was collected in 2021.

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	31.12.2021	31.12.2020
Non-current		
Receivables from equity-accounted investees	2	2
PIS/COFINS Brazil (Notes 32 and 35)	694	734
Other receivables	671	714
Contract assets:		
Concessions under IFRIC 12 (Note 3.u and 13)	1,945	1,372
CFE (Note 37)	447	338
Other	8	8
Valuation changes for impairment	(3)	(7)
Total	**3,764**	**3,161**

Millions of euros	31.12.2021	31.12.2020
Current		
Customers (Note 5)	7,886	6,415
Other receivables	1,190	727
Receivables from equity-accounted investees	19	6
Contract assets:		
Construction contracts	33	41
Concessions under IFRIC 12 (Note 3.u and 13)	77	21
CFE (Note 37)	15	15
Valuation changes for impairment	(1,037)	(748)
Total	**8,183**	**6,477**

Concessions under IFRIC 12

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

Millions of euros	2021	2020
Opening balance	**1,393**	**1,246**
Modification of the consolidation scope (Note 7)	21	—
Investment	941	954
Amounts allocated to the Income statement	332	231
Transfers	(618)	(615)
Proceeds	(28)	(15)
Translation differences	(9)	(403)
Other	(10)	(5)
Closing balance	**2,022**	**1,393**

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 a receivable 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 the expected credit losses of the above balances are as follows:

Millions of euros	2021	2020
Opening balance	**755**	**693**
Modification of the consolidation scope (Note 7)	26	—
Charges	670	499
Applications	(269)	(224)
Surplus	(176)	(118)
Translation differences	34	(95)
Closing balance	**1,040**	**755**

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 recorded in the consolidated Statements of financial position correspond to 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 2021 and 2020 amounted to EUR 43,360 million and EUR 41,065 million, with the carrying amount being EUR 41,163 million and EUR 38,037 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 inputs.
- Level 3: assets and liabilities whose fair value is determined using valuation techniques that do not use observable market inputs.

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

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)**

Millions of euros	31.12.2020	Level 1	Level 2	Level 3
Derivative financial instruments (financial assets)	1,969	1	1,852	116
Derivative financial instruments (financial liabilities)	(1,288)	—	(1,171)	(117)
Total (Note 29)	**681**	**1**	**681**	**(1)**

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

	Derivative financial instruments	
Millions of euros	**2021**	**2020**
Opening balance	**(1)**	**27**
Income and expense recognised in the consolidated Income statement	11	—
Income and expense recognised in equity	(117)	(10)
Purchases	(99)	(2)
Sales and settlements	(18)	(15)
Translation differences	(10)	(1)
Transfers and other	(1)	—
Closing balance	**(235)**	**(1)**

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 inputs 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 inputs 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 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 2021 and 2020 is as follows:

	31.12.2021					
				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	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

	31.12.2020					
				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	393	(146)	247	(22)	(7)	218
Other	3	—	3	—	(2)	1
Non-current						
Commodities	146	(13)	133	(19)	(14)	100
Other	48		48	—	(47)	1
Total	**590**	**(159)**	**431**	**(41)**	**(70)**	**320**
OTHER FINANCIAL ASSETS:						
Receivables	136	(117)	19	(2)	(17)	—
LIABILITIES DERIVATIVES:						
Current						
Commodities	220	(161)	59	(22)	—	37
Other	1	—	1	—	—	1
Non-current						
Commodities	47	(13)	34	(19)	—	15
Other	—	—	—	—	—	—
Total	**268**	**(174)**	**94**	**(41)**	**—**	**53**
OTHER FINANCIAL LIABILITIES:						
Payables	265	(117)	148	(2)	(22)	124

18. NUCLEAR FUEL

The changes in the “Nuclear fuel” heading of the consolidated Statement of financial position in 2021 and 2020, as well as details thereof at 31 December 2021 and 2020, are as follows:

Millions of euros	Fuel put in reactor core	Nuclear fuel in progress	Total
Balance at 01.01.2020	**255**	**51**	**306**
Additions	—	57	57
Capitalised finance expenses (Notes 3.g and 42)	—	1	1
Transfers	42	(42)	—
Fuel consumed (Note 3.g)	(104)	—	(104)
Balance at 31.12.2020	**193**	**67**	**260**
Additions	—	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**

The IBERDROLA Group’s nuclear fuel purchase commitments at 31 December 2021 and 2020 amounted to EUR 487 million and EUR 535 million, respectively.

19. INVENTORIES

Details of the “Inventories” heading (Note 3.h) of the consolidated Statement of financial position at 31 December 2021 and 2020 are as follows:

Millions of euros	31.12.2021	31.12.2020
Energy resources	171	148
Emission allowances and renewable certificates	539	381
Real estate inventories	1,191	1,250
Land and plots	1,018	964
Developments in construction	161	264
Developments completed	12	22
Other inventories	905	831
Real estate inventories impairment allowance	(167)	(167)
Total	**2,639**	**2,443**

Changes in impairment allowances in 2021 and 2020 are as follows:

Millions of euros	2021	2020
Opening balance	**167**	**155**
Charges	8	16
Reversals	(7)	(3)
Applications and others	(1)	(1)
Closing balance	**167**	**167**

The 2021 and 2020 consolidated Income statement includes EUR 108 million and EUR 75 million, respectively, in sales of real estate inventories.

The heading “Other inventories” includes the transmission line built by East Anglia One Limited (EA1) which will subsequently be acquired by an OFTO (Offshore Transmission Owner). East Anglia One Limited's exemption from the legislative requirement to hold a transmission licence under the Electricity Act 1989 expired on 13 December 2021. The divestment of the asset, previously due to be completed by 13 December 2021, is now expected to be completed by 2022.

Having considered the relevant legal, contractual and regulatory implications and as a result of the continued positive commitment and assurances from the Department for Business Energy and Industrial Strategy and Ofgem, the project continues to generate and transmit electricity beyond the exemption date. Therefore, no impairment losses have been deemed necessary.

20. CASH AND CASH EQUIVALENTS

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

Millions of euros	31.12.2021	31.12.2020
Cash	959	1,251
Cash equivalents	3,074	2,176
Total	**4,033**	**3,427**

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 2021 and 2020 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 01.01.2020			**6,362,072,000**	**0.75**	**4,771,554,000**
Scrip issue	04 February 2020	1.440	91,520,000	0.75	68,640,000
Capital reduction	02 July 2020	3.310	(213,592,000)	0.75	(160,194,000)
Scrip issue	30 July 2020	1.764	110,061,000	0.75	82,546,750
Balance at 31.12.2020			**6,350,061,000**	**0.75**	**4,762,546,750**
Scrip issue	05 February 2021	1.072	68,095,000	0.75	51,071,250
Capital reduction	06 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**

The scrip issues carried out in 2021 and 2020 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 2020 and 1 July 2021, capital reductions through the retirement of treasury stock were agreed, as approved at the General Shareholders' Meetings held on 2 April 2020 and 18 June 2021, respectively.

There were no changes to IBERDROLA's share capital other than 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 (*Ley de Sociedades de Capital*).

IBERDROLA´s shares are listed for trading on the Spanish electronic trading system (*Mercado Continuo Español*), and included in the IBEX-35, Eurostoxx-50 and Stoxx Europe-50 indexes.

<u>Powers delegated at the General Shareholders' Meeting</u>

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 up to the limits stipulated in Article 297.1 b) of the Spanish Companies Act (*Ley de Sociedades de Capital*), with authorisation to exclude limited pre-emptive 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 a combined limit up to a maximum nominal amount of 20% of the share capital.

<u>Major shareholders</u>

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 2021 and 2020, 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 is presented in the IBERDROLA Group´s 2021 Annual Corporate Governance Report (part of the 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 2021 and 2020 are as follows:

	% of voting rights 2021			% of voting rights 2020		
Holder	Direct	Indirect	Total	Direct	Indirect	Total
Qatar Investment Authority	—	8.689	8.689	—	8.711	8.711
Norges Bank	3.356	—	3.356	3.600	—	3.600
Blackrock, Inc.	—	5.161	5.161	—	5.160	5.160

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 2021 and 2020 were as follows

Millions of euros	31.12.2021	31.12.2020
Parent company	40,479	35,412
Non-controlling interests	15,647	11,806
Equity	**56,126**	**47,218**
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed.	241	784
Adjusted equity	**56,367**	**48,002**
Bank borrowings, bonds and other marketable securities (Note 28)	41,163	38,037
Derivative liability instruments	760	592
Leases	2,411	2,058
Gross financial debt (A)	**44,334**	**40,687**
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed (B)	241	784
Adjusted gross financial debt (C=A-B)	**44,093**	**39,903**
Non-current financial deposits (Note 15.b)	65	—
Derivative asset instruments	763	1,037
CSA derivatives security deposits (Note 15.b)	101	50
Current financial investments (between 3 and 12 months) (Note 15.b)	12	247
Cash and cash equivalents (Note 20)	4,033	3,427
Total cash assets (D)	**4,974**	**4,761**
Net financial debt (A-D)	**39,360**	**35,926**
Adjusted net financial debt (C-D)	**39,119**	**35,142**
Adjusted net leverage	**40.97 %**	**42.27 %**

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

Millions of euros	31.12.2021	31.12.2020
Accumulators (potential shares)	241	317
Out of the money put options	—	467
Derivatives of treasury stock with physical settlement that at this date are not expected to be executed.	**241**	**784**

The derivative financial instruments shown in the table above do not include those related to the price of commodities, or price indexes. and are as follows (Note 29):

	2021					
	Asset derivatives			Liability derivatives		
Millions of euros	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)

	2020					
	Asset derivatives			Liability derivatives		
Millions of euros	Current	Non-current	Total	Current	Non-current	Total
Interest rate hedges	22	65	87	(23)	(48)	(71)
Exchange rate hedges	248	431	679	(144)	(116)	(260)
Total hedging derivatives	**270**	**496**	**766**	**(167)**	**(164)**	**(331)**
Interest rate derivatives	6	5	11	(1)	—	(1)
Treasury shares derivatives	—	260	260	—	(260)	(260)
Total non-hedging derivatives	**6**	**265**	**271**	**(1)**	**(260)**	**(261)**
Total	276	761	1,037	(168)	(424)	(592)

Legal reserve

Under the Spanish Companies Act, 10% of net 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 may be used to increase the share capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, if no other reserves are available.

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 2021 and 2020 are as follows:

Millions of euros	AVANGRID subgroup	NEONERGIA subgroup	East Anglia	Infigen	Other	Perpetual subordinated bonds	Total
Balance at 01.01.2020	**3,261**	**2,593**	**1,015**	**—**	**99**	**2,549**	**9,517**
Capital increase/right issue	—	—	206	—	—	3,000	3,206
Profit for the year from non-controlling interests	43	226	59	—	13	—	341
Other comprehensive income	5	10	(7)	—	—	—	8
Dividends	(90)	(51)	—	—	(9)	—	(150)
Translation differences	(290)	(766)	(76)	—	(6)	—	(1,138)
Modification of the consolidation scope (Note 7)	—	—	—	254	—	—	254
Transactions with non-controlling interests (Note 7)	—	—	—	(254)	—	—	(254)
Other	7	—	—	—	64	(49)	22
Balance at 31.12.2020	**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 income	(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**

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 credit of EUR 611 million was recognised under “Equity — Non-controlling interests” of the consolidated Income statement at 31 December 2021.

In 2020, various capital increases were carried out to complete the construction of the East Anglia project in the amount of EUR 516 million. These increases were subscribed by the shareholders according to their percentage shareholding, resulting in a credit of EUR 196 million to “Equity — Non-controlling interests” in the consolidated Statement of financial position at 31 December 2020.

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 31.12.2021	AVANGRID subgroup 31.12.2020	NEONERGIA subgroup 31.12.2021	NEONERGIA subgroup 31.12.2020	East Anglia 31.12.2021	East Anglia 31.12.2020
Current assets	2,871	2,622	3,408	2,352	1,179	978
Non-current assets	38,665	33,961	11,039	9,118	2,642	2,501
Total assets	**41,536**	**36,583**	**14,447**	**11,470**	**3,821**	**3,479**
Current liabilities	(3,107)	(2,580)	3,016	1,853	92	102
Non-current liabilities	(18,054)	(18,308)	6,970	5,593	522	382
Total liabilities	**(21,161)**	**(20,888)**	**9,986**	**7,446**	**614**	**484**
Gross operating profit – EBITDA	1,967	1,689	1,676	1,208	360	278
Impairment losses, trade and other receivables	(86)	(76)	(55)	(77)	—	—
Amortisation, depreciation and provisions	(1,104)	(1,091)	(384)	(367)	(112)	(83)
Result of equity-accounted investees - net of taxes	6	—	(68)	(13)	—	—
Finance income	(246)	(263)	(365)	(182)	(4)	(1)
Gains /(losses) from non-current assets	—	2	—	—	—	—
Income tax	(154)	(47)	(205)	(122)	(107)	(47)
Non-controlling interests	(3)	(3)	—	(226)	—	—
Net profit/(loss) for the year	**380**	**211**	**599**	**221**	**137**	**147**

Millions of euros	AVANGRID subgroup 31.12.2021	AVANGRID subgroup 31.12.2020	NEONERGIA subgroup 31.12.2021	NEONERGIA subgroup 31.12.2020
Net cash flows from operating activities	1,582	1,367	21	601
Net cash flows used in investing activities	(2,061)	(2,504)	(1,618)	(815)
Net cash flows from financing activities	486	2,262	1,674	387
Net increase/(decrease) in cash and cash equivalents	**7**	**1,125**	**77**	**173**

Perpetual subordinated bonds

The IBERDROLA Group issued the following perpetual subordinated perpetual bonds in 2021:

Issue date	Millions of euros	Coupon	Early redemption option
09/02/2021	2,000	First tranche of EUR 1,000 million Fixed annual rate of 1.45% from the issuance date until 9 February 2027. From the date of the first review, five-year swap rate plus an annual margin of 1.832% over the following five years. Five-year swap rate plus a margin of 2.082% per year during each of the five-year revision periods starting on 9 February 2032, 2037 and 2042 and five-year swap rate plus a margin of 2.832% per year during the subsequent five-year revision periods.	During the three previous months until (and including) 29 April 2027 and from that date each year
		Second tranche of EUR 1,000 million Fixed annual rate of 1.825% from the issuance date until 9 February 2030. From the date of the first review, five-year swap rate plus an annual margin of 2.049% over the following five years. Five-year swap rate plus a margin of 2.299% per year during each of the five-year revision periods starting on 9 February 2035, 2040 and 2045 and five-year swap rate plus a margin of 3.049% per year during the subsequent five-year revision periods.	During the three previous months until (and including) 29 April 2030 and from that date each year
16/11/2021	750	Fixed annual rate of 1.575% from the issuance date until 16 November 2027. From the date of the first review, five-year swap rate plus an annual margin of 1.676% over the following five years. Five-year swap rate plus a margin of 1.926% per year during each of the five-year revision periods starting on 16 November 2032, 2037 and 2042 and five-year swap rate plus a margin of 2.676% per year during the subsequent five-year revision periods.	During the three previous months until (and including) 16 November 2027 and from that date each year

These bonds do not have a contractual maturity date. After analysing the issue conditions, the IBERDROLA Group recognised the cash received with a credit to the “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 contractual 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 early— are fully under its control.

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

Total interest paid in 2021 and 2020 amounted to EUR 94 million and EUR 63 million, respectively. Meanwhile, interest accrued in 2021 and 2020 amounted to EUR 155 million and EUR 74 million, respectively, as recognised under “Other reserves” in the consolidated Statement of financial position.

Considering the issues made during 2021, the IBERDROLA Group had outstanding perpetual subordinated bonds worth EUR 8,250 million at 31 December 2021.

Valuation adjustments

The change in this reserve arising from valuation adjustments to derivatives designated as cash flow hedges at 31 December 2021 and 2020 is as follows:

Millions of euros	01.01.2020	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to the Income statement	31.12.2020	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to the Income statement	31.12.2021
Valuation adjustments of equity-accounted investees (net of tax):	**(1)**	**1**	**—**	**—**	**—**	**(10)**	**—**	**—**	**(10)**
Cash flow hedges:									
Interest rate swaps	(522)	(283)	—	136	(669)	71	—	134	(464)
Collars	(7)	—	—	—	(7)	—	—	—	(7)
Commodities derivatives	(162)	113	—	381	332	2,350	—	(1,388)	1,294
Currency forwards	3	24	(14)	(9)	4	(10)	1	12	7
Other	—	—	—	—	—	(165)	—	—	(165)
	(688)	**(146)**	**(14)**	**508**	**(340)**	**2,246**	**1**	**(1,242)**	**665**
Hedging costs	**(2)**	**(34)**	**—**	**36**	**—**	**(34)**	**—**	**38**	**4**
Tax effect:	**147**	**57**	**2**	**(108)**	**98**	**(433)**	**—**	**223**	**(112)**
Total	**(544)**	**(122)**	**(12)**	**436**	**(242)**	**1,769**	**1**	**(981)**	**547**

Treasury shares

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

At 31 December 2021 and 2020 the balances of the various instruments are as follows:

	31.12.2021		31.12.2020	
	No. of shares	Millions of euros	No. of shares	Millions of euros
Treasury shares held by IBERDROLA	82,915,340	823	85,222,122	888
Treasury shares held by SCOTTISH POWER	695,770	8	815,645	8
Total return swaps	13,547,820	102	8,209,638	53
Put options sold	—	—	42,996,817	451
Accumulators (exercised shares)	45,085,032	465	11,306,168	107
Accumulators (potential shares)	47,036,224	462	47,016,022	478
Total	**189,280,186**	**1,860**	**195,566,412**	**1,985**

(a) Treasury shares

Changes in 2021 and 2020 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 01.01.2020	**24,376,375**	**218**	**913,719**	**8**
Additions	286,880,467	2,708	210,836	2
Capital reduction	(213,592,000)	(1,918)	—	—
Iberdrola Retribución Flexible (1)	693,281	—	88,194	—
Disposals (2)	(13,136,001)	(120)	(397,104)	(2)
Balance at 31.12.2020	**85,222,122**	**888**	**815,645**	**8**
Additions	180,342,768	1,896	221,627	3
Capital reduction	(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**

(1) Shares received

(2) Includes shares delivered 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 2021 and 2020, 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 2021 and 2020 are as follows:

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	28/07/2022	3 month Euribor + 0.29%	28
Total return swap	2,077,920	9.721	30/08/2022	3 month Euribor + 0.30%	20
Total return swap	6,999,666	7.756	17/11/2022	3 month Euribor + 0.47%	54
Total	**13,547,820**				**102**

2020	No. of shares at 31.12.2020	Strike price	Expiry date	Interest rate	Millions of euros
Total return swap	8,209,638	6.440	28/07/2021	3 month Euribor + 0.47%	53
Total	**8,209,638**				**53**

– 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 2021 and 2020 are as follows:

2021	No. of shares	Average price in the period	Expiry date	Millions of euros
Exercised shares	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

2020	No. of shares	Average price in the period	Expiry date	Millions of euros
Exercised shares	11,306,168	9.4737	15/03/2021 to 15/11/2021	107
Potential maximum [(1)]	47,016,022	10.1760	15/03/2021 to 15/11/2021	478

[(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.

As at 31 December 2021 there were no outstanding contracts, while the characteristics of these contracts at 31 December 2020 were as follows:

2020	No. of shares	Average price in the period	Expiry date	Thousands of euros [(1)]
Put options sold	42,996,817	10.846	29/01/2021 to 31/03/2021	451

[(1)] The amount is presented net of the premiums collected of EUR 15 million.

Distribution of dividends charged to 2021 profit

IBERDROLA´s Board of Directors has agreed to propose at the General Shareholders' Meeting the distribution (chargeable to earnings for 2021 and prior years' profit or loss) of a gross dividend the gross amount of which will be the sum of the following amounts:

(a) the EUR 353 million that was paid out as an interim dividend for 2021 on 1 February 2022 to the holders of 2,077,587,951 IBERDROLA shares that chose to receive their remuneration in cash under the second application of the *Iberdrola Retribución Flexible* optional dividend system for 2021 and therefore received EUR 0.17, 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 2021 under the framework of the first application of the 2022 *Iberdrola Retribución Flexible* optional dividend system (the *Final dividend*); by

(ii) the total number of shares upon which the holders have opted to receive the *Final dividend* within the scope of the first settlement implementation of the *Iberdrola Retribución Flexible* optional dividend system for 2022.

At the date of authorisation for issue 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 2021 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 scrip issue).

The payment of the *Final dividend* will be one of the alternatives that the shareholder may choose when receiving their remuneration within the scope of the first settlement of the *Iberdrola Retribución Flexible* optional dividend system for 2022, which will be carried out via the aforementioned scrip issue.

It is estimated that the amount of the *Final dividend* will be at least EUR 0.27 per share, subject to the approval at the General Shareholders' Meeting of the resolutions relating to the *Iberdrola Retribución Flexible* optional dividend system for 2022. 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 resolutions 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 2022. Additionally, once the first application of the *Iberdrola Retribución Flexible* optional dividend system for 2022 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 key features of the plans are summarised below.

Long-term compensation programme	Settled in shares	Measurement period	Settlement period	Maximum number of beneficiaries	Maximum number of shares	Level of achieveme nt
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.

(2) Level of achievement and settlement approved by the Board of Directors of AVANGRID upon the proposal of the Compensation, Nominating and Corporate Governance Committee (CNCGC).

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

No. of shares	IBERDROLA 2017-2019	AVANGRID 2016-2019 [3]
Balance at 01.01.2020	**11,509,809**	**1,202,751**
Cancellations	(155,000)	(20,771)
Other	683,000	(976,317)
Deliveries	(3,985,715) [1] [2]	(68,586)
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**

(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 million and EUR 4.6 million relating to the first and second 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 2020, with the equivalent value of 53,980 shares settled in cash in 2020 and of 51,317 shares in 2021, thus bringing the outstanding balance at 31 December 2021 to 39,101 notional shares to be settled in 2022.

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 01.01.2020	**61**	**5**	**2**	**68**
Provision charged to "Personnel expenses"	25	7	—	32
Price effect charged to "Other reserves"	16	—	—	16
Payments in shares	(50)	(2)	(2)	(54)
Transfers	—	(1)	—	(1)
Balance at 31.12.2020	**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**

(1) Shown at 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)	10,905,373 (4)
NEOENERGIA 2020-2022 (1)	Neoenergia	2020-2022	2023-2025	125	3,650,000	3,241,200
AVANGRID 2020-2022 (2)	AVANGRID	2021-2022	2023-2025	125	1,500,000	1,088,668

(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 measurement period are similar under the above plans, and are 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 2021 and 2020 includes EUR 59 million and EUR 8 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	2021	2020
IBERDROLA 2020-2022	40	8
NEOENERGIA 2020-2022	5	—
AVANGRID 2020-2022	14	—
Balance at 31.12.2021	**59**	**8**

Other share-based compensation plans

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

- *Sharesave Schemes*: savings plans 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 01.01.2020	**—**
Granted	3,474,202
Exercised	(235)
Cancelled	(32,335)
Balance at 31.12.2020	**3,441,632**
Exercised	(18,768)
Cancelled	(157,604)
Balance at 31.12.2021	**3,265,260**

– 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.

Share 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 2020	576,390
Total balance of partnership shares at 31.12.2020	**4,857,570**
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 company contribution (matching shares) in 2020	210,836
Shares acquired with company contribution (matching shares) with a term shorter than 3 years in 2020	813,111
Total balance of matching shares at 31.12.2020	**2,378,785**
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**

The “Personnel expenses” heading of the consolidated Income statement for 2021 and 2020 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 2021 and 2020 payments for options and shares were made in the amount of EUR 3 million and EUR 18 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) Level of achievement and settlement approved by the Board of Directors of i-DE REDES ELÉCTRICAS INTELIGENTES, formerly IBERDROLA DISTRIBUCIÓN ELÉCTRICA.
(2) Level of achievement and settlement approved by the Boards of Directors of NEOENERGIA on the recommendation of the Remuneration Committee.

The “Personnel expenses” heading of the consolidated Income statement for 2021 and 2020 includes EUR 3 million and EUR 6 million, respectively.

The second and first of the three annual settlements resulted in the delivery of EUR 6 million and EUR 5 million in 2021 and 2020, 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 2021 and 2020, the amount shown in this heading accrued an average interest in USD of 6.58% and 6.59% respectively.

Changes in this heading of the consolidated Statement of financial position for 2021 and 2020 are as follows:

Millions of euros	2021	2020
Opening balance	**391**	**215**
Finance expenses accrued in the year (Note 43)	30	28
Payments	(110)	(86)
Translation differences	42	(33)
Additions	272	267
Closing balance	**625**	**391**

The IBERDROLA Group signed new contracts through its US subsidiaries Aeolus VII and Aeolus VIII in 2021 and Aeolus VII in 2020.

24. CAPITAL GRANTS

The change in this heading of the consolidated Statement of financial position for 2021 and 2020 is as follows (Note 3.n):

Millions of euros	Capital grants	Investment Tax Credits	Total
Balance at 01.01.2020	**271**	**1,128**	**1,399**
Additions	8	—	8
Derecognitions	—	(2)	(2)
Transfers	14	—	14
Translation differences	(6)	(99)	(105)
Taken to profit or loss (Note 3.n)	(17)	(57)	(74)
Balance at 31.12.2020	**270**	**970**	**1,240**
Additions	8	—	8
Translation differences	5	80	85
Taken to profit or loss (Note 3.n)	(17)	(55)	(72)
Balance at 31.12.2021	**266**	**995**	**1,261**

25. FACILITIES TRANSFERRED OR FINANCED BY THIRD PARTIES

The change in this heading of the consolidated Statement of financial position for 2021 and 2020 is as follows (Note 3.o):

Millions of euros	Facilities transferred by third parties	Facilities financed by third parties	Total
Balance at 01.01.2020	**2,564**	**2,423**	**4,987**
Additions	167	216	383
Derecognitions	—	(2)	(2)
Transfers	—	5	5
Translation differences	(15)	(111)	(126)
Taken to profit or loss (Note 3.o)	(124)	(80)	(204)
Balance at 31.12.2020	**2,592**	**2,451**	**5,043**
Additions	179	267	446
Derecognitions	—	(2)	(2)
Transfers	—	(2)	(2)
Translation differences	19	130	149
Taken to profit or loss (Note 3.o)	(130)	(80)	(210)
Balance at 31.12.2021	**2,660**	**2,764**	**5,424**

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	31.12.2021	31.12.2020
Defined benefit plans (Spain)	378	385
Long-service bonuses and other long-term benefits (Spain)	46	47
Defined benefit plans (United Kingdom)	129	615
Defined benefit plans (United States)	669	871
Defined benefit plans (Brazil)	132	176
Defined benefit plans and other long-term benefits (Spain and other countries)	59	68
Restructuring plans	206	179
Total	**1,619**	**2,341**

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

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

Spain

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

– Employees subject to the IBERDROLA Group's Collective Labour 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 2021 and 2020.

  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.

– Further, in relation to serving employees and employees who have retired after 1996 and are subject to IBERDROLA Group's Collective Labour Agreement and members/beneficiaries of the IBERDROLA Pension Plan, risk benefits (e.g. widowhood, permanent disability or orphanage) 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 of the event, if the latter were lower. The premiums on the insurance policy for 2021 and 2020 are recognised under "Personnel expenses" in the consolidated Income statements for an amount of EUR 10 million and EUR 9 million, respectively.

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

United Kingdom (SCOTTISH POWER)

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 former employees of SCOTTISH POWER that now form part of the workforce of the IBERDROLA Group in the United States, most of them belonging to the workforce of Iberdrola Renewables Holding Inc. (hereinafter, ARHI), are included in various post-employment plans (*Supplemental Executive Retirement Plan*, *Iberdrola Renewables Retiree Benefits Plan* and *Iberdrola Renewables Retirement Plan*).

From 30 April 2011, there was a change affecting all plan participants in the *Iberdrola Renewables Retiree Benefits Plan*. The benefit receivable at retirement age was set at the amount accrued until 30 April 2011 and the plan became a defined-contribution scheme from that date onwards.

AVANGRID NETWORKS Group employees are beneficiaries of various defined benefit retirement pension schemes (Qualified Pension Plans, Non-Qualified Pension Plans), disability benefit plans (Long-Term Disability Plans) and health insurance plans (Post-retirement Welfare Plans).

UIL Group´s employees were covered by several defined benefit retirement schemes (Qualified Pension Plans, Non-Qualified Pension Plans) and health plans (Post-retirement Welfare Plans).

The defined benefit pension plans are closed to new entrants and, in certain cases, those who remain are only recognised for past services rendered.

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

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:

					United States											
	Spain		United Kingdom		ARHI		UIL		AVANGRID NETWORKS		Brazil [(1)]		Other		Total	
Millions of euros	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Present value of the obligation	(424)	(432)	(5,931)	(6,181)	(61)	(60)	(1,072)	(1,059)	(2,372)	(2,410)	(692)	(679)	(59)	(68)	(10,611)	(10,889)
Fair value of plan assets	—	—	6,118	5,566	36	34	788	730	2,012	1,894	591	548	—	—	9,545	8,772
Net asset / (Net provision)	(424)	**(432)**	**187**	**(615)**	**(25)**	**(26)**	**(284)**	**(329)**	**(360)**	**(516)**	**(101)**	**(131)**	**(59)**	**(68)**	**(1,066)**	**(2,117)**
Amounts recognised in the consolidated Statement of financial position:																
Provision for pensions and similar obligations	(424)	(432)	(129)	(615)	(25)	(26)	(284)	(329)	(360)	(516)	(132)	(176)	(59)	(68)	(1,413)	(2,162)
Assets for pensions and similar obligations (Note 15.b)	—	—	316	—	—	—	—	—	—	—	1	5	—	—	317	5
Net asset / (Net provision)	**(424)**	**(432)**	**187**	**(615)**	**(25)**	**(26)**	**(284)**	**(329)**	**(360)**	**(516)**	**(131)**	**(171)**	**(59)**	**(68)**	**(1,096)**	**(2,157)**

(1) A surplus of EUR 30 million and EUR 40 million was not recognised at 31 December 2021 and 2020, respectively, under the terms of IFRIC 14: “IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”.

The changes in provisions for the commitments detailed in the previous section in 2021 and 2020 are as follows:

Millions of euros	Spain		United Kingdom	United States			Brazil (1)	Other	Total
	Electricity tariff	Length of service bonus		ARHI	UIL	AVANGRID NETWORKS			
Balance at 01.01.2020	**409**	**44**	**6,081**	**64**	**1,128**	**2,531**	**866**	**75**	**11,198**
Normal cost (Note 39)	6	4	57	1	13	35	2	3	**121**
Cost for past services rendered (Note 39)	(43)	—	—	—	(10)	—	(4)	(6)	**(63)**
Other costs charged to “Personnel expenses” (Note 39)	—	—	(9)	—	—	—	—	—	**(9)**
Finance expense (Note 43)	4	—	119	2	34	70	49	1	**279**
Actuarial gains and losses									
To Profit or loss (Note 39)	—	3	—	—	—	—	—	—	**3**
To reserves	25	—	642	5	60	171	68	4	**975**
Member contributions	—	—	6	—	—	—	1	—	**7**
Payments	(16)	(4)	(321)	(5)	(65)	(161)	(47)	(5)	**(624)**
Translation differences	—	—	(394)	(7)	(101)	(236)	(256)	(4)	**(998)**
Balance at 31.12.2020	**385**	**47**	**6,181**	**60**	**1,059**	**2,410**	**679**	**68**	**10,889**
Modification of the consolidation scope (Note 7)	—	—	—	—	—	—	71	—	**71**
Normal cost (Note 39)	6	5	66	1	11	27	1	3	**120**
Cost for past services (Note 39)	3	—	(90)	—	2	—	(3)	—	**(88)**
Finance expense (Note 43)	1	—	90	2	27	54	52	1	**227**
Actuarial gains and losses									
To Profit or loss (Note 39)	—	(1)	—	—	—	—	—	—	**(1)**
To reserves	3	—	(481)	(1)	(32)	(128)	(47)	(6)	**(692)**
Member contributions	—	—	6	—	—	—	1	—	**7**
Payments	(20)	(5)	(320)	(5)	(81)	(183)	(57)	(8)	**(679)**
Translation differences	—	—	479	4	86	192	(5)	1	**757**
Balance at 31.12.2021	**378**	**46**	**5,931**	**61**	**1,072**	**2,372**	**692**	**59**	**10,611**

(1) As the surplus was not recognised, the actuarial differences recognised in reserves were adjusted upwards in 2021 and 2020 by EUR 20 million and EUR 6 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 2021 and 2020, and for the same item, the finance expenses recognised were EUR 3 million and EUR 3 million higher, respectively.

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	19	9	19	13	13	11	17	11	12

The changes in the fair value of plan assets in 2021 and 2020 are as follows:

		United States				
Millions of euros	United Kingdom	ARHI	UIL	AVANGRID NETWORKS	Brazil	Total
Fair value at 01.01.2020	**5,315**	**35**	**715**	**1,943**	**742**	**8,750**
Revaluation (Note 43)	105	1	22	54	42	**224**
Actuarial gains and losses to reserves	632	4	81	199	11	**927**
Company contributions	176	2	48	44	15	**285**
Member contributions	6	—	—	—	1	**7**
Proceeds	(321)	(5)	(65)	(161)	(47)	**(599)**
Translation differences	(347)	(3)	(71)	(185)	(216)	**(822)**
Fair value at 31.12.2020	**5,566**	**34**	**730**	**1,894**	**548**	**8,772**
Modification of the consolidation scope (Note 7)	—	—	—	—	76	**76**
Revaluation (Note 43)	82	1	19	43	43	**188**
Actuarial gains and losses to reserves	162	2	47	100	(35)	**276**
Company contributions	175	2	11	—	17	**205**
Member contributions	6	—	—	—	1	**7**
Proceeds	(320)	(5)	(81)	(183)	(57)	**(646)**
Translation differences	447	2	62	158	(2)	**667**
Fair value at 31.12.2021	**6,118**	**36**	**788**	**2,012**	**591**	**9,545**

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the aforementioned commitments at 31 December 2021 and 2020 are as follows:

2021	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
Spain						
Electricity tariff(1)	0.86 %	—	2022 0.33021; 2023 0.17508; 2024 0.14088; 2025 0.13511; […]	—	PER 2020	—
Length of service bonus(1)	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)	—
United States						
ARHI	3.00 %	n.a.	—	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)
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)

2021	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
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	—

2020	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
Spain						
Electricity tariff[1]	0.37%	—	—	—	PER 2020	—
Length of service bonus[1]	0.06%	1.00%	—	—	PER 2020	—
United Kingdom	1.40%	2.90%	—	2.90%	Pre/post-retirement Men: 85% AMC00 / 90%S2PMA CMI2019 M (1.25% improvement rate) Women: 85%AFC00 / 100%S2PFA CMI2019 F (1.25% improvement rate)	—
United States						
ARHI	2.59%	n.a.	—	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2020	Function year RX: 6.50%(pre-65)/7.25% (post-65) (2021); 6.25%/7.00%(2022) ; [...] : 4.50%/4.50% (2029 onwards)
UIL	2.51%	Specific flat rates (Union/Non-union)	—	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2020	Function year RX: 6.50%(pre-65)/7.25% (post-65) (2021); 6.25%/7.00%(2022) ; [...] : 4.50%/4.50% (2029 onwards)

2020	Discount rate	Wage increase	Price kWh (euros)	Inflation	Mortality tables	Health cost Pre-Medicare/Medicare
AVANGRID NETWORKS	2.22%	Based on age (Non-union) and specific flat rates (Union)0	—	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2020	Function year RX: 6.50%(pre-65)/7.25% (post-65) (2021); 6.25%/7.00%(2022) ; [...] : 4.50%/4.50% (2029 onwards)
Brazil						
ELEKTRO	7.25%	5.94%	—	3.25%	AT - 2000 male - 10%	—
NEOENERGIA			—			—
Celpe BD	7.04%	4.28%	—	3.25%	AT-2000 male	—
Coelba BD	6.98%	—	—	3.25%	BR-EMS-sb 2015 men -15%	—
Coelba Plan As. Médica	7.23%	—	—	3.25%	AT-2000 Basic	—
Cosern BD	6.80%	—	—	3.25%	AT - 2000 (40% men; 60% women) - 10%	—

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

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

Millions of euros	2021	2020	2019	2018	2017
Spain					
Present value of the obligation	(424)	(432)	(453)	(413)	(445)
Fair value of plan assets	—	—	—	—	—
Net asset / (Net provision)	(424)	(432)	(453)	(413)	(445)
Experience adjustments arising on plan liabilities	(8)	—	(9)	5	8
United Kingdom					
Present value of the obligation	(5,931)	(6,181)	(6,081)	(5,464)	(6,190)
Fair value of plan assets	6,118	5,566	5,315	4,894	5,552
Net asset / (Net provision)	187	(615)	(767)	(569)	(638)
Experience adjustments arising on plan liabilities	114	42	13	81	46
Experience adjustments arising on plan assets	161	633	144	(344)	97
ARHI					
Present value of the obligation	(61)	(60)	(64)	(61)	(63)
Fair value of plan assets	36	34	35	31	35
Net asset / (Net provision)	(25)	(26)	(29)	(31)	(29)
Experience adjustments arising on plan liabilities	(2)	(2)	(2)	(1)	(1)
Experience adjustments arising on plan assets	2	4	(4)	(3)	4
UIL					
Present value of the obligation	(1,072)	(1,059)	(1,128)	(1,004)	(1,016)
Fair value of plan assets	788	730	715	610	662
Net asset / (Net provision)	284	(329)	(413)	(395)	(354)
Experience adjustments arising on plan liabilities	(21)	6	(7)	3	27
Experience adjustments arising on plan assets	47	81	(98)	(61)	68
AVANGRID NETWORKS					
Present value of the obligation	(2.372)	(2,410)	(2,531)	(2,308)	(2,389)
Fair value of plan assets	2,012	1,894	1,943	1,726	1,854
Net asset / (Net provision)	(360)	(516)	(588)	(581)	(535)
Experience adjustments arising on plan liabilities	3	(9)	(21)	20	(26)
Experience adjustments arising on plan assets	101	199	(234)	(146)	179
ELEKTRO					
Present value of the obligation	(285)	(304)	(361)	(300)	(303)
Fair value of plan assets	278	278	363	331	343
Net asset / (Net provision)	(7)	(26)	2	31	40
Experience adjustments arising on plan liabilities	(42)	(54)	(8)	(2)	18
Experience adjustments arising on plan assets	(1)	14	22	14	(3)
NEOENERGIA					
Present value of the obligation	(329)	(375)	(505)	(482)	(542)
Fair value of plan assets	240	270	379	332	348
Net asset / (Net provision)	(89)	(105)	(126)	(150)	(194)
Experience adjustments arising on plan liabilities	1	(29)	(13)	14	(7)
Experience adjustments arising on plan assets	(30)	(3)	46	(25)	(8)

Millions of euros	2021	2020	2019	2018	2017
NEOENERGIA BRASILIA					
Present value of the obligation	(78)	—	—	—	—
Fair value of plan assets	73	—	—	—	—
Net asset / (Net provision)	(5)	—	—	—	—
Experience adjustments arising on plan liabilities	(8)	—	—	—	—
Experience adjustments arising on plan assets	(4)	—	—	—	—

The sensitivity at 31 December 2021 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	(6)	—	(108)	(1)	(13)	(25)	(3)	(3)	(1)
(10)	6	—	116	1	13	26	3	3	1
Inflation (basis points)									
10	—	—	103	—	—	—	—	—	—
(10)	—	—	(101)	—	—	—	—	—	—
Wage growth (basis points)									
10	—	—	—	—	1	2	—	—	—
(10)	—	—	—	—	(1)	(2)	—	—	—
Mortality tables (years)									
1	—	—	237	2	49	110	—	—	—
Health cost (basis points)									
25	—	—	—	—	1	1	—	—	—
(25)	—	—	—	—	(1)	(1)	—	—	—
Price increase kWh (basis points)									
10	6	—	—	—	—	—	—	—	—
(10)	(6)	—	—	—	—	—	—	—	—

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:

2021	Equity securities	Fixed income securities	Cash and cash equivalents	Other
United Kingdom	7%	30%	13%	50%
AVANGRID NETWORKS				
Retirement plan	35%	52%	2%	11%
Postretirement Welfare Plans	64%	31%	5%	—
UIL				
Qualified Pension Plans	50%	37%	2%	11%
Postretirement Welfare Plans	61%	19%	3%	17%
AVANGRID RENOVABLES				
Qualified Pension Plans	49%	38%	2%	11%
Postretirement Welfare Plans	—	—	100%	—
ELEKTRO	25%	71%	—	4%
NEOENERGÍA	3%	95%	—	2%
NEOENERGÍA BRASILIA	—	99%	—	1%

2020	Equity securities	Fixed income securities	Cash and cash equivalents	Other
United Kingdom	15%	31%	12%	42%
AVANGRID NETWORKS				
Retirement plan	36%	50%	5%	9%
Retiree Benefits Plan	59%	38%	3%	—
UIL				
Qualified Pension Plans	35%	53%	3%	9%
Postretirement Welfare Plans	52%	25%	5%	18%
AVANGRID RENOVABLES				
Qualified Pension Plans	40%	49%	4%	7%
Postretirement Welfare Plans	53%	41%	6%	—
ELEKTRO	—	97%	—	3%
NEOENERGÍA	3%	95%	—	2%

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 31.12.2021	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**

Thousands of euros	Value at 31.12.2020	Level 1	Level 2	Level 3
United Kingdom	5,566	109	4,522	935
AVANGRID	2,658	325	2,082	251
ELEKTRO	278	199	62	17
NEOENERGIA	270	—	259	11
Total	**8,772**	**633**	**6,925**	**1,214**

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 between 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 Group's effective Collective Labour Agreement, the periodic contribution to be made is calculated as a percentage of the annual pensionable salary of each employee, except for employees who joined the Company after 9 October 1996, who are subject from 1 January 2021 to a contributory system whereby the Company pays 67.5% and the employee 32.5% (from 1 January 2020, the Company paid 65% and the employee 35%). For those hired after 20 July 2015 the company pays 1/3 and the employee 2/3, until the date on which the employee takes part in the Base Salary Rating (SBC), whereupon they will become subject to the same rules and criteria as applicable to those who joined the Company after 9 October 1996. The company finances these contributions for all its active employees.

The Iberdrola Group's contributions in 2021 and 2020 were EUR 22 million and EUR 20 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 2021 and 2020, as recognised under the “Personnel expenses” heading of the consolidated Income statement, is shown below.

Defined contribution plans	2021	2020
SCOTTISH POWER	17	15
AVANGRID	48	43
NEOENERGIA	8	5
Other	1	1
Total	**74**	**64**

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 2021 and 2020, the existing provisions in this regard pertain to the following restructuring plans:

	31.12.2021		31.12.2020	
Millions of euros	Provisions	No. of individual contracts	Provisions	No. of individual contracts
2012 restructuring plan	—	1	—	2
2014 restructuring plan	6	57	12	96
2015 restructuring plan	2	23	4	40
2016 restructuring plan	1	11	2	32
2017 restructuring plan	38	262	60	327
2019 restructuring plan	20	126	29	141
2020 restructuring plan	45	168	58	168
2021 restructuring plan	78	211	—	—
Total	**190**	**859**	**165**	**806**

In addition, the following provisions had been posted at 31 December 2021 and 2020 to honour these commitments outside Spain and for the subsidiary company Iberdrola Ingeniería y Construcción, S.A.U.(IIC):

Millions of euros	31.12.2021	31.12.2020
SCOTTISH POWER	6	2
IIC	10	12
Total	**16**	**14**

The discount to present value of the provisions is charged under the “Finance expense” heading of the consolidated Income statement.

The change in provisions for the commitments detailed in the previous section in 2021 and 2020 is as follows:

Millions of euros	2021	2020
Opening balance	**179**	**172**
Charge (Note 39)	86	63
Actuarial gains and losses and other	(2)	—
Payments	(57)	(56)
Closing balance	**206**	**179**

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 2021 and 2020 are as follows:

	2021		2020	
	Discount rate	Inflation	Discount rate	Inflation
Restructuring plans	0 % / 0.06%	1.00% / 0.70%	0.00 %	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 2021 and 2020 is as follows:

Millions of euros	Provisions for litigation, indemnity payments and similar costs	Provision for CO2 emissions	Provision for facility closure costs (Notes 3.r and 5)	Other provisions	Total
Balance at 31.12.2019	**790**	**506**	**2,263**	**405**	**3,964**
Charge or reversals for the year with a debit/credit to "Property, plant and equipment" (Note 3.d)	24	—	423	5	452
Charges for discount to present value (Note 43)	40	—	28	1	69
Charges for the year to the Income statement	79	556	7	28	670
Reversal due to excess	(78)	—	(17)	(31)	(126)
Modification of the consolidation scope (Note 7)	2	—	11	1	14
Translation differences	(109)	(23)	(93)	(40)	(265)
Transfers	9	—	—	(6)	3
Payments made and other	(64)	—	(8)	(26)	(98)
Delivery of emission allowances and green certificates	—	(609)	—	—	(609)
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**

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 by means of 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 the experience of past decommissioning carried out into future cost estimates, or to include new bylaw or regulatory requirements.

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

Millions of euros	31.12.2021	31.12.2020
Nuclear power plants	689	690
Wind farms and other alternative stations	1,727	1,526
Combined cycle power plants	244	240
Thermal power plants	52	55
Other facilities	127	83
Right-of-use assets	21	20
Total	**2,860**	**2,614**

The amount related to nuclear plants covers the costs which the plant operator will incur from the end of their 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 discounted value of the provisions are as follows:

		Discount rate – 2021		Discount rate – 2020	
Country	Currency	5 years	30 years	5 years	30 years
Spain	Euro	(0.18)%	1.20%	(0.47)%	0.85%
United Kingdom	Pound sterling	0.57%	0.87%	(0.02)%	0.84%
United States	US dollar	1.25%	1.88%	0.38%	1.74%

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 2021 are as follows:

Millions of euros	
2022	762
2023	122
2024	58
2025 onwards	3,558
Total	**4,500**

28. BANK BORROWINGS, BONDS AND OTHER MARKETABLE SECURITIES

The detail of bank borrowings, bonds and other marketable securities outstanding at 31 December 2021 and 2020, once foreign exchange hedges are considered, and the repayment schedule are as follows:

	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
In euros								
Debentures 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	—	—	—	—	3
Unpaid accrued interest	132	132	—	—	—	—	—	—
	22,003	**8,196**	**1,997**	**2,200**	**2,708**	**2,556**	**4,346**	**13,807**
Foreign currency								
US dollars	9,559	340	722	1,255	1,254	593	5,395	9,219
Pound sterling	3,373	87	521	416	636	458	1,255	3,286
Brazilian reais	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 in Euro Commercial Paper (ECP) issues and EUR 156 million in drawdowns under credit lines and facilities.

The average balance under the Euro Commercial Paper (ECP) programme amounted to EUR 3,313 million and EUR 2,446 million, respectively, in 2021 and 2020.

	Bank borrowings, bonds and other marketable securities at 31 December 2020 maturing in							
		Current	Non-current					
Millions of euros	Balance at 31.12.2020(*)	2021	2022	2023	2024	2025	2026 and beyond	Total non-current
In euros								
Debetures and bonds	12,005	1,110	2,202	1,398	1,897	2,002	3,396	10,895
Promissory notes	2,763	2,763	—	—	—	—	—	—
Loans and drawdowns of credit facilities	5,447	733	725	258	298	750	2,683	4,714
Other financing transactions	1,165	1,158	4	3	—	—	—	7
Unpaid accrued interest	169	169	—	—	—	—	—	—
	21,549	**5,933**	**2,931**	**1,659**	**2,195**	**2,752**	**6,079**	**15,616**
Foreign currency								
US dollars	8,676	563	305	691	1,158	1,157	4,802	8,113
Pound sterling	3,430	420	44	482	382	589	1,513	3,010
Brazilian reais	4,095	580	696	608	693	496	1,022	3,515
Other	121	50	6	6	7	7	45	71
Unpaid accrued interest	166	157	6	—	—	—	3	9
	16,488	**1,770**	**1,057**	**1,787**	**2,240**	**2,249**	**7,385**	**14,718**
Total	**38,037**	**7,703**	**3,988**	**3,446**	**4,435**	**5,001**	**13,464**	**30,334**

(*) At 31 December 2020, the balance included EUR 3,016 million of domestic commercial paper (USCP) and Euro Commercial Paper (ECP) issues. At 31 December 2020, there were no drawdowns under credit lines and facilities.

The structure of bank borrowings, bonds and other marketable securities at 31 December 2021 and 2020, once the corresponding interest rate hedges are considered, is as follows:

Millions of euros	31.12.2021	31.12.2020
Fixed interest rate	24,352	23,453
Floating interest rate	16,811	14,584
Total	**41,163**	**38,037**

At 31 December 2021 and 2020, the IBERDROLA Group was fully up to date with 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 2021 and 2020 was 3.24% and 2.86%, respectively.

The breakdown by maturity of future unaccrued interest payment commitments at 31 December 2021 and 2020, 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:

	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
Pound sterling	161	149	552	70	69	246	1,247
Brazilian reais	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**

Millions of euros	2021	2022	2023	2024	2025	2026 and beyond	Total
Euros	172	149	116	91	77	213	818
US dollars	304	299	283	272	231	1,827	3,216
Pound sterling	153	149	137	117	63	216	835
Brazilian reais	139	168	165	127	87	349	1,035
Other	5	5	4	4	3	10	31
Total	**773**	**770**	**705**	**611**	**461**	**2,615**	**5,935**

Significant transactions carried out by the IBERDROLA Group during 2021 are as follows:

Borrower	Operation	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
First quarter						
Neoenergia	Public Bond (debenture)	Feb 21	2,000	BRL	CDI+1.46%	Aug 22
Neoenergia	Loan 4131	Feb 21	500	BRL	—	Mar 22
Coelba (1)	Loan 4131	Jan 21	3,884	JPY	—	Jan 2022
Coelba (1)	Loan 4131	Feb 21	37	USD	—	Feb 24
Elektro	Loan 4131	Mar 21	200	BRL	—	Mar 26
Neoenergia Distribuição Brasília	Loan 4131	Mar 21	200	BRL	—	Mar 26
Iberdrola Financiación	Bilateral loan	Feb 21	50	EUR	—	Feb 28
Iberdrola Financiación	Bilateral loan	Mar 21	50	EUR	—	Mar 28
Iberdrola Financiación (2)	Bilateral credit facility	Mar 21	125	EUR	—	Oct-22
Iberdrola Financiación	EIB loan	Jan 21	100	EUR	—	July 28
Second quarter						
Elektro	Public Bond (debenture)	May 21	405	BRL	CDI+1.60%	May 26
Elektro	Public Bond (debenture)	May 21	295	BRL	CDI+1.79%	May 28
Iberdrola Finanzas	Private Bond	Apr 21	250	EUR	Euribor+0.65 %	Apr 23
Iberdrola International BV (5)	Sustainable European Commercial Paper (ECP)	Apr 21	2,000	EUR	—	
Neoenergia Distribuição Brasília (1)	Loan 4131	Apr 21	36	USD	—	Apr 26
Neoenergia Guanabara	Loan 4131	Apr 21	200	BRL	—	Jun 22
Neoenergia Lagoa Dos Patos (1)	Loan 4131	May 21	31	USD	—	Jun 22
Neoenergía Vale Do Itajai (1)	Loan 4131	May 21	13	USD	—	Jun 22
Celpe (1)	Loan 4131	Jun 21	39	USD	—	Jun 26
Neoenergia Guanabara (1)	Loan 4131	Jun 21	15	USD	—	July 22
Neoenergía Vale Do Itajai (1)	Loan 4131	Jun 21	60	USD	—	July 22
Iberdrola Financiación	Bilateral loan	Jun 21	100	EUR	—	Jun 26

Borrower	Operation	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
Iberdrola Financiación (2)	Sustainable syndicated loan	Apr 21	2,500	EUR	—	Apr 26
Iberdrola Financiación (2)	Sustainable bilateral credit facility	Jun 21	16,000	JPY	—	Jun 26
Iberdrola Financiación (2)	Bilateral loan	Jun 21	125	EUR	—	July 23
Coelba (1)	Development bank loan	Mar 21	9,900	JPY	—	Mar 31
Coelba (1)	Development bank loan	Mar 21	5,053	JPY	—	Mar 26
Third quarter						
Neoenergia Distribuição Brasília	Public bond (debenture)	Aug 21	300	BRL	CDI+1.60%	Aug 28
Elektro	Green commercial paper	Aug 21	500	BRL	CDI+1.58%	Aug 26
Rochester Gas & Electric Corporation	Private bond	Aug 21	125	USD	2.10%	Dec 31
Rochester Gas & Electric Corporation	Green private bond	Aug 21	125	USD	2.91%	Dec 51
Central Maine Power Company	Private bond	Aug 21	200	USD	2.05%	Dec 31
The Southern Connecticut Gas Company	Private bond	Aug 21	40	USD	2.05%	Dec 31
The United Illuminating Company (3)	Green private bond	Aug 21	150	USD	2.25%	Jan 32
NY State Electric & Gas	Green public bond	Sep 21	350	USD	2.15%	Oct-31
Celpe (1)	Loan 4131	Aug 21	38	USD	—	Aug 26
Coelba (1)	Loan 4131	Sep 21	38	USD	—	Sep 26
Coelba	Bilateral loan	Aug 21	200	BRL	—	Aug 24
Cosern	Bilateral loan	Aug 21	100	BRL	—	Aug 24
Elektro	Bilateral loan	Aug 21	200	BRL	—	Aug 24
Neoenergia Distribuição Brasília	Bilateral loan	Aug 21	200	BRL	—	Aug 24
Neoenergia	Bilateral loan	Aug 21	300	BRL	—	Aug 24
Coelba	Bilateral loan	Aug 21	100	BRL	—	Aug 24
Celpe	Bilateral loan	Aug 21	100	BRL	—	Aug 24
Celpe	Bilateral loan	Aug 21	100	BRL	—	Aug 24
Iberdrola Financiación	Sustainable bilateral loan	Jul 21	250	EUR	—	Jul 26
Iberdrola Financiación	Green ICO loan	Jul 21	6	EUR	—	Jul 30
Iberdrola Financiación (4)	Green BEI loan	Jul 21	550	EUR	—	Jul 38
Fourth quarter						
Coelba	Green public bond (debenture)	Oct-21	160	BRL	CDI+1.34%	Oct-26
Coelba	Green public bond (debenture)	Oct-21	320	BRL	CDI+1.49%	Oct-28
Coelba	Green public infrastructure bond (debenture)	Oct-21	320	BRL	IPCA+5.82%	Oct-31

Borrower	Operation	Arranged in	Amount (millions)	Currency	Interest rate	Maturity
Coelba	Green public bond (debenture)	Dec 21	266	BRL	CDI+1.34%	Dec 26
Coelba	Public bond (debenture)	Dec 21	534	BRL	CDI+1.49%	Dec 28
Celpe	Public bond (debenture)	Oct-21	100	BRL	CDI+1.39%	Oct-26
Celpe	Public bond (debenture)	Oct-21	200	BRL	CDI+1.54%	Oct-28
Celpe	Green public infrastructure bond (debenture)	Oct-21	200	BRL	IPCA+5.88%	Oct-31
Celpe	Public bond (debenture)	Dec 21	167	BRL	CDI+1.39%	Dec 26
Celpe	Public bond (debenture)	Dec 21	333	BRL	CDI+1.54%	Dec 28
Elektro	Public bond (debenture)	Oct-21	130	BRL	CDI+1.29%	Oct-26
Elektro	Public bond (debenture)	Oct-21	260	BRL	CDI+1.44%	Oct-28
Elektro	Public infrastructure bond (debenture)	Oct-21	260	BRL	IPCA+5.77%	Oct-31
Cosern	Green public bond (debenture)	Dec 21	67	BRL	CDI+1.29%	Dec 26
Cosern	Green public bond (debenture)	Dec 21	133	BRL	CDI+1.44%	Dec 28
Coelba (1)	Loan 4131	Nov 21	18	USD	—	Dec 26
Celpe (1)	Loan 4131	Nov 21	18	USD	—	Dec 26
Elektro (1) (3)	Loan 4131	Dec 21	35	USD	—	Jan 27
Neoenergia Distribuição Brasília (1)	Loan 4131	Nov 21	53	USD	—	Dec 26
Iberdrola Financiación	Bilateral loan	Nov 21	100	EUR	—	Nov 23
Iberdrola	Syndicated loan	Dec 21	127	EUR	—	Dec 27
Coelba	Bilateral loan	Dec 21	200	BRL	—	Dec 24
Cosern	Bilateral loan	Dec 21	100	BRL	—	Dec 24
Elektro	Bilateral loan	Dec 21	200	BRL	—	Dec 24
Avangrid (2)	Sustainable syndicated loan	Nov 21	1,075	USD	—	Nov 26
Iberdrola Financiación (4)	Green BEI loan	Dec 21	50	EUR	—	Dec 38
Neoenergia (4)	Green BEI loan	Dec 21	200	EUR	—	Dec 34
Neoenergia Vale Do Itajai (4)	BNDES loan	Dec 21	1,305	BRL	—	Dec 45

(1) Currency swap contracts for the company's currency.
(2) With option to extend.
(3) Financing drawn down in 2022.
(4) Financing expected to be drawn down in 2022-2024. Maximum possible maturity if the callable option is chosen.
(5) Limit under the ECP programme raised to EUR 5,000 million and incorporation of the sustainable label linked to the achievement of three objectives associated with the various areas of the ESG strategy.

The main extensions arranged by the IBERDROLA Group in 2021 were as follows:

Borrower	Operation	Extension signed in	Amount (millions)	Currency	Option to extend	Maturity
Iberdrola Financiación	Sustainable syndicated loan	Mar 21	1,500	EUR		Mar 26
Iberdrola Financiación	Bilateral loan	Jul 21	125	EUR	6 months	Apr 23
Iberdrola Financiación	Bilateral credit facility	Nov 21	125	EUR	6 months	July 23

Certain Group investment projects, mainly related to renewable energies, have been financed specifically through loans that include covenants such as 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 2021 and 2020 was EUR 776 million and EUR 853 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 and the ICO at 31 December 2021 and 2020 amounting to EUR 4,123 million and EUR 3,876 million, respectively. These arrangements may need to be renegotiated in the event of a rating downgrade, foreseeably to bring their price in line with other transactions arranged with the EIB and the ICO that do not incorporate such clauses.

At 31 December 2021 and 2020, the IBERDROLA Group had also drawn on loans and credits totalling 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 2021 there were bonds issued, borrowings and other agreements between financial institutions and the IBERDROLA Group whose maturity dates could be impacted or may require additional collateral or guarantees to those already existing should a control change take place in the manner and subject to the timeframes stipulated in each contract. The most significant changes are those described in the following paragraphs:

– Bond issues amounting to EUR 11,079 million in the European market and USD 150 million (equivalent to EUR 133 million) in the US market.

– EIB and ICO loans for a combined total of EUR 4,123 million.

– Bank borrowings amounting to EUR 892 million and USD 900 million (equivalent to EUR 796 million).

– Lastly, BRL 13,960 million (equivalent to EUR 2,181 million) from issuances and BRL 22,629 million (equivalent to EUR 3,536 million) from loans to the Brazilian subsidiary NEOENERGIA and its subsidiaries.

29. DERIVATIVE FINANCIAL INSTRUMENTS

The breakdown of balances at 31 December 2021 and 2020, including the valuation of derivative financial instruments at those dates, is as follows:

	2021				2020			
	Assets		Liabilities		Assets		Liabilities	
Millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
INTEREST RATE HEDGES	**55**	**56**	**(3)**	**(98)**	**22**	**65**	**(23)**	**(48)**
Cash flow hedges	**29**	**35**	**(11)**	**(64)**	**—**	**—**	**(39)**	**(48)**
Currency swaps (1)	29	35	(11)	(64)	—	—	(39)	(48)
Fair value hedges	**26**	**21**	**8**	**(34)**	**22**	**65**	**16**	**—**
Currency swaps	26	21	8	(34)	22	65	16	—
EXCHANGE RATE HEDGES	**186**	**287**	**(342)**	**(140)**	**248**	**431**	**(144)**	**(116)**
Cash flow hedges	**140**	**143**	**(258)**	**(129)**	**181**	**283**	**(102)**	**(101)**
Currency swaps	108	137	(44)	(128)	50	274	(23)	(95)
Currency forwards	32	6	(214)	(1)	131	9	(79)	(6)
Fair value hedges	**38**	**144**	**9**	**(3)**	**51**	**144**	**(34)**	**(15)**
Currency swaps	38	144	9	(3)	51	144	(34)	(15)
Hedging of net investment in a foreign operation	**8**	**—**	**(93)**	**(8)**	**16**	**4**	**(8)**	**—**
Currency swaps	—	—	(3)	(8)	(1)	4	—	—
Currency forwards	8	—	(90)	—	17	—	(8)	—
COMMODITIES HEDGES	**2,129**	**401**	**(1,305)**	**(602)**	**301**	**139**	**(123)**	**(102)**
Fair value hedges	**22**	**9**	**(155)**	**(123)**	**—**	**—**	**—**	**—**
Currency forwards	22	9	(155)	(123)	—	—	—	—
Cash flow hedges	**2,107**	**392**	**(1,150)**	**(479)**	**301**	**139**	**(123)**	**(102)**
Futures	2,107	392	(1,150)	(479)	298	136	(123)	(100)
Other	—	—	—	—	3	3	—	(2)
PRICE INDEX HEDGES	**—**	**—**	**(3)**	**(168)**	**—**	**—**	**—**	**—**
Swap	—	—	(3)	(168)	—	—	—	—
NON-HEDGING DERIVATIVES	**1,824**	**794**	**(1,821)**	**(782)**	**175**	**747**	**(168)**	**(738)**
Treasury shares derivatives	**176**	**—**	**(176)**	**(2)**	**—**	**260**	**—**	**(262)**
Treasury shares derivatives	176	—	(176)	(2)	—	260	—	(262)
Exchange rate derivatives	**2**	**1**	**(1)**	**—**	**—**	**—**	**—**	**—**
Currency forwards	2	1	(1)	—	—	—	—	—
Derivatives on commodity prices	**1,646**	**793**	**(1,644)**	**(780)**	**169**	**482**	**(167)**	**(476)**
Futures	1,646	793	(1,644)	(780)	167	31	(158)	(29)
Other	—	—	—	—	2	451	(9)	(447)
Interest rate derivatives	**—**	**—**	**—**	**—**	**6**	**5**	**(1)**	**—**
Currency swaps	—	—	—	—	6	5	(1)	—
NETTED OPERATIONS (Note 17)	**(1,363)**	**(117)**	**1,363**	**117**	**(146)**	**(13)**	**161**	**13**
Total	**2,831**	**1,421**	**(2,111)**	**(1,673)**	**600**	**1,369**	**(297)**	**(991)**

The maturity schedule of the notional value of derivative instruments arranged by the IBERDROLA Group and outstanding at 31 December 2021 is as follows:

Millions of euros	2022	2023	2024	2025	2026 onwards	Total
INTEREST RATE HEDGES	**1,967**	**984**	**1,097**	**1,530**	**2,222**	**7,800**
Cash flow hedges	**1,078**	**981**	**496**	**1,515**	**851**	**4,921**
Currency swaps (1)	1,078	981	496	1,515	851	4,921
Fair value hedges	**889**	**3**	**601**	**15**	**1,371**	**2,879**
Currency swaps	889	3	601	15	1,371	2,879
EXCHANGE RATE HEDGES	**7,688**	**583**	**1,143**	**1,426**	**1,449**	**12,289**
Cash flow hedges	**6,144**	**379**	**549**	**1,111**	**1,138**	**9,321**
Currency swaps	588	123	534	1,100	1,138	3,483
Currency forwards	5,556	256	15	11	—	5,838
Fair value hedges	**242**	**37**	**594**	**315**	**311**	**1,499**
Currency swaps	242	37	594	315	311	1,499
Hedging of net investment in a foreign operation	**1,302**	**167**	**—**	**—**	**—**	**1,469**
Currency swaps	—	167	—	—	—	167
Currency forwards	1,302	—	—	—	—	1,302
COMMODITIES HEDGES	**3,633**	**1,148**	**296**	**172**	**864**	**6,113**
Fair value hedges	**369**	**253**	**88**	**79**	**90**	**879**
Currency forwards	369	253	88	79	90	879
Cash flow hedges	**3,264**	**895**	**208**	**93**	**774**	**5,234**
Futures	3,264	895	208	93	774	5,234
PRICE INDEX HEDGES	**—**	**—**	**—**	**—**	**214**	**214**
Swaps	—	—	—	—	214	214
NON-HEDGING DERIVATIVES	**4,585**	**357**	**94**	**11**	**4**	**5,051**
Treasury shares derivatives	**1,409**	**—**	**—**	**—**	**—**	**1,409**
Treasury shares derivatives	1,409	—	—	—	—	1,409
Exchange rate derivatives	**152**	**5**	**5**	**7**	**4**	**173**
Currency forwards	152	5	5	7	4	173
Derivatives on commodity prices	**3,024**	**352**	**89**	**4**	**—**	**3,469**
Futures	3,024	352	89	4	—	3,469
Total	**17,873**	**3,072**	**2,630**	**3,139**	**4,753**	**31,467**

(1) Includes the derivatives arranged by the IBERDROLA Group at December 2021 to cover the interest rate risk of future financing for a nominal amount of EUR 4,216 million, thus helping to mitigate interest rate risk (EUR 2,020 million at 31 December 2020).

The information presented in the table above includes the gross notional value of the 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 2021 and 2020 consolidated Income statements includes EUR 152 million and EUR 244 million, respectively, in connection with derivatives linked to financial indices that fail to meet the conditions to qualify as hedging instruments or, having met the conditions, are partially ineffective, as explained in Notes 3.l and 43. The "Finance income" heading of the consolidated Income statements for the same years also includes EUR 81 million and EUR 300 million, respectively, for the aforementioned items (Note 42).

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

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

	2020				
Type of hedge	Millions of US dollars	Millions of Japanese yen	Millions of Norwegian kroner	Millions of pound sterling	Millions of euros
Cash flow	1,045	3,858	2,250	100	158
Fair value	917	13,000	—	700	—

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

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

	2020			
Type of hedge	Millions of euros	Millions of Australian dollars	Millions of pound sterling	Millions of Brazilian reais
Cash flow	1,577	61	225	—
Fair value	2,661	—	—	1,082

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

In 2021 and 2020 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 flow				Non-cash changes					
Millions of euros	Balance at 01.01.2021	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 and other	Balance at 31.12.2021
Obligations, bonds and promissory notes	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 (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**

Millions of euros	Balance at 01.01.2020	Cash flow				Non-cash changes					Balance at 31.12.2020
		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 promissory notes	28,290	6,933	(6,671)	—	—	(1,538)	(30)	94	—	—	27,078
Loans and other financing transactions	9,027	4,679	(4,137)	—	—	(513)	18	19	438	(14)	9,517
Unpaid accrued interest	399	—	—	(950)	937	(50)	—	—	2	—	338
Derivatives on the company's own shares with physical settlement (Note 21)	1,210	—	(1,456)	—	—	—	—	—	—	1,350	1,104
Total Financial debt – Loans and other (Note 28)	**38,926**	**11,612**	**(12,264)**	**(950)**	**937**	**(2,101)**	**(12)**	**113**	**440**	**1,336**	**38,037**
Derivative financial instruments associated with financing	(283)	43	328	61	(32)	(643)	44	—	19	—	(463)
Total	**38,643**	**11,655**	**(11,936)**	**(889)**	**905**	**(2,744)**	**32**	**113**	**459**	**1,336**	**37,574**

(1) Issues net of expenses.
(2) Includes translation differences.

31. LEASES

Lessee

Changes in lease liabilities in 2020 and 2021 are as follows:

Millions of euros	2021	2020
Opening balance	**2,058**	**1,767**
Modification of the consolidation scope (Note 7)	(19)	50
Translation differences	111	(105)
New lease contracts (Note 12)	217	358
Discount to present value (Note 43)	73	68
Payments made from principal	(154)	(159)
Interest paid	(49)	(39)
Restatement/changes of lease liabilities (Note 12)	186	150
Derecognitions and other	(12)	(32)
Closing balance	**2,411**	**2,058**

The breakdown of undiscounted lease liabilities at 31 December 2021 and 2020 is as follows:

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

Millions of euros	31.12.2020
2021	131
2022	170
2023	195
2024	162
2025	142
2026 onwards	2,105
Total	**2,905**
Finance expense	847
Present value of the payments	2,058
Total	**2,905**

Additionally, the IBERDROLA Group is potentially exposed to future cash outflows that are not reflected in the measurement of lease liabilities mainly due to payment commitments related to variable leases. In 2021 and 2020, the IBERDROLA Group accrued an amount of EUR 31 and 41 million, respectively, for variable lease payments recognised under the “External services” heading of the consolidated Income statement. Said amounts correspond mainly to lease payments depending on output and operating income from wind farms located on leased land.

Expenses in 2021 related to current leases excluded from the scope of IFRS 16 amounted to EUR 10 million, as recognised under "External services" in the consolidated Income statement (EUR 11 million in 2020).

Income from subleasing right-of-use assets in the year amounted to EUR 1 million in 2021, as recognised in the consolidated Income statement for the year (EUR 1 million in 2020).

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	31.12.2021	31.12.2020
Buildings	256	200
Land	106	94
Other	27	15
Total	**389**	**309**

The "Revenue" and "Other operating income" headings of the consolidated Income statement for 2021 include EUR 20 and 13 million, respectively (EUR 26 and 15 million, respectively, in 2019).

The estimate of non-deducted future minimum payments for contracts in force at 31 December 2021 and 2020 is as follows:

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

Millions of euros	31.12.2020
2021	27
2022	23
2023	20
2024	18
2025	17
2026 onwards	83
Total	**188**

32. OTHER FINANCIAL LIABILITIES

Details of the "Other non-current financial liabilities" and "Other current financial liabilities" headings of the consolidated Statement of financial position are as follows:

Millions of euros	31.12.2021	31.12.2020
Non-current		
Non-current deposits and guarantees (Note 15.b.)	153	145
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	53	81
Fixed asset suppliers	60	33
PIS/COFINS Brazil (Notes 16 and 35)	708	903
Other	571	348
Total	**1,545**	**1,510**
Current		
Current deposits and guarantees	456	174
Concessional guarantee of tariff sufficiency in Brazil (Note 13)	—	24
Loans with equity-accounted investees	84	94
Fixed asset suppliers	1,363	1,293
PIS/COFINS Brazil (Notes 16 and 35)	234	—
Personnel salaries payable	314	264
Other	529	295
Total	**2,980**	**2,144**

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 for 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 into 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 2021 and 2020, the IBERDROLA Group negotiated the extension of payment periods with certain suppliers (mainly of PP&E), although in each case remaining within the required payment periods in the jurisdictions in which the relevant IBERDROLA Group companies operate. The average payment period for these suppliers has been extended by approximately 148 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 considers that the suppliers' use of these financing arrangements has 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 2021 and 2020, the amount under reverse factoring agreements amounted to EUR 478 million and EUR 544 million, respectively, as recognised under "Other current financial liabilities — Suppliers of fixed assets" and "Trade payables" in the consolidated Statement of financial position.

33. OTHER LIABILITIES

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

Millions of euros	31.12.2021	31.12.2020
Non-current		
Contract liabilities		
CFE (Note 37)	36	86
Other	116	162
Other liabilities	266	14
Total	**418**	**262**
Current		
Contract liabilities		
CFE	35	15
Other	163	113
Other liabilities	638	350
Total	**836**	**478**

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 various tax jurisdictions.

Taxes in Spain

Iberdrola S.A. is the parent company of two tax consolidation groups in Spain: the 2/86 group in the so-called common tax system territory, and the 02415BSC group, in the Biscay tax system territory. Iberdrola belonged to the former of these groups until 2019 and joined the latter in 2020 owing to the change in regulations individually applicable to the company.

The 2/86 group is formed by 86 companies, whereas the 02415BSC group is formed by 24 companies.

The other entities that are tax residents in Spain and which do not belong to either of these two groups pay income tax on an individual basis.

Companies taxed under the common tax system were subject to a 25% rate in 2021, 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 the tax rate in their resident jurisdiction. In the United States, company taxation is based on a consolidated tax system, where there is a federal tax group, with joint or consolidated taxation as a tax group also operating in certain states. In the United Kingdom the group relief mechanism is used. In France, Australia, Italy and Portugal, tax is paid in 2021 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	2021	2020
Australia	30.0	30.0
Brazil	34.0	34.0
Bulgaria	10.0	10.0
Canada	27.0	26.5
Costa Rica	30.0	30.0
Cyprus	12.5	12.5
France	27.4	28.9
Germany	31.9	30.2
Greece	22.0	24.0
Hungary	9.0	9.0
Ireland	12.5	12.5
Italy	28.8	28.8
Japan	31.8	31.8
Luxembourg	24.9	24.9
Mexico	30.0	30.0
Netherlands	25.0	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	26.1
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

Income tax expense

Income tax expense for 2021 and 2020 is as follows:

Millions of euros	31.12.2021	31.12.2020
Consolidated profit/(loss) for the year from continuing operations before tax	**6,301**	**5,053**
Consolidated profit/(loss) for the year from discontinued operations before tax	**(45)**	**(25)**
Consolidated Profit/(loss) before tax	**6,256**	**5,028**
Non-deductible expenses and non-computable income [(a)]:		
- from individual companies	(167)	(91)
- from consolidation adjustments	(357)	(382)
Profit of equity-accounted investees	39	(480)
Adjusted accounting profit	**5,771**	**4,075**
Gross tax calculated at the tax rate in force in each country	**1,490**	**1,019**
Tax credits due to reinvestment of extraordinary profits and other tax credits	(123)	(107)
Adjustment of prior years' income tax expense	(36)	(14)
Net movement in provisions for litigation, compensation payments, similar costs and other provisions	5	23
Adjustment of deferred tax assets and liabilities	569	146
Other	(1)	9
Income tax expense/(income)	**1,904**	**1,076**
Accrued income tax in the consolidated Income statement (Income) / Expense	**1,914**	**1,083**
Accrued income tax from discontinued operations (Income) / Expense	**(10)**	**(7)**

a) Includes, in 2021 and 2020, adjustments arising from the exemption of dividends and share of profit received and the transfer of interests; from the application of tax credit to the tax base in certain jurisdictions; and from the deductibility of impairment losses on equity instruments and other accounting expenses.

b) The most relevant impact in 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	31.12.2021	31.12.2020
Current taxes	1,098	505
Deferred taxes	806	571
Expense/(income) from continuing and discontinued operations	**1,904**	**1,076**

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 01.01.2020	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 changes	Balance at 31.12.2020	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 changes	Balance at 31.12.2021
Deferred tax assets:															
Measurement of derivative financial instruments	373	7	2	—	54	—	—	436	—	16	—	37	—	(2)	487
Balance sheet revaluation 16/2012	1,254	—	—	(68)	—	—	—	1,186	—	—	(74)	—	—	—	1,112
Pensions and similar commitments	652	—	(26)	(84)	—	13	—	555	—	35	65	—	(243)	3	415
Allocation of non-deductible negative goodwill arising on consolidation	62	—	—	(2)	—	—	—	60	—	—	(2)	—	—	—	58
Provision for facility closure costs	106	1	(6)	13	—	—	—	114	—	5	—	—	—	—	119
Tax credits for losses and deductions	2,016	43	(158)	38	—	—	141	2,080	18	139	94	—	—	22	2,353
Other deferred tax assets	1,231	—	40	196	—	—	84	1,551	45	(89)	(225)	—	—	91	1,373
Total	**5,694**	**51**	**(148)**	**93**	**54**	**13**	**225**	**5,982**	**63**	**106**	**(142)**	**37**	**(243)**	**114**	**5,917**

Millions of euros	Balance at 01.01.2020	Modification of the consolidation scope (Note 7)	Translation differences	Credit (charge) to the consolidated Income statement	Credit (charge) to “Valuation adjustments”	Other changes	Balance at 31.12.2020	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 changes	Balance at 31.12.2021
Deferred tax liabilities:														
Measurement of derivative financial instruments	235	2	(13)	—	115	4	343	—	46	—	203	—	(2)	590
Accelerated depreciation	4,968	39	(420)	435	—	(11)	5,011	(17)	411	634	—	—	—	6,039
Overpricing in business combinations	3,474	73	(304)	13	—	(19)	3,237	118	201	175	—	—	—	3,731
Other deferred tax liabilities	682	4	(82)	216	—	196	1,016	3	33	(145)	—	—	97	1,004
Total	**9,359**	**118**	**(819)**	**664**	**115**	**170**	**9,607**	**104**	**691**	**664**	**203**	**—**	**—**	**11,364**

Administrative proceedings

Among its principles, IBERDROLA seeks to build stronger ties with the tax authorities, based on 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.

Tax inspections underway at the 2021 reporting date 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 2012 to 2014) and a general tax inspection (for 2015 to 2017) for the main corporate taxes applicable to IBERDROLA Group companies in the consolidated tax group for Spain (no. 2/86).

In 2021, various tax assessments were signed on an uncontested and agreed basis in relation to transfer pricing matters for the 2012 to 2014 period, while other assessments were signed on a contested basis in relation to other corporate income tax matters (the same as those discussed in the general tax audit for 2008-2011). No significant impacts on equity for the IBERDROLA Group have arisen from these events.

On 17 December 2021, a tax claim was filed with the Central Tax Appeals Board against the settlement agreement derived from the assessments signed on a contested basis discussed in the previous paragraph.

The tax audit initiated in June 2020 is still ongoing and the remaining settlement proposals and assessments resulting from this audit are expected to be made in 2022.

Administrative proceedings in other countries

In other 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, HRMC has classified ScottishPower as a low risk taxpayer. The only significant matter under discussion affects the deductibility of certain payments made as required by the energy regulator (OFGEM). The relevant pleadings were submitted in 2021 in relation to the claims brought before the First Tier Tax Tribunal.

- In Mexico, there are currently reviews ongoing by the local Tax Administration (SAT) in relation to corporate income tax and VAT for 2017 and/or 2018 for certain subsidiaries (mainly Iberdrola México, Iberdrola Energía Escobedo and Iberdrola Energía Monterrey, S.A. de C.V.).

- Lastly, Brazil is known for being a jurisdiction with a high risk of litigation and there are multiple inspections 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 tax consultants consider that the matters described above will not give rise to further material liabilities for the IBERDROLA Group beyond those already recognised at 31 December 2021.

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 the tax assessments signed by IBERDROLA on a contested basis in 2016, arising from the general tax inspection of the consolidated tax group in Spain (no. 2/86) for the 2008 to 2011 period.

As regards VAT, the TEAC found in favour of IBERDROLA on all points (thus rendering the inspector's assessments and settlements null and void), but ruled against the Company in its corporate income tax decision.

On 7 July 2020, IBERDROLA filed appeals for judicial review against these corporate income tax rulings with the National High Court (Audiencia Nacional). All claims and arguments were submitted in due course during the year and the case is now awaiting a decision by the court (Note 44).

The main adjustments included in the settlement agreements resulting from the tax assessments signed on a contested basis 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 circumstances established in Section 15.1 of Spain's General Tax Law in a debtor-swap operation in respect of a number of bond issues, thus potentially giving rise to conflict in the application of tax provisions.

Additionally, in December 2020 IBERDROLA was notified of the rulings of the Central Tax Appeals Board (TEAC) on the appeals lodged in relation to certain corporate income tax assessments signed on a contested basis arising from the limited tax inspection of the 2012 to 2014 period. The dispute with the public administration focuses on the applicability of the criteria established in numerous Supreme Court decisions regarding the timing of recognition of income received by the Group, resulting from payments made based on rules contrary to law.

The aforementioned decision of December 2020 partially upheld IBERDROLA's claims and accepts its view with regard to the taxes declared unconstitutional. On 25 January 2021, IBERDROLA appealed the remaining disputed assessments to the National High Court (Note 44).

Tax litigation in other countries

Generally speaking, 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 tax consultants consider that the aforementioned matters will not give rise to further material liabilities for the IBERDROLA Group beyond those already recognised at 31 December 2021.

Further developments in relation to financial goodwill (Article 12.5 of the revised Income Tax Law)

In previous years, the Spanish authorities applied the aid and grants retrieval procedure envisioned in the General Tax Law, thus recovering from the IBERDROLA Group, in accordance with Article 12.5 of the revised Income Tax Law, the total sum of EUR 665 million for 2002 to 2015 (EUR 576 million in principal and EUR 89 million in late-payment interest). IBERDROLA settled the required amount by (i) netting 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 further to the European Commission's Third Decision.

Meanwhile, in May 2021 IBERDROLA received notice of a tax settlement agreement under state aid retrieval proceedings for 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 2021 and 2020. 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 Article 12.5 of the Income Tax Law 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 we consider unlikely based on the information currently available), the impact on equity would be 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	31.12.2021	31.12.2020
Taxes receivable		
Public Treasury, corporate income tax receivable	367	564
VAT refundable	945	338
Tax withholdings and prepayments	14	8
Hydroelectric levy (Notes 40 and 42)	1,103	—
Public Treasury, PIS/COFINS Brazil (Notes 16 and 32)	234	170
Public Treasury, other receivables	110	107
Total	**2,773**	**1,187**
Payable to public entities		
Public Treasury, corporate income tax payable	227	178
VAT payable	329	235
Public Treasury, withholdings payable	51	62
Public Treasury, other payables	795	901
Social security payable	30	28
Total	**1,432**	**1,404**

36. INFORMATION ON THE AVERAGE PAYMENT PERIOD TO SUPPLIERS. ADDITIONAL PROVISION THREE. “REPORTING REQUIREMENT” OF LAW 15/2010, OF 5 JULY

The breakdown of the required information for 2021 and 2020 is the following:

	Number of days	
	2021	2020
Average period of payment to suppliers	13	14
Ratio of transactions settled	12	13
Ratio of outstanding payments	34	36

€ Million	2021	2020
Total payments made	15,239	11,015
Total payments pending	334	232

The information in the table above 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 and in accordance with the Resolution of 29 January 2016, of the Instituto de Contabilidad y Auditoría de Cuentas (Spanish Institute of Accounting and Auditing), on the information to be included in the notes to the financial statements in relation to deferred payments to suppliers in commercial transactions. This information has been drawn up on the basis of the following specifications:

- Ratio of paid operations: amount in days of the ratio between the sum of the amount of each of the transactions paid and the number of payment days, and in the denominator, the total amount of payments made during the year.

- Ratio of outstanding payment operations: 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.

- Suppliers of fixed assets and payables on finance leases fall outside the scope of this information.

- Taxes, levies, indemnifications and certain other headings are likewise excluded from this information since they do not qualify as trade transactions.

- The table below shows information corresponding to Spanish companies included in the consolidated group once the credits and debits between the subsidiary companies are eliminated.

37. REVENUE

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

2021 Millions of euros	Liberalised	Renewable energy	Networks	Other business, Corporation and adjustments	Total
In regulated markets					
Electricity	4,629	911	12,485	(1,320)	16,705
Gas	—	—	1,258	—	1,258
In liberalised markets					
Electricity	14,874	4,349	—	(2,921)	16,302
Gas	2,403	—	—	9	2,412
Other	593	619	18	(331)	899
Income from construction contracts (Note 13)	**—**	**—**	**1,123**	**—**	**1,123**
Income from lease contracts	**—**	**—**	**3**	**17**	**20**
Commodities derivatives trading and valuation	**235**	**157**	**—**	**3**	**395**
Total	**22,734**	**6,036**	**14,887**	**(4,543)**	**39,114**

2020 Millions of euros	Liberalised	Renewable energy	Networks	Other business, Corporation and adjustments	Total
In regulated markets					
Electricity	3,134	615	10,639	(771)	13,617
Gas	—	—	1,121	—	1,121
In liberalised markets					
Electricity	12,789	2,888	—	(1,225)	14,452
Gas	1,988	—	—	5	1,993
Other	546	460	20	(251)	775
Income from construction contracts (Note 13)	**—**	**—**	**1,117**	**—**	**1,117**
Income from lease contracts	**—**	**—**	**3**	**20**	**23**
Commodities derivatives trading and valuation	**(152)**	**198**	**—**	**1**	**47**
Total	**18,305**	**4,161**	**12,900**	**(2,221)**	**33,145**

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

– Electricity and gas transmission and distribution

IBERDROLA Group's performance obligation is to make transmission and distribution facilities available to customers. This performance obligation is recognised on a straight-line basis over time, since the customer simultaneously receives and consumes the benefits provided by IBERDROLA Group's performance as the transmission or distribution network becomes 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 collection 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 includes an estimate of unbilled supplied energy (Note 5).

By countries:

– In Spain, income includes the amount of both sales in the gas regulated market at Tariff of Last Resort (TLR) and of electricity at Voluntary Price for the Small Consumer (VPSC) as well as the sales in the liberalised market.

– In the United States and Brazil income from electricity and gas supply to end customers are based on tariffs subject to the corresponding state regulatory authorities, which determine the prices and other terms of service through the fixing of rates.

– In the United Kingdom, gas and electricity are traded in the liberalised market.

– In Mexico, electricity 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 eliminated on consolidation.

– Assignment of electricity generation capacity

The electricity generation capacity assignment is an obligation independent from electricity supply whose income is recognised over 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 with supplied energy (joint sale of energy and green certificates), income for the sale is recognised at the time the energy is delivered. When the sale of said certificates takes place separately from the energy produced, the income is recognised at the time the certificate is delivered to the customer.

– Incentives for renewable business

The amount of the turnover of the renewable energy segment corresponding to the different geographical areas in which the Group operates includes the incentives received according to the applicable legislation in each country, taking into account that the amount of these incentives is granted individually based on the units of products sold and that they are received recurrently.

– Construction contracts

Income from transmission and distribution concession agreements for electrical energy that IBERDROLA Group has executed in Brazil include 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 over the duration 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 recognised at 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 required by law.

– 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	31.12.2021	31.12.2020
Liberalised business	19,414	13,511
Renewables business	551	402
Networks business	6,614	5,285
Other business, Corporation and adjustments	(4,527)	(2,198)
Total	**22,052**	**17,000**

39. PERSONNEL EXPENSES

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

Millions of euros	31.12.2021	31.12.2020
Wages and salaries	2,215	2,098
Employer social security costs	322	305
Additional provisions for pensions and similar obligations and defined contributions to the external pension plan (Notes 3.p and 26)	220	203
Attendance allowances art. 48.1 (Note 46)	17	17
Attendance allowances art. 48.4	12	5
Other employee benefit expenses	216	182
	3,002	**2,810**
Capitalised personnel expenses		
Intangible assets (Note 9)	(21)	(19)
Property, plant and equipment (Note 3.d)	(693)	(637)
Nuclear fuel and inventories	(2)	(5)
	(716)	**(661)**
Total	**2,286**	**2,149**

The average number of the IBERDROLA Group employees in 2021 and 2020 has increased to 38,702 and 35,637 employees, of which 8,870 and 8,292 are women, respectively.

The average number of employees in the consolidated group corresponds to all the employees of the fully consolidated companies, and to the employees of the joint ventures determined on the basis of the percentage ownership.

40. TAXES OTHER THAN INCOME TAX

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

Millions of euros	31.12.2021	31.12.2020
Liberalised business	830	799
Renewables business	(673)	371
Networks business	672	685
Other business, Corporation and adjustments	—	(34)
Total	**829**	**1,821**

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 2021 and 2020:

– A tax on the value of electricity output, 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 and EUR 174 million in 2021 and 2020 respectively.

– A tax on spent nuclear fuel, whose cost has amounted to EUR 129 million and EUR 125 million in 2021 and 2020, respectively.

– EUR 96 million was recognised in 2020 for the levy on the use of inland water in the production of electricity, 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. has challenged RD 198/2015, of 23 March, which implements article 112bis of RD Legislative 1/2001, of 20 July, approving the revised Water Law and regulating the fee for the use of inland waters for the production of electricity in inter-community districts (hydroelectric levy). 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 are as follows: (i) the nullity of the self-assessments for 2013 and 2014 due to maximum retroactivity because RD 198/2015 was not in force in those years and (ii) its effect on the settlements for 2015 to 2020, given that the concession titles have not been modified to adapt them to the requirements of the hydroelectric levy, in accordance with the ad-hoc procedures established in the water regulations.

– The IBERDROLA Group has recognised EUR 1,106 million (Note 35), EUR 951 million of principal and EUR 155 million of 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 (Note 50).

– A green cent tax levied against energy products used in electricity production, entailing a cost for the IBERDROLA Group of EUR 0.41 million and EUR 2 million in 2021 and 2020, respectively. This payment was recognised under the “Supplies” heading of the consolidated Income statement.

Additionally, the “Taxes other than income tax” heading of the 2021 and 2020 consolidated Income statement includes EUR 198 million and EUR 207 million, respectively, as the best estimate available of the accrued expenses originated by Royal Decree-Law 6/2009 (Note 3.y).

41. AMORTISATION, DEPRECIATION AND PROVISIONS

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

Millions of euros	31.12.2021	31.12.2020
Depreciation charges for:		
Intangible assets (Note 9)	890	794
Investment property (Note 10)	7	7
Property, plant and equipment (Note 11)	3,156	3,033
Right-of-use assets (Note 12)	144	138
Allowances for impairments and write-offs of non-financial assets (Note 14):		
Provision (reversal) of impairment of intangible assets (Note 9)	(10)	31
Write-offs for property, plant and equipment (Note 11)	52	31
Charge/(reversal) of impairment in PPE (Note 11)	(14)	(9)
Changes in provisions	69	68
Total	**4,294**	**4,093**

42. FINANCE INCOME

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

Millions of euros	31.12.2021	31.12.2020
Income from equity investments	—	1
Finance income related to assets at amortised cost	209	140
Finance income associated with the hydroelectric levy (Note 35)	155	—
Finance income at fair value through profit or loss	55	—
Non-hedge derivatives and inefficiencies (Note 29)	81	300
Exchange gains in foreign currency for financing activities	235	264
Other exchange losses in foreign currency	384	183
Capitalised finance costs	145	149
Discount to present value of provisions for pensions and similar obligations (Note 26)	1	1
Total	**1,265**	**1,038**

The average capitalisation rates used in 2021 and 2020 for external financing of property, plant and equipment was 3.74% and 3.12%, 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	31.12.2021	31.12.2020
Finance expenses related to liabilities at amortised cost:		
Finance expenses and similar financing expenses	1,205	1,071
Other finance and similar expenses	89	47
Finance expenses from lease liabilities (Note 31)	67	61
Equity instruments having the substance of a financial liability (Note 23)	30	28
Non-hedge derivatives and inefficiencies (Note 29)	152	244
Valuation adjustments of financial assets	8	2
Exchange losses in foreign currency for financing activities	228	255
Other exchange losses in foreign currency	380	194
Discount to present value of other provisions (Note 27)	67	69
Discount to present value of provisions for pensions and similar obligations (Note 26)	42	58
Total	**2,268**	**2,029**

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 penalty proceedings against IBERDROLA GENERACIÓN ESPAÑA 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 ESPAÑA 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 procedure is currently on hold pending separate rulings.

– Appeals for judicial review 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 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. In the course of 2021, pleadings have been filed in the proceedings that were still pending as at 31 December 2020.

– Economic-administrative claim lodged on 17 December 2021 before the Central Tax Appeals Board against the settlement decision on income tax notified to Iberdrola Clientes España, S.A. as representative of Tax Group 2/86, in relation to tax assessments contested by the Group in 2021 in relation to 2012 to 2014. The adjustments in dispute are the same as those discussed in relation to 2008 to 2011.

– The ACE (an economic interest grouping in Portugal) consisting of the companies Acciona-Mota and Edivisa, brought action for arbitration against Iberdrola Generación 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 on 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. Further, 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. IBD received the initial petition to open arbitration proceedings from ACE on 31 May 2021, claiming payment of EUR 27.1 million. Iberdrola responded to the claim on 1 September 2021 by lodging a counterclaim for a total of EUR 60.2 million. ACE's second written submission was received on 12 November 2021, with Iberdrola submitting its reply on 21 January 2022. Following Iberdrola's submission, the phase of testimonies and statements before the arbitration panel begins, with the possibility for the Arbitral Tribunal to request additional documents or statements of evidence from the parties beforehand.

– IBERCYL has been summoned as a party holding subsidiary civil liability in the proceedings before Valladolid Court no 4 for the alleged wind power scheme in Castilla y León. The order states that IBERCYL, as a party holding subsidiary civil liability, must provide a bond for the amount of EUR 11 million, jointly and severally with the Regional Government of Castilla y León, in respect of subsidiary civil liability. To date, the bond has not been lodged as the deadline has not been set, but it should be lodged within the next two months.

– 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.

– The 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, noteworthy of which being the collective action involving the company Neoenergia Cosern, which was brought by the Union SINTERN on behalf of the employees, and which sought the maintenance of, and immediate compliance with, the Position, Careers and Salaries Plan approved in 1991. The civil proceedings relate to actions of a commercial and compensatory nature brought to claim material or moral damages, arbitration proceedings concerning matters related to engineering and energy contracts and environmental actions.

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 income tax and employee contribution tax) applicable to the subsidiaries Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro, Neoenergia Brasília, Itapebi and Termopernambuco;
- failure to make income tax withholdings on interest payment on capital between companies belonging to the same group;
- income tax withholding requirement on the alleged taxable capital gain accruing to Iberdrola Energía SA 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 in 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, the distribution companies Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro and 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 right-of-way areas on 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 contribution calculation base for PIS/COFINS. Matter at the initial discussions stage at administrative level.

- 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, July 2005 and August 2008, accumulated in respect of 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 USD 259 million. FERC staff have recommended that the case be closed without sanction.

  On 17 June 2021, FERC issued an order referring the case back to the administrative judge for further investigation and legal analysis regarding the impact of one party's conduct (not Avangrid Renewables) on its long-term contracts. The order does not address other findings, including those relating to Avangrid Renewables, which are still pending. There is no specific timetable for the administrative judge's decision.

- In Mexico, the Federal Electricity Commission (CFE) is making the commissioning of the Topolobampo III electrical plant subject to the payment of contractual penalties amounting to USD 16.5 million, plus VAT, for delay in the construction of the plant. Iberdrola México has filed for arbitration requesting recognition of causes of governmental force majeure and recognition of the commencement of operation of the plant on 20 July 2020, the return of the USD 2 million paid for contractual penalties, the impropriety of the additional contractual penalty sought, payment of the expenses incurred and capacity charges of at least USD 10 million and compensation for harm and loss caused by the delay in the commercial operating date of the plant. For its part, CFE has opposed Iberdrola's claims and 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.

– 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 1,868 million (approximately USD 88 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 18 months; the amount is revised every six months). In the event the trial produces an unfavourable outcome, Iberdrola would have to pay this amount.

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 2021 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.

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 2020 are described in the IBERDROLA Group's consolidated Financial Statements for that year.

Contingent assets included in the IBERDROLA Group's 2020 consolidated Financial Statements related to the arbitration pursued by IBERDROLA INGENIERÍA's subsidiary company in the United States (Iberdrola Energy Projects – IEP) against one of its clients before the International Centre for Dispute Resolution (ICDR) of the American Arbitration Association (AAA) owing to the undue termination of a contract and other claims. The client concerned was seeking certain amounts from IEP resulting from late performance penalties and other damages. The final resolution of the award was made in the last quarter of 2021 in favour of IEP. However, the client did not pay and requested the nullity of the award, which was finally confirmed by the courts at the end of December.

45. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

IBERDROLA and its subsidiaries are required to provide the bank or corporate 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 and grid access transactions in different energy markets and vis-à-vis the operators of different electricity systems (mainly MEFF, OMEL, OMI Clear, National Grid, CFE, REE and EDP Distribución).

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 assessments were signed on a contested basis with respect to income tax for 2008 to 2011 and with respect to value added tax for 2010 and 2011. IBERDROLA filed the corresponding claims against the tax findings before the Central Tax Appeals Board, requesting the automatic suspension of enforcement of the tax settlements by furnishing the necessary bank guarantees. In June 2020, IBERDROLA was notified of the court's decision to dismiss its claim. An appeal for judicial review has since been lodged against this ruling before the National High Court (Audiencia Nacional) (filed on 7 July 2020) to maintain the suspension of enforcement of the settlements and the guarantees posted for that purpose (Note 34).

In addition, at 31 December 2021 and 2020, there were outstanding obligations resulting from bond issues in the United States amounting to EUR 2,370 million and EUR 2,030 million, which were secured by items of property, plant and equipment of the AVANGRID subgroup.

IBERDROLA considers that any further liability at 31 December 2021 and 2020 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 2021 and 2020. A breakdown of the shares pledged is as follows, by company:

Millions of euros	2021			2020		
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						
Eólica de Campollano, S.A. (1)	43	25.00%	11	30	25.00%	8
Iberdrola Renovables de la Rioja, S.A. (1)	97	63.55%	61	87	63.55%	55
Desarrollos de Energías Renovables de La Rioja, S.A. (1)	26	63.55%	16	—	—	—
Molinos de la Rioja, S.A. (1)	23	63.55%	15	19	63.55%	12
Molinos de Cidacos, S.A.	43	63.55%	27	34	63.55%	22
Parques Eólicos Alto Layna, S.L.U. (1)	56	20.00%	11	—	—	—
Sistemas Energéticos Altamira, S.A. (1)	15	20.00%	3	—	—	—
Sistemas Energéticos Gomera, S.A. (1)	4	20.00%	1	—	—	—
Sistemas Energéticos de la Linera, S.A. (1)	9	20.00%	2	—	—	—
Sistemas Energéticos Tacica de Plata, S.A. (1)	9	20.00%	2	—	—	—
Sistemas Energéticos Nacimiento, S.A. (1)	8	20.00%	2	—	—	—
Sistemas Energéticos Savallá del Comtat, S.A. (1)	16	20.00%	3	—	—	—
Renewables business – International						
Bodangora Wind Farm PTY Ltd	26	100.00%	26	69	100.00%	69
Aerodis Herbitzheim SAS	1	100.00%	1	(1)	100.00%	(1)
Aerodis les Chaumes SARL	1	100.00%	1	(1)	100.00%	(1)
Aerodis Pays de Boussac SARL	(2)	100.00%	(2)	2	100.00%	2
Société d'Exploitation Eolienne d'Orvilliers SAS	10	100.00%	10	(9)	100.00%	(9)
Energies du Champs des Sœurettes SAS	2	100.00%	2	—	100.00%	—
Société d'Exploitation du Parc Eolien la Croix Didier SARL	5	100.00%	5	(5)	100.00%	(5)
Société d'Exploitation du Parc Eolien la Pièce du Roi SARL	5	100.00%	5	(5)	100.00%	(5)
Société d'Exploitation du Parc Eolien le Florembeau SARL	7	100.00%	7	(7)	100.00%	(7)
Société d'Exploitation du Parc Eolien le Fond d'Etre SARL	5	100.00%	5	(5)	100.00%	(5)
Société d'Exploitation du Parc Eolien les Neufs Champs SAS	2	100.00%	2	(1)	100.00%	(1)
Renewables business – Brazil						
Arizona 1 Energía Renovável, S.A	8	52.91%	4	8	51.04%	4
Caetité 1 Energía Renovável, S.A.	12	52.91%	6	12	51.04%	6
Caetité 2 Energía Renovável, S.A	15	52.91%	8	14	51.04%	7
Caetité 3 Energía Renovável, S.A	11	52.91%	6	11	51.04%	6
Calango 1 Energía Renovável, S.A.	9	52.91%	5	9	51.04%	5
Calango 2 Energía Renovável, S.A.	9	52.91%	5	8	51.04%	4
Calango 3 Energía Renovável, S.A.	9	52.91%	5	8	51.04%	4

Millions of euros	2021			2020		
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 4 Energía Renovável, S.A.	8	52.91%	4	7	51.04%	4
Calango 5 Energía Renovável, S.A.	8	52.91%	4	8	51.04%	4
Mel 2 Energía Renovável, S.A.	6	52.91%	3	5	51.04%	3
Calango 6 Energía Renovável, S.A.	40	52.91%	21	39	51.04%	20
Santana 1 Energía Renovável, S.A.	27	52.91%	14	27	51.04%	14
Santana 2 Energía Renovável, S.A.	21	52.91%	11	21	51.04%	11
Lagoa 1 Energía Renovável, S.A.	42	52.91%	22	40	51.04%	21
Lagoa 2 Energía Renovável, S.A.	31	52.91%	16	30	51.04%	16
Canoas Energía Renovável, S.A.	31	52.91%	17	31	51.04%	16
FE Participações, S.A.	48	52.91%	25	42	51.04%	21
Chafariz 1 Energía Renovável, S.A.	8	52.91%	4	8	51.04%	4
Chafariz 2 Energía Renovável, S.A.	6	52.91%	3	6	51.04%	3
Chafariz 4 Energía Renovável, S.A.	3	52.91%	1	3	51.04%	2
Chafariz 5 Energía Renovável, S.A.	3	52.91%	1	3	51.04%	2
Canoas 2 Energía Renovável, S.A.	7	52.91%	4	7	51.04%	3
Canoas 3 Energía Renovável, S.A.	3	52.91%	1	3	51.04%	2
Canoas 4 Energía Renovável, S.A.	4	52.91%	2	5	51.04%	2
Lagoa 3 Energía Renovável, S.A.	3	52.91%	2	4	51.04%	2
Lagoa 4 Energía Renovável, S.A.	2	52.91%	1	2	51.04%	1
Ventos de Arapuá 1 Energía Renovável, S.A.	4	52.91%	2	3	51.04%	1
Ventos de Arapuá 2 Energía Renovável, S.A.	5	52.91%	3	3	51.04%	2
Ventos de Arapuá 3 Energía Renovável, S.A.	1	52.91%	1	1	51.04%	1
Baguari Geraçao de Energía Eléctrica, S.A.(1)	27	52.91%	14	24	50.99%	12
Companhia Hidreletrica Teles Pires, S.A.(1)	300	51.00%	153	295	26.03%	77
Energetica Aguas da Pedra, S.A.(1)	93	51.00%	47	80	26.03%	21
Geraçao CIII, S.A.	44	52.91%	23	41	51.04%	21
Teles Pires Participaçoes(1)	250	50.56%	126	237	25.81%	61
Norte Energia (Nota 15.a) (1	1,993	10.00%	199	2,069	5.10%	106
Belo Monte Participacoes, S.A.	124	52.91%	66	207	51.04%	106
Geração Céu Azul S.A	197	52.91%	104	196	51.04%	100
Energética Corumbá III(1)	32	25.00%	8	26	12.76%	3
Liberalised – Mexico						
Parque Industrial de Energías Renovables , S.A. de C.V.	66	51.00%	34	61	51.00%	31
PIER II Quecholac Felipe Angeles,	17	51.00%	9	16	51.00%	8

Millions of euros	2021			2020		
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
S.A. de C.V.						
Networks Business – Brazil						
Potiguar Sul	45	52.91%	24	43	51.04%	22
Neoenerga Jalapão Transmissão de Energía, S.A. (EKTT01)	86	52.91%	45	58	51.04%	30
Neoenerga Santa Luzia Transmissão de Energía, S.A. (EKTT02)	40	52.91%	21	28	51.04%	14
Neoenerga Dourados Transmissão de Energía, S.A. (EKTT12)	55	52.91%	29	48	51.04%	24
Renewables business – United States						
Vineyard Wind 1 Pledgor LLC (1)	2	40.75%	—	—	—	—
Total	**4,166**		**1,319**	**4,004**		**961**

(1) Companies recognised as equity-accounted investees.

46. REMUNERATION OF THE BOARD OF DIRECTORS

46.1 By-law stipulated remuneration in 2021

Article 48 of IBERDROLA's by-laws provides that the Company shall assign on an annual basis, as an expense, an amount equal to a maximum of 2% of the profit obtained in the year by the consolidated group for the following purposes:

On the recommendation of the Remuneration Committee, the Board of Directors decided to assign by-law stipulated remuneration of EUR 17 million in 2021; the same amount as in the previous six years.

These amounts have been recognised under "Personnel expenses" in the consolidated Income statement (Note 39).

a) Fixed remuneration and attendance fees

The fixed annual remuneration and attendance fees payable to board and committee members depends on the specific duties assigned to them on the Board of Directors and its committees in 2021 and 2020, as follows:

Millions of euros	Fixed remuneration	Attendance fees
Chairman	0.567	0.004
Vice-chair of the Board and committee chairs	0.440	0.004
Committee members	0.253	0.002
Board members	0.165	0.002

b) Remuneration of executive directors for the performance of executive duties

The Board of Directors resolved to maintain the fixed remuneration for the chairman and chief executive officer in 2021 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 2022.

The Board of Directors agreed to pay fixed remuneration of EUR 1 million in 2021 to the Business CEO (who ceased to be CEO with effect from 1 November 2021) and to set a cap of EUR 1 million on his variable annual remuneration, payable as may be agreed upon in 2022.

c) Director remuneration paid and accrued

The fixed remuneration accrued by the members of the Board of Directors, individually counted, was as follows in 2021 and 2020:

Millions of euros	Salaries	Fixed remuneration (1)	Remuneration for seats on committees (1)	Attendance fees	Short-term variable remuneration (3)	Termination benefits	Other remuneration items	Total 2021	Total 2020
Chairman									
José Ignacio Sánchez Galán	2.250	0.567	—	0.092	3.250	—	0.107	6.266	6.242
Vice-chair of the Board and committee chairs									
Juan Manuel González Serna	—	0.165	0.275	0.110	—	—	0.002	0.552	0.536
María Helena Antolín Raybaud	—	0.165	0.275	0.056	—	—	0.006	0.502	0.496
Xabier Sagredo Ormaza	—	0.165	0.275	0.064	—	—	0.004	0.508	0.505
Sara de la Rica Goiricelaya	—	0.165	0.275	0.056	—	—	0.003	0.499	0.385
Anthony L. Gardner	—	0.165	0.122	0.042	—	—	0.002	0.331	0.288
Committee members									
Iñigo Víctor de Oriol Ibarra	—	0.165	0.088	0.040	—	—	0.004	0.297	0.314
Manuel Moreu Munaiz	—	0.165	0.088	0.070	—	—	0.003	0.326	0.325
Francisco Martínez Córcoles (2)	0.833	0.165	—	0.016	1.000	—	0.160	2.174	2.216
Nicola Mary Brewer	—	0.165	0.088	0.036	—	—	0.001	0.290	0.212
Regina Helena Jorge Nunes	—	0.165	0.088	0.040	—	—	0.001	0.294	0.216
Angel Jesús Acebes Paniagua	—	0.165	0.088	0.066	—	—	0.004	0.323	0.061
María Ángeles Alcalá Díaz	—	0.030	0.016	0.006	—	—	—	0.052	—
Isabel García Tejerina	—	0.007	0.004	—	—	—	—	0.011	—
Outgoing directors									
Inés Macho Stadler	—	—	—	—	—	—	—	—	0.141
Georgina Kessel Martínez	—	—	—	—	—	—	—	—	0.238
Denise Mary Holt	—	—	—	—	—	—	—	—	0.078
Samantha Barber	—	0.135	0.072	0.058	—	—	0.001	0.266	0.446
José Walfredo Fernández (4)	—	0.099	0.052	0.030	—	0.374	0.001	0.556	0.294
Total	**3.083**	**2.653**	**1.806**	**0.782**	**4.250**	**0.374**	**0.299**	**13.247**	**12.993**

(1) Remuneration accrued in 2021 for length of service in post. This amount will not be paid until the approval of the 2021 financial statements by the shareholders at the 2022 General Shareholders' Meeting.
(2) Only member of the Board of Directors to have no responsibilities on any of the five committees attached to the Board of Directors; ceased to be an executive with effect from 1 November 2021.
(3) Amount relates to annual variable remuneration received in 2021, based on attainment of targets and personal performance in 2020.
(4) In accordance with section 4.3 of the Director Remuneration Policy regarding the non-competition commitment of external non proprietary directors, Mr José Walfredo Fernández, who resigned as director on 6 August 2021, received a severance payment equivalent to 90% of the fixed amount he would have received for the remainder of his term.

d) Group civil liability insurance

The premium paid to cover directors' civil liability insurance amounted to EUR 0.402 million and EUR 0.319 million in 2021 and 2020, respectively.

e) Other items

The expenses of the Board of Directors in relation to external services and other items in 2021 and 2020 amounted to EUR 2.984 million and EUR 4.514 million, respectively.

In 2021 and 2020 a total of EUR 0.194 million and EUR 0.116 million, respectively, was received in premium refunds due to the annual adjustment of the pension insurance policies relating to former members of the Board of Directors.

The unused amount of the by-law stipulated remuneration for 2021 amounts to EUR 0.560 million.

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 2021, the second of the three annual settlements was completed. The chairman & CEO received a total of 633,333 IBERDROLA shares, while the Business CEO (who ceased to be an executive with effect from 1 November 2021) received a total of 100,000 shares.

46.3 Remuneration for seats on other boards

Directors who in 2021 and 2020 carried out director duties at companies that are not wholly owned, directly or indirectly, by IBERDROLA, received the following remuneration:

Millions of euros	2021	2020
Remuneration received by the chairman	0.325	0.307
Remuneration received by María Ángeles Alcalá Díaz (1)	0.067	0.020
Remuneration received by Isabel García Tejerina (1)	0.114	0.022

(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 information and diversity

The average remuneration received by directors in 2021 and 2020 (excluding remuneration in Company shares) was as follows, by type and by gender:

	2021		2020	
Millions of euros	**Men**	**Women**	**Men**	**Women**
Executive	4.759	—	4.383	—
Independent and other external	0.432	0.416	0.375	0.381

46.5 Termination benefit clauses

Termination benefit clauses for senior management are described in paragraph C.1.39 of the Annual Corporate Governance Report attached to 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 chairman & CEO and the Business CEO (who ceased to be an executive with effect from 1 November 2021) left the meeting room during deliberations on all resolutions related to their system of remuneration and insurance.

In addition, Mr Sagredo Ormaza left the meeting room during deliberations on the resolutions involving Kutxabank, S.A., specifically, the resolution on engagement of Norbolsa Sociedad de Valores, S.A. as agent for the *Iberdrola Retribución Flexible* optional dividend system.

48. REMUNERATION OF SENIOR MANAGEMENT

Senior managers are those who answer directly to the Company's Board of Directors, chairman and chief executive officer and, in all cases, to the internal head of audit, as well as any other director recognised as being a senior manager.

At 31 December 2021, the Company had 11 senior managers.

Personnel expenses relating to members of senior management amounted to EUR 14.2 million and EUR 13.8 million in 2021 and 2020, respectively, and are recognised under "Personnel expenses" in the consolidated Income statement.

Remuneration and other benefits received by senior managers in 2021 and 2020 are as follows:

Millions of euros	2021	2020(*)
Remuneration in cash	5.2	4.9
Variable remuneration	5.9	6.0
Remuneration in kind and payments on account not charged	0.4	0.4
Social Security	0.2	0.2
Employer's contribution to pension plan / employee welfare insurance	1.2	1.1
Risk policy (death and permanent disability)	1.3	1.2
Total	**14.2**	**13.8**

(*) For comparison purposes, information has been included for members holding this rating as at 31 December 2021 (two additional members).

In 2021 and 2020 senior managers who sat on the boards of companies that were not wholly owned by IBERDROLA, whether directly or indirectly, received EUR 0.7 million and EUR 0.8 million, respectively, from those companies.

In the first half of 2021 and 2020 the second and first of the three annual payments under the *2017-2019 Strategic Bonus* were made (Note 22), once the degree of attainment of the relevant targets had been determined. Under this scheme, members of senior management received a total of 568,328 shares each year.

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 300 beneficiaries. A total of 1,680,800 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.

Compensation clauses for members of senior management and other executives are described in paragraph C.1.39 of the Annual Corporate Governance Report, which is part of the Management Report.

In 2021 and 2020, there were no related transactions with senior officers.

Fixed and variable remuneration paid to executives and other staff with managerial responsibilities not included in the senior management of IBERDROLA amounted to EUR 131.3 million in 2021 (767 individuals) and EUR 128.8 million in 2020 (757 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 2021 there were no significant shareholders who meet the definition of section 529 *vicies* of the Companies Act because they do not hold 10% of the voting rights or are 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:

	2021						2020					
Millions of euros	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)	—	19	—	1	156	—	—	16	—	1	149	—
Companhia Hidrelétrica Teles Pires, S.A. (1)	—	6	—	2	57	—	—	5	—	1	57	—
Morecambe Wind, Ltd.	—	3	2	1	18	—	—	2	1	2	16	—
Energetica Aguas da Pedra, S.A. (1)	—	1	4	2	11	—	—	1	2	2	11	—
Vineyard Wind LLC	—	7	7	12	—	—	—	0	3	7	—	—
Other companies	1	100	31	5	18	1	4	96	11	15	4	1
Total	**1**	**136**	**44**	**23**	**260**	**1**	**4**	**120**	**17**	**28**	**237**	**1**

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

Transactions with directors and senior managers

Millions of euros	Directors and senior managers			
	2021		2020	
	Directors	Senior managers	Directors	Senior managers
Other transactions				
Dividends and other distributed earnings [1]	2	—	1	—

[1] The amounts recognised as dividends and other distributed earnings in 2021 and 2020 pertain to the *Iberdrola Retribución Flexible* optional dividend system and the General Shareholders' Meeting attendance fee, if eligible.

In addition, during the first half of 2021, the Board of Directors authorised a sponsorship from Iberdrola Clientes, S.A.U. to Bilbao Bizkaia Kutxa Fundación Bancaria in the amount of EUR 0.4 million. This amount will be paid during the term of the contract, which is stipulated until 31 December 2025, at a rate of EUR 0.2 million in 2021 and EUR 0.05 million from 2022 to 2025, and will be entirely allocated to the promotion of a project of general interest carried out in Biscay. The director Xabier Sagredo is Chairman of BBK.

50. EVENTS SUBSEQUENT TO 31 DECEMBER 2021

The main events subsequent to 31 December 2021 were as follows:

Iberdrola Retribución Flexible

On 5 January 2022, the following terms governing the second scrip issue (*Iberdrola Retribución Flexible*) were approved by shareholders at the General Shareholders' Meeting of IBERDROLA held on 18 June 2021, under item nine of the agenda:

- The maximum number of shares to be issued under the capital increase is 106,101,466.
- The number of free-of-charge allocation rights required to receive one new share is 60.
- The maximum par value of the capital increase is EUR 79,576,100.
- The gross Interim Dividend per share amounts to EUR 0.170.

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

- During the period established for this purpose, the holders of 2,077,587,951 shares in the Company decided to receive the *Interim Dividend*. Thus, the gross amount paid out under the *Interim Dividend* was EUR 353 million. As a result, those shareholders have expressly waived 2,077,587,951 free-of-charge allocation rights and, therefore, the right to receive 34,626,466 new shares.
- Furthermore, the final number of new common shares with a par value of EUR 0.75 issued will be 71,475,000, yielding a nominal capital increase (under this issue) of EUR 54 million and adding 1.123% to IBERDROLA's pre-issue share capital.
- Following this share capital increase, IBERDROLA's share capital amounts to EUR 4,828,172,250, represented by 6,437,563,000 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 Stock Exchange Interconnection System on 1 February 2022. The ordinary trading of the new shares commenced on 2 February 2022.

Hydroelectric levy

In January 2022, a total of EUR 1,103 million was collected in respect of settlements affected by Supreme Court Ruling 513/2021 relating to the levy on the use of inland water for electricity production. At 31 December 2021, this amount was recognised under “Trade and other current assets — Other public administration receivables” in the consolidated Statement of financial position (Note 35).

Social tariff

On 31 January 2022, the Supreme Court ruled against the mechanism established in Royal Decree 7/2016 on the financing of the cost of the social tariff and other measures to protect vulnerable electricity consumers, subsequently implemented by Royal Decree 897/2016 and by Ministry of Energy, Tourism and Digital Agenda Order ETU/943/2017, which imposed the financing of the social tariff on suppliers and the parent companies of vertically integrated groups.

The Supreme Court (SC) ruling declares the financing scheme of the social tariff inapplicable because it is incompatible with the common rules for the internal electricity market. Specifically, the SC analyses the reasons put forward by the national legislator to place this burden on the electricity suppliers, to the exclusion of the other companies operating in the electricity sector (power generating companies, transmission companies, distributors), reaching the conclusion that the financing system designed is contrary to Directive 2009/72/EC because it lacks objective justification and discriminates against the companies that assume the cost. It also holds that a system which places 94% of the burden on the five main energy groups to be unjustified.

The judgment recognises the right to recover the amounts that have been paid to finance the social tariff (and, where appropriate, the supply to consumers at risk of social exclusion), with the corresponding interest from the date on which each payment was made, in the terms to be determined upon enforcement of the judgment, as it is understood that it does not comply with European legislation and discriminates against some companies in the electricity sector as opposed to others, for which reason the State will have to reimburse the companies that assumed it (less any amounts passed on to customers in this regard).

To these amounts must be added the amount of the sums invested to implement the application, verification and management procedure for the social tariff and the sums paid for the application of this procedure up to the date of this ruling, less any amounts that may have been charged to customers for this purpose, plus interest calculated from the date of the corresponding disbursement up to the date of their reimbursement.

Reorganisation of Vineyard Wind joint venture assets

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.

Avangrid Renewables paid net consideration of approximately USD 167.5 million, equivalent to approximately EUR 143.03 million, to CI-II Park Holding LLC and CI III Park Holding LLC upon completion of the transaction.

The conclusion of the reorganisation transaction contemplated in the agreement was subject to the satisfaction or waiver by the parties of certain closing conditions customary in this type of transaction, which were satisfied in January 2022.

Banking market and bond issue in the Euromarket

The most significant financing arranged by the IBERDROLA Group after 31 December 2021 is as follows:

Borrower	Transaction	Amount (millions)	Currency	Interest rate	Maturity
Main new financing transactions					
Iberdrola Finanzas	Private Bond	100	EUR	1%	Feb-37
Coelba [1]	Loan 4131	20	USD		Feb-27
Main transactions to extend existing funding					
Iberdrola Financiación	Bilateral loan	125	EUR		Oct-23

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

51. FEES FOR SERVICES PROVIDED BY THE STATUTORY AUDITORS

Fees paid for services provided in 2021 and 2020 by KPMG Auditores, S.L. and the other affiliates of KPMG International are as follows:

Millions of euros	2021		
	Services provided by KPMG Auditores, S.L.	Services provided by other entities affiliated with KPMG International	Total
Auditing services	6.62	16.30	22.92
Other 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 rendered 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 and 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.

Millions of euros	2020		
	Services rendered by KPMG Auditores, S.L.	Services rendered by other entities affiliated with KPMG International	Total
Auditing services	6.28	17.99	24.27
Other services	2.02	1.49	3.51
Services required of the statutory auditor under the applicable regulations	—	0.10	0.10
Other services	2.02	1.39	3.41
Total	**8.30**	**19.48**	**27.78**

Other services include the rendering of the following services:

Millions of euros	2020		
	Services rendered by KPMG Auditores, S.L.	Services rendered by other entities affiliated with KPMG International	Total
Limited assurances of interim information	1.28	0.11	1.39
Comfort letters for debt issues	0.26	0.50	0.76
Services for the issuance of agreed-upon procedures reports, assurance and other reports required by industry regulators	0.46	0.59	1.05
Other reports on agreed-upon procedures	0.02	0.19	0.21
Total	**2.02**	**1.39**	**3.41**

(*) 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.

52. EARNINGS PER SHARE

The weighted average number of common shares used to calculate basic and diluted earnings per share at 31 December 2021 and 2020 (Note 3.z) is as follows:

	2021		2020	
	Basic	Diluted	Basic	Diluted
Average number of shares during the year	6,526,885,050	6,540,530,121	6,723,098,585	6,734,202,837
Average number of treasury shares held	(87,352,952)	(88,156,815)	(88,431,214)	(88,431,214)
Number of shares outstanding	**6,439,532,098**	**6,452,373,306**	**6,634,667,371**	**6,645,771,623**

Basic and diluted earnings per share for 2021 and 2020 are as follows:

	2021		2020 Restated (Note 2.c)	
	Basic	Diluted	Basic	Diluted
Net profit from continuing operations at the Parent (*) (millions of euros)	3,920	3,919	3,629	3,629
Accrued interest on subordinated perpetual bonds (millions of euros) (Note 21)	(155)	(155)	(74)	(74)
Adjusted net profit from continuing operations (millions of euros)	**3,765**	**3,764**	**3,555**	**3,555**
Net profit from discontinued operations (millions of euros)	**35**	**(35)**	**(18)**	**(18)**
Number of shares outstanding	**6,439,532,098**	**6,452,373,306**	**6,634,667,371**	**6,645,771,623**
Earnings per share (euros) from continuing operations	**0.585**	**0.583**	**0.536**	**0.535**
Earnings per share (euros) from discontinued operations	**(0.006)**	**(0.006)**	**(0.003)**	**(0.003)**

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

53. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated Financial Statements for the year ended on 31 December 2021 were authorised for issue by the directors of IBERDROLA on 22 February 2022.

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 2021 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 consolidation method for each company is as follows:

FC: Full consolidation
EM: Equity method

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
LIBERALISED BUSINESS					
Spain					
Cogeneración Gequisa, S.A.	Spain	Energy	50	50	EM
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	100	100	FC
Iberdrola Clientes España, S.A.U. (formerly Iberdrola Generación España, S.A.U.)	Spain	Energy	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
Curenergía Comercializador de Último Recurso,S.A.U.	Spain	Retail	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 Servicios Energéticos, S.A.U.	Spain	Retail	100	100	FC
Iberduero, S.L.U.	Spain	Energy	100	100	FC
Intermalta Energía, S.A.	Spain	Energy	50	50	EM
Ir Redes de Calor y Frío, S.L.	Spain	Services	50	0	EM
Nuclenor, S.A.	Spain	Energy	50	50	EM
Peninsular Cogeneración, S.A.	Spain	Energy	50	50	EM
Productos y Servicios de Confort, S.A.	Spain	Services	100	100	FC
Tarragona Power, S.L.U.	Spain	Energy	100	100	FC
Tecnatom, S.A. (5)	Spain	Other	30	30	—
United Kingdom					
Scottish Power Retail Holdings Ltd.	United Kingdom	Holding company	100	100	FC
ScottishPower (DCL), Ltd.	United Kingdom	Energy	100	100	FC

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
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	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.	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
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
Iberdrola Soporte a Proyectos Liberalizados, S.A. 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	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
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	—	FC
Brazil					
Elektro Comercializadora de Energia Ltda.	Brazil	Retail	52.91	51.04	FC
NC Energia, S.A.	Brazil	Retail	52.91	51.04	FC
Neoenergia Operaçao e Manuitençao, S.A.	Brazil	Services	52.91	51.04	FC
Neoenergia Servicios, Ltd.	Brazil	Services	52.91	51.04	FC
Termopernambuco, S.A.	Brazil	Energy	52.91	51.04	FC

Company	Registered address	Activity	% direct or indirect stake 31.12.2021	31.12.2020	Method (*)
ROW					
Iberdrola Energy Deutschland, GmbH.	Germany	Retail	100	100	FC
Iberdrola Solutions, LLC	USA	Retail	100	100	FC
Iberdrola Energie France, S.A.S.	France	Retail	100	100	FC
Iberdrola Clienti Italia, S.R.L.	Italy	Retail	100	100	FC
Iberdrola Ireland, Ltd	Ireland	Retail	100	100	FC
Iberdrola Clientes Portugal, Unipessoal Ltda.	Portugal	Retail	100	100	FC

RENEWABLE BUSINESS

Company	Registered address	Activity	31.12.2021	31.12.2020	Method (*)
Spain					
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	—	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
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	—	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
Electra Sierra de San Pedro, S.A.	Spain	Energy	80	80	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 Cespedera, S.L.	Spain	Energy	100	—	FC
Energías Renovables Cornicabra, S.L.	Spain	Energy	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	—	FC
Energías Renovables Ibermap, S.L.	Spain	Energy	20	—	EM
Energías Renovables Jungla Verde, S.L.	Spain	Energy	100	—	FC
Energías Renovables Poleo, S.L.	Spain	Energy	100	—	FC
Energías Verdes de Tenerífe, 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	—	FC
Gestión de Evacuación de la Serna, S.L.	Spain	Energy	16.54	16.54	EM
Iberdrola Generación, S.A.U.	Spain	Energy	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

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Iberdrola Renovables Aragón, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Renovables Canarias, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Renovables Castilla – La Mancha, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Renovables Castilla y León, S.A.	Spain	Energy	95	95	FC
Iberdrola Renovables Energía, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Renovables Internacional, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Renovables La Rioja, S.A. (2)	Spain	Energy	63.55	63.55	EM
Iberdrola Renovables La Rioja 2, S.A.	Spain	Energy	63.55	63.55	FC
Iberenova Promociones, S.A.U.	Spain	Energy	100	100	FC
Iberjalón, S.A.	Spain	Energy	80	80	FC
ICARO Renovables,S.A.	Spain	Energy	100	100	FC
Infraestructuras de Evacuación Los Arenales, S.L.	Spain	Energy	50	—	EM
Iniciativas Eólicas Cantabria, S.L.	Spain	Energy	60	—	FC
Línea Curacavas, S.L.	Spain	Energy	24.05	—	EM
LLanos Pelaos Fotovoltaica, S.L.	Spain	Energy	75	—	FC
Minicentrales del Tajo, S.A.	Spain	Energy	80	80	FC
Molinos de La Rioja, S.A. (2)	Spain	Energy	63.55	63.55	EM
Molinos del Cidacos, S.A.	Spain	Energy	63.55	63.55	FC
Parques Eólicos Alto de Layna, S.L.	Spain	Energy	20	—	EM
Parque Eólico Capiechamartin, S.L.	Spain	Energy	100	100	FC
Parque Eólico Cordel y Vidural, S.L.	Spain	Energy	100	100	FC
Parque Eólico Cruz del Carrutero, S.L.	Spain	Energy	76	76	FC
Parque Eólico Encinillas, S.L.	Spain	Energy	100	100	FC
Parque Eólico Panondres, S.L.	Spain	Energy	100	100	FC
Parque Eólico Verdigueiro, S.L.	Spain	Energy	100	100	FC
Parque Solar Cáceres, S.L.	Spain	Energy	100	100	FC
Peache Energías Renovables, S.A.	Spain	Energy	95	95	FC
Producciones Energéticas Asturianas, S.L.	Spain	Energy	80	80	FC
Producciones Energéticas de Castilla y León, S.A. (2)	Spain	Energy	85.50	85.5	EM
Promotores Renovables Fuentes de la Alcarria, S.L.	Spain	Energy	39.95	—	EM
Proyecto Nuñez de Balboa, S.L.	Spain	Energy	100.00	100	FC
Proyecto Solar Francisco Pizarro, S.L.	Spain	Energy	100.00	100	FC
Puerto Rosario Solar 2, S.L.	Spain	Energy	75.00	—	FC
Puerto Rosario Solar 3, S.L.	Spain	Energy	75.00	—	FC
PV I Ataulfo, S.L.	Spain	Energy	100.00	100	FC
Renovables de Buniel, S.L.	Spain	Energy	75.00	75	FC
Renovables de la Ribera, S.L. (3)	Spain	Energy	50.00	50	FC
Sistemas Energéticos Altamira, S.A.U.	Spain	Energy	20.00	100	EM
Sistemas Energéticos Chandrexa, S.A.	Spain	Energy	96.07	96.07	FC
Sistemas Energéticos del Moncayo, S.A.	Spain	Energy	75.00	75	FC
Sistemas Energéticos La Gomera, S.A.U.	Spain	Energy	20.00	100	EM
Sistemas Energéticos La Higuera, S.A.	Spain	Energy	55.00	55	FC
Sistemas Energéticos Jaralón, S.A.	Spain	Energy	100.00	100	FC
Sistemas Energéticos de la Linera, S.A.U.	Spain	Energy	20.00	100	EM
Sistemas Energéticos Loma del Viento, S.A.	Spain	Energy	100.00	100	FC
Sistemas Energéticos La Muela, S.A.	Spain	Energy	80.00	80	FC
Sistemas Energéticos Mas Garullo, S.A.	Spain	Energy	78.00	78	FC
Sistemas Energéticos Nacimiento, S.A.U.	Spain	Energy	20	100	EM
Sistemas Energéticos Serra de Lourenza, S.A.	Spain	Energy	100	100	FC
Sistemas Energéticos Tacica de Plata, S.A.U.	Spain	Energy	20	100	EM
Sistemas Energéticos Torralba, S.A.	Spain	Energy	60	60	FC
Sistemas Eólicos de Muño, S.L.	Spain	Energy	75	75	FC

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Sistemes Energetics Savalla del Comtat, S.A.U.	Spain	Energy	20	100	EM
Sociedad Gestora de Parques Eólicos de Andalucía, S.A.	Spain	Energy	63.91	63.91	FC
Solar Majada Alta, S.L. (formerly Energías Fotovoltaicas de Puertollano, S.L.)	Spain	Energy	100	100	FC
Sotavento Galicia, S.A. (4)	Spain	Energy	8	8	EM
Ibertâmega – Sistema Electroprodutor Do Tâmega, S.A.	Portugal	Energy	100	100	FC
Iberdrola Suporte Projecto Tâmega, Unipessoal Lda.	Portugal	Energy	100	100	FC
United Kingdom					
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
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
Hagshaw Hill Repowering, Ltd.	United Kingdom	Energy	100	100	FC
Morecambe Wind, Ltd.	United Kingdom	Energy	50	50	EM
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
United States					
Aeolus Wind Power VII, LLC	USA	Energy	81.5	81.5	FC
Aeolus Wind Power VIII, LLC	USA	Energy	81.5	—	FC
Atlantic Renewable Energy Corporation	USA	Holding company	81.5	81.5	FC
Atlantic Renewable Projects II, LLC	USA	Holding company	81.5	81.5	FC
Atlantic Renewable Projects, LLC	USA	Energy	81.5	81.5	FC
Atlantic Wind, LLC	USA	Holding company	81.5	81.5	FC
Aurora Solar, LLC	USA	Holding company	81.5	81.5	FC
Avangrid Arizona Renewables, LLC	USA	Energy	81.5	81.5	FC
Avangrid Logistic Services, LLC	USA	Energy	81.5	81.5	FC
Avangrid Renewables Holdings, Inc.	USA	Holding company	81.5	81.5	FC
Avangrid Renewables, LLC	USA	Holding company	81.5	81.5	FC
Avangrid Texas Renewables, LLC	USA	Energy	81.5	81.5	FC
Avangrid Vineyard Wind Holdings, LLC	USA	Holding company	81.5	—	FC
Avangrid Vineyard Wind, LLC	USA	Holding company	81.5	81.5	FC
Bakeoven Solar, LLC	USA	Energy	81.5	81.5	FC
Barton Windpower, LLC	USA	Energy	81.5	81.5	FC

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Big Horn II Wind Project, LLC	USA	Energy	81.5	81.5	FC
Big Horn Wind Project, LLC	USA	Energy	81.5	81.5	FC
Blue Creek Wind Farm, LLC	USA	Energy	81.5	81.5	FC
Bluebird Solar Power, LLC	USA	Energy	81.5	—	FC
Buffalo Ridge I, LLC	USA	Energy	81.5	81.5	FC
Buffalo Ridge II, LLC	USA	Energy	81.5	81.5	FC
Camino Solar, LLC	USA	Energy	81.5	81.5	FC
Casselman Wind Power, LLC	USA	Energy	81.5	81.5	FC
Colorado Green Holdings, LLC	USA	Holding company	81.5	81.5	FC
Coyote Ridge Wind, LLC (4)	USA	Energy	16.3	16.3	EM
Daybreak Solar, LLC	USA	Energy	81.5	—	FC
Deerfield Wind, LLC	USA	Energy	81.5	81.5	FC
Deer River Wind, LLC	USA	Energy	81.5	81.5	FC
Desert Wind Farm, LLC	USA	Energy	81.5	81.5	FC
Dillon Wind, LLC	USA	Energy	81.5	81.5	FC
El Cabo Partners, LLC	USA	Energy	81.5	81.5	FC
El Cabo Wind Holdings, LLC	USA	Holding company	81.5	81.5	FC
El Cabo Wind, LLC	USA	Energy	81.5	81.5	FC
Elk River Wind Farm, LLC	USA	Energy	81.5	81.5	FC
Elm Creek Wind II, LLC	USA	Energy	81.5	81.5	FC
Elm Creek Wind, LLC	USA	Energy	81.5	81.5	FC
Farmers City Wind, LLC	USA	Energy	81.5	81.5	FC
Flat Rock Windpower II, LLC	USA	Energy	40.75	40.75	EM
Flat Rock Windpower, LLC	USA	Energy	40.75	40.75	EM
Flying Cloud Power Partners, LLC	USA	Energy	81.5	81.5	FC
Flying Cow Wind, LLC	USA	Energy	81.5	81.5	FC
Fountain Wind, LLC	USA	Energy	81.5	81.5	FC
Golden Hills Wind Farm, LLC	USA	Energy	81.5	81.5	FC
Goodland Wind, LLC	USA	Energy	81.5	81.5	FC
Great Bear Linka, LLC	USA	Energy	81.5	—	FC
Great Bear Wind, LLC	USA	Energy	81.5	81.5	FC
Groton Wind, LLC	USA	Energy	81.5	81.5	FC
Hardscrabble Wind Power, LLC	USA	Energy	81.5	81.5	FC
Hay Canyon Wind, LLC	USA	Energy	81.5	81.5	FC
Heartland Wind, LLC	USA	Energy	81.5	81.5	FC
Helix Wind Power Facility, LLC	USA	Energy	81.5	81.5	FC
Imperial Wind, LLC	USA	Energy	81.5	81.5	FC
Juniper Canyon Wind Power II, LLC	USA	Energy	81.5	81.5	FC
Juniper Canyon Wind Power, LLC	USA	Energy	81.5	81.5	FC
Karankawa Wind, LLC	USA	Energy	81.5	81.5	FC
Kitty Hawk Wind, LLC	USA	Energy	81.5	81.5	FC
Klamath Energy, LLC	USA	Energy	81.5	81.5	FC
Klamath Generation, LLC	USA	Energy	81.5	81.5	FC
Klondike Wind Power II, LLC	USA	Energy	81.5	81.5	FC
Klondike Wind Power III, LLC	USA	Energy	81.5	81.5	FC
Klondike Wind Power, LLC	USA	Energy	81.5	81.5	FC
La Joya Bond, LLC	USA	Energy	81.5	81.5	FC
La Joya Wind, LLC	USA	Energy	81.5	81.5	FC
Lakeview Cogeneration, LLC	USA	Energy	81.5	81.5	FC
Leaning Juniper Wind Power II, LLC	USA	Energy	81.5	81.5	FC
Leipsic Wind, LLC	USA	Energy	81.5	81.5	FC
Lempster Wind, LLC	USA	Energy	81.5	81.5	FC
Locust Ridge II, LLC	USA	Energy	81.5	81.5	FC
Locust Ridge Wind Farms, LLC	USA	Energy	81.5	81.5	FC
Loma Vista, LLC	USA	Energy	81.5	81.5	FC
Loowit Battery Storage, LLC	USA	Energy	81.5	81.5	FC

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Lund Hill Solar, LLC	USA	Energy	81.5	81.5	FC
Manzana Power Services, Inc.	USA	Services	81.5	81.5	FC
Manzana Wind, LLC	USA	Energy	81.5	81.5	FC
Maupin Solar, LLC	USA	Energy	81.5	81.5	FC
Midland Wind, LLC	USA	Energy	81.5	81.5	FC
Minndakota Wind, LLC	USA	Energy	81.5	81.5	FC
Mohawk Solar, LLC	USA	Energy	81.5	81.5	FC
Montague Solar, LLC	USA	Energy	81.5	81.5	FC
Montague Wind Power Facility, LLC	USA	Energy	81.5	81.5	FC
Moraine Wind II, LLC	USA	Energy	81.5	81.5	FC
Moraine Wind, LLC	USA	Energy	81.5	81.5	FC
Mount Pleasant Wind, LLC	USA	Energy	81.5	81.5	FC
Mountain View Power Partners III, LLC	USA	Energy	81.5	81.5	FC
New England Wind, LLC	USA	Energy	81.5	81.5	FC
New Harvest Wind Project, LLC	USA	Energy	81.5	81.5	FC
Northern Iowa WindPower II, LLC	USA	Energy	81.5	81.5	FC
Oregon Trail Solar, LLC	USA	Energy	81.5	81.5	FC
Osagrove Flats Wind, LLC	USA	Energy	81.5	—	FC
OSC-A 0522, LLC	USA	Energy	40.75	40.75	EM
Otter Creek Wind Farm, LLC	USA	Energy	81.5	81.5	FC
Pacific Wind Development, LLC	USA	Holding company	81.5	81.5	FC
Park City Wind, LLC	USA	Energy	40.75	40.75	EM
Patriot Wind Farm, LLC	USA	Energy	81.5	81.5	FC
Patriot Wind Holdings, LLC	USA	Holding company	81.5	81.5	FC
Patriot Wind TE Holdco, LLC	USA	Holding company	81.5	81.5	FC
Pebble Springs Wind, LLC	USA	Energy	81.5	81.5	FC
Phoenix Wind Power, LLC	USA	Energy	81.5	81.5	FC
Poseidon Solar, LLC	USA	Energy	40.75	40.75	EM
Poseidon Wind, LLC	USA	Energy	40.75	40.75	EM
Powell Creek Solar, LLC	USA	Energy	81.5	81.5	FC
PPM Colorado Wind Ventures, Inc.	USA	Holding company	81.5	81.5	FC
PPM Roaring Brook, LLC	USA	Energy	81.5	81.5	FC
PPM Technical Services, Inc.	USA	Services	81.5	81.5	FC
PPM Wind Energy, LLC	USA	Energy	81.5	81.5	FC
Providence Heights Wind, LLC	USA	Energy	81.5	81.5	FC
Rugby Wind, LLC	USA	Energy	81.5	81.5	FC
San Luis Solar, LLC	USA	Energy	81.5	81.5	FC
ScottishPower Financial Services, Inc.	USA	Other	81.5	81.50	FC
ScottishPower Group Holdings Company	USA	Holding company	81.5	81.50	FC
Shiloh I Wind Project, LLC	USA	Energy	81.5	81.50	FC
Solar Star Oregon II, LLC	USA	Energy	81.5	81.50	FC
South Chestnut, LLC	USA	Energy	81.5	81.50	FC
St. Croix Valley Solar, LLC	USA	Energy	81.5	—	FC
Stagecoach Sunshine, LLC	USA	Energy	81.5	—	FC
Start Point Wind Project, LLC	USA	Energy	81.5	81.50	FC
Streator Cayuga Ridge Wind Power, LLC	USA	Energy	81.5	81.50	FC
Sunset Solar, LLC	USA	Energy	81.5	—	FC
Tatanka Ridge Wind. LLC (4)	USA	Energy	12.23	12.23	EM
Tower Solar, LLC	USA	Energy	81.5	—	FC
Trimont Wind I, LLC	USA	Energy	81.5	81.50	FC
True North Solar, LLC	USA	Energy	81.5	—	FC
Tule Wind, LLC	USA	Energy	81.5	81.50	FC
Twin Buttes Wind, LLC	USA	Energy	81.5	81.50	FC
Twin Buttes Wind II, LLC	USA	Energy	81.5	81.50	FC
Victory landing Solar, LLC	USA	Energy	81.5	—	FC
Vineyard Wind 1 Pledgor, LLC	USA	Energy	40.75	—	EM

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Vineyard Wind 1, LLC	USA	Energy	40.75	40.75	EM
Vineyard Wind Sponsor Partners 1, LLC	USA	Energy	40.75	—	EM
Vineyard Wind TE Partners, LLC	USA	Holding company	40.75	—	EM
Vineyard Wind, LLC	USA	Energy	40.75	40.75	EM
West Valley Leasing Company, LLC	USA	Gas	81.5	81.50	0
Wild Grains Solar, LLC	USA	Energy	81.5	—	—
Winnebago Windpower II, LLC	USA	Energy	81.5	81.50	FC
Winnebago Windpower, LLC	USA	Energy	81.5	81.50	FC
Wyeast Solar, LLC	USA	Energy	81.5	81.50	FC
Mexico					
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. (formerly Eólica Dos Arbolitos S.A.P.I. 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	51.00	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	51.00	FC
Servicios de Operación Eoloeléctrica de México,S.A. de C.V.	Mexico	Services	100	100.00	FC
Brazil					
Arizona 1 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Baguari Geraçao de Energia Eléctrica, S.A.	Brazil	Energy	52.91	51.04	FC
Bahia PCH II, S.A. Bahía Pequeña C. Hidroeléctrica	Brazil	Energy	52.91	51.04	FC
Bahia PCH III, S.A. Bahía Geraçao de Energia	Brazil	Energy	52.91	51.04	FC
Belo Monte Participaçoes, S.A.	Brazil	Holding company	52.91	51.04	FC
Bonito 1 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 2 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 3 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Bonito 4 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 5 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 6 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 7 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 8 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 9 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 10 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Bonito 11 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Caetité 1 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Caetité 2 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Caetité 3 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Calango 1 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Calango 2 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Calango 3 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Calango 4 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Calango 5 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Calango 6 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Calango Solar 1 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Calango Solar 2 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Canoas Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Canoas 2 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Canoas 3 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Canoas 4 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Chafariz 1 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Chafariz 2 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Chafariz 3 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Chafariz 4 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Chafariz 5 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Chafariz 6 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Chafariz 7 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Companhia Hidrelétrica Teles Pires, S.A.	Brazil	Energy	26.98	26.03	EM
Elektro Renováveis do Brasil, S.A.	Brazil	Energy	52.91	51.04	FC
Energética Aguas da Pedra, S.A.	Brazil	Energy	26.98	26.03	EM
Energética Corumbá III, S.A. (4)	Brazil	Energy	13.23	12.76	EM
Energias Renováveis do Brasil, S.A.	Brazil	Energy	52.91	51.04	FC
FE Participaçoes, S.A.	Brazil	Energy	52.91	51.04	FC
Força Eolica do Brasil 1, S.A.	Brazil	Energy	52.91	51.04	FC
Força Eolica do Brasil 2, S.A.	Brazil	Energy	52.91	51.04	FC
Geraçao Ceu Azul, S.A.	Brazil	Energy	52.91	51.04	FC
Geraçao CIII, S.A.	Brazil	Holding company	52.91	51.04	FC
Itapebí Geraçao de Energia, S.A.	Brazil	Energy	52.91	51.04	FC
Lagoa 1 Energia renovavel , S.A.	Brazil	Energy	52.91	51.04	FC
Lagoa 2 Energia renovavel , S.A.	Brazil	Energy	52.91	51.04	FC
Lagoa 3 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Lagoa 4 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Luzia 1 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Luzia 2 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Luzia 3 Energia Renovável, S.A.	Brazil	Energy	52.91	—	FC
Mel 2 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Neoenergia Renováveis, S.A. (formerly Força Eolica do Brasil, S.A.)	Brazil	Holding company	52.91	51.04	FC
Norte Energia, S.A. (4)	Brazil	Energy	5.29	5.10	EM
Oitis 1 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 2 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 3 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 4 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 5 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 6 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 7 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 8 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 9 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 10 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 21 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 22 Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Oitis 23 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	—	—
Oitis 24 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Oitis 25 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Oitis 26 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Oitis 27 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Oitis 28 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 1 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 2 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Riachão 3 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 4 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 5 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 6 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 7 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 8 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 9 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 10 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 11 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 12 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 13 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 14 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Riachão 15 Energia Renovável, S.A. (5)	Brazil	Energy	52.91	51.04	—
Santana 1, Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Santana 2, Energia Renovável, S.A.	Brazil	Energy	52.91	51.04	FC
Teles Pires Participaçoes, S.A.	Brazil	Holding company	26.75	25.81	EM
Ventos de Arapuá 1 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Ventos de Arapuá 2 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
Ventos de Arapuá 3 Energia renovavel, S.A.	Brazil	Energy	52.91	51.04	FC
ROW					
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 Offshore Deutschland, GmbH.	Germany	Energy	100	100	FC
Windaker, GmbH.	Germany	Energy	100	—	FC
Autonomous Energy PTY, Ltd (5)	Australia	Energy	100	—	—
Avonlie Solar Project Co PTY, Ltd.	Australia	Energy	100	—	FC
Batchelor Solar 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. (formerly Infigen Energy, Ltd.)	Australia	Holding company	100	100	FC
Iberdrola Australia (NSW) Power Holdings PTY, Ltd. (Antes Infigen Energy (NSW) Power Holdings PTY, Ltd.)	Australia	Holding company	100	100	FC
Iberdrola Australia (SA) Power Holdings PTY, Ltd. (Antes Infigen Energy (SA) Power Holdings PTY, Ltd.)	Australia	Holding company	100	100	FC
Iberdrola Australia (US) 2 PTY, Ltd. (formerly Infigen Energy (US) 2 PTY, Ltd.)	Australia	Dormant	100	100	FC
Iberdrola Australia (US) PTY, Ltd. (formerly Infigen Energy (US) PTY, Ltd.)	Australia	Dormant	100	100	FC

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Iberdrola Australia Custodian Services PTY, Ltd. (Formerly Infigen Energy Custodian Services PTY, Ltd.)	Australia	Services	100	100	FC
Iberdrola Australia Development Holdings PTY, Ltd. (formerly Infigen Energy Development Holdings PTY, Ltd.)	Australia	Holding company	100	100	FC
Iberdrola Australia Development PTY, Ltd. (formerly Infigen Energy Development PTY, Ltd.)	Australia	Energy	100	100	FC
Iberdrola Austraila Holdings PTY, Ltd. (formerly Infigen Energy Holdings PTY, Ltd.)	Australia	Holding company	100	100	FC
Iberdrola Australia 2 PTY, Ltd. (formerly Infigen Energy Europe 2 PTY, Ltd.)	Australia	Dormant	100	100	FC
Iberdrola Australia 4 PTY, Ltd. (formerly Infigen Energy Europe 4 PTY, Ltd.)	Australia	Dormant	100	100	FC
Iberdrola Australia Finance (Australia) PTY, Ltd. (formerly Infigen Energy Finance (Australia) PTY, Ltd.)	Australia	Financial	100	100	FC
Iberdrola Australia Investments PTY, Ltd. (formerly Infigen Energy Holdings PTY, Ltd.)	Australia	Services	100	100	FC
Iberdrola Australia Energy Markets PTY, Ltd. (Formerly Infigen Energy Markets PTY, Ltd.)	Australia	Retail	100	100	FC
Iberdrola Australia RE, Ltd. (formerly Infigen Energy RE, Ltd.)	Australia	Services	100	100	FC
Iberdrola Renewables Australia PTY, Ltd.	Australia	Energy	100	100	FC
Iberdrola Australia SAGT PTY, Ltd. (formerly Infigen Energy SAGT PTY, Ltd.)	Australia	Gas	100	100	FC
Iberdrola Australia Services Holdings PTY, Ltd. (formerly Infigen Energy Services Holdings PTY, Ltd.)	Australia	Holding company	100	100	FC
Iberdrola Australia Services PTY, Ltd. (formerly Infigen Energy Services PTY, Ltd.)	Australia	Services	100	100	FC
Iberdrola Australia Smithfield Holdings PTY, Ltd. (formerly Infigen Energy Smithfield Holdings PTY, Ltd.)	Australia	Holding company	100	100	FC
Iberdrola Australia T Services PTY, Ltd. (formerly Infigen Energy T Services PTY, Ltd.)	Australia	Services	100	100	FC
Iberdrola Australia US Holdings PTY, Ltd. (formerly Infigen Energy US Holdings PTY, Ltd.)	Australia	Dormant	100	100	FC
Iberdrola Australia Wallgrove Holdings PTY, Ltd. (formerly Infigen Energy Wallgrove Holdings PTY, Ltd.)	Australia	Holding company	100	100	FC
Iberdrola Australia Wallgrove PTY, Ltd. (formerly Infigen Energy Wallgrove PTY, Ltd.)	Australia	Other	100	100	FC
Infigen Energy Europe 3 PTY, Ltd.	Australia	Dormant	100	100	FC
Infigen Energy Europe 5 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
Infygen 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 2 PTY, Ltd.	Australia	Dormant	100	100	FC
Lake Bonney Wind Power PTY, Ltd.	Australia	Energy	100	100	FC
Manton Solar PTY, Ltd.	Australia	Energy	100	100	FC
NPP Walkaway PTY, Ltd.	Australia	Dormant	100	100	FC
Parep 1 PTY, Ltd.	Australia	Energy	100	100	FC
Parep Holdings PTY, Ltd.	Australia	Holding company	100	—	FC
Renewable Energy Constructions PTY, Ltd.	Australia	Energy	100	100	FC
Renewable Power Ventures PTY, Ltd.	Australia	Energy	100	100	FC

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
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 (BB) PTY, Ltd.	Australia	Dormant	100	100	FC
Walkaway (CS) PTY, Ltd.	Australia	Dormant	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
Infigen Energy US Corporation	USA	Dormant	100	100	FC
Infigen Energy US Development Corporation	USA	Dormant	100	100	FC
Infigen Energy US Holdings, LLC	USA	Dormant	100	100	FC
Infigen Energy US Partnership	USA	Dormant	100	100	FC
NPP LB2, LLC	USA	Dormant	100	100	FC
NPP Projects I, LLC	USA	Dormant	100	100	FC
NPP Projects V, LLC	USA	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. (formerly SEPE de Waleppe, S.A.S.)	France	Energy	100	100	FC
Iberdrola Développement Renouvelable, S.A.R.L. (formerly Heurtebise, S.A.R.L.)	France	Energy	100	100	FC
Iberdrola Renovables France, S.A.S.	France	Energy	100	100	FC
La Croix Didier, S.A.R.L. (formerly Eolien la Croix Didier, S.A.R.L.)	France	Energy	100	100	FC
La Pièce du Roi, S.A.R.L. (formerly Eolien 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. (formerly Rocher de Mementu, S.A.S.)	France	Energy	100	100	FC
SEPE le Florembeau, S.A.R. L. (formerly Eolien le Florembeau, S.A.R.L.)	France	Energy	100	100	FC
SEPE le Fond d'Etre, S.A.R.L. (formerly Eolien 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. (formerly Eolien les Neufs Champs, S.A.S.)	France	Energy	100	100	FC
Societe D'exploitation Eolienne D'Orvilliers, S.A.S. (formerly D'Orvilliers, S.A.S.)	France	Energy	100	100	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

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
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	100	100	FC
Iberdrola Renovables Magyarorszag, KFT.	Hungary	Energy	100	100	FC
Clarus Offshore Wnd Farm. Ltd.	Ireland	Energy	90	—	FC
DP Irish Offshore Wind Ltd.	Ireland	Energy	90	—	FC
Inis Ealga Marine Energy Park, Ltd.	Ireland	Energy	90	—	FC
Leeward Offshore Wind Farm, Ltd.	Ireland	Energy	90	—	FC
Iberdrola Renewables Ireland, Ltd.	Ireland	Energy	100	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	—	EM
Iberdrola Renewables Japan, K.K. (formerly Acacia Renewables, K.K.)	Japan	Energy	100	100	FC
Kioi Offshore Wind Power K.K. (formerly Kioi, SPV)	Japan	Energy	50	50	EM
Saga Offshore Wind Power K.K. (formerly Saga, SPV)	Japan	Energy	50	50	EM
Satsuma Offshore Wind Power K.K. (formerly	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
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	—	FC
Iberdrola Renewables Norway, AS	Norway	Energy	100	—	FC
Iberdrola Renewables Polska, Z.O.O.	Poland	Energy	100	—	FC
Sea Wind Genaker, SP Z.O.O. (1)	Poland	Energy	70	50	EM
Sea Wind Kliwer, SP Z.O.O. (1)	Poland	Energy	70	50	EM
Sea Wind Spinaker. SP Z.O.O. (1)	Poland	Energy	70	50	EM
Southern Windfarm, SP Z.O.O.	Poland	Energy	100	—	FC
Passat Energy, SP Z.O.O.	Poland	Energy	100	—	FC
Wind Field Korytnica SP, Z.O.O.	Poland	Energy	100	—	FC
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	—	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	—	FC
Iberdrola Renewables South Africa (PTY), Ltd.	South Africa	Energy	100	100	FC
Iberdrola Renewables Taiwan, Ltd.	Taiwan	Energy	100	—	FC
Iberdrola Renewables Vietnam Limited Company	Vietnam	Energy	100	—	FC
Iberdrola Renewables Operation Vietnam					
Limited Company	Vietnam	Energy	100	—	FC

NETWORKS BUSINESS

Spain					
Anselmo León Distribución, S.L. (1)	Spain	Energy	100	100	EM
Anselmo León, S.A.U. (1)	Spain	Energy	100	100	EM
Distribuidora de Energía Eléctrica Enrique García Serrano, S.L. (1)	Spain	Energy	100	100	EM

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Distribuidora Eléctrica 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
Electro-Distribuidora Castellano-Leonesa, S.A.	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
San Cipriano de Rueda Distribución, S.L. (1)	Spain	Energy	100	100	EM
I-DE Redes Eléctricas Inteligentes, S.A.U.	Spain	Energy	100	100	FC
Iberdrola Infraestructuras y Servicios de Redes, S.A.	Spain	Services	100	100	FC
Iberdrola Redes España, S.A.U.	Spain	Holding company	100	100	FC
Sociedad Distribuidora de Electricidad de Elorrio, S.A. (1)	Spain	Energy	97.95	97.95	EM
United Kingdom					
Manweb Services, Ltd.	United Kingdom	Energy	100	100	FC
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					
Avangrid, Inc.	USA	Holding company	81.5	81.5	FC
Avangrid Enterprises, Inc.	USA	Holding company	81.5	81.5	FC
Avangrid Management Company, LLC	USA	Holding company	81.5	81.5	FC
Avangrid Service Company	USA	Services	81.5	81.5	FC
Avangrid New York TransCo, LLC	USA	Holding company	81.5	81.5	FC
Avangrid Networks. Inc.	USA	Holding company	81.5	81.5	FC
Avangrid Solutions, Inc.	USA	Other	81.5	81.5	FC
Berkshire Energy Resources	USA	Holding company	81.5	81.5	FC
Cayuga Energy, Inc.	USA	Holding company	81.5	81.5	FC
Central Maine Power Company	USA	Energy	81.5	81.5	FC
Chester SVC Partnership (3)	USA	Energy	40.75	40.75	FC
CMP Group, Inc.	USA	Holding company	81.5	81.5	FC
CNE Energy Services Group, LLC	USA	Services	81.5	81.5	FC
CNE Peaking, LLC	USA	Services	81.5	81.5	FC
Connecticut Energy Corporation	USA	Holding company	81.5	81.5	FC
Connecticut Natural Gas Corporation	USA	Gas	81.5	81.5	FC
CTG Resources, Inc.	USA	Holding company	81.5	81.5	FC
GCE Holding, LLC	USA	Holding company	40.75	40.75	EM
GenConn Devon, LLC	USA	Energy	40.75	40.75	EM
GenConn Energy, LLC	USA	Energy	40.75	40.75	EM
GenConn Middletown, LLC	USA	Energy	40.75	40.75	EM
Maine Electric Power Company, Inc.	USA	Energy	63.8	63.8	FC
Maine Natural Gas Corporation	USA	Gas	81.5	81.5	FC
Maine Yankee Atomic Power Company (5)	USA	Other	30.97	30.97	—

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
MaineCom Services	USA	Telecoms	81.5	81.5	FC
NECEC Transmission, LLC	USA	Holding company	81.5	81.5	FC
New York State Electric & Gas Corporation	USA	Electricity and Gas	81.5	81.5	FC
NM Green Holdings, Inc	USA	Holding company	81.5	81.5	FC
NORVARCO	USA	Holding company	81.5	81.5	FC
Nth Power Technologies Fund I, LP. (5)	USA	Other	21.92	21.92	—
RGS Energy Group, Inc.	USA	Holding company	81.5	81.5	FC
Rochester Gas and Electric Corporation	USA	Electricity and Gas	81.5	81.5	FC
South Glens Falls Energy, LLC (5)	USA	Energy	69.28	69.28	—
TEN Transmission Company	USA	Holding company	81.5	81.5	FC
The Berkshire Gas Company	USA	Gas	81.5	81.5	FC
The Southern Connecticut Gas Company (SCG)	USA	Gas	81.5	81.5	FC
The Union Water Power Company	USA	Services	81.5	81.5	FC
The United Illuminating Company	USA	Energy	81.5	81.5	FC
Total Peaking Services, LLC	USA	Services	81.5	81.5	FC
UIL Distributed Resources	USA	Services	81.5	81.5	FC
UIL Group, LLC	USA	Holding company	81.5	81.5	FC
UIL Holdings Corporation	USA	Holding company	81.5	81.5	FC
United Resources, Inc.	USA	Holding company	81.5	81.5	FC
WGP Acquisition, LLC (5)	USA	Dormant	81.5	81.5	—
Brazil					
Afluente Transmissao de Energia Elétrica, S.A.	Brazil	Energy	56.18	53.33	FC
Companhia de Eletricidade do Estado do Bahia, S.A. (3)	Brazil	Energy	52.34	49.33	FC
Companhia Energética de Pernambuco, S.A. (3)	Brazil	Energy	47.43	45.76	FC
Companhia Energetica do Rio Grande do Norte, S.A. (3)	Brazil	Energy	49.23	46.7	FC
Neoenergia DistribuiçÃo Brasília, S.A. (formerly CEB Distribuiçao, S.A.)	Brazil	Energy	52.91	—	FC
Neoenergia Jalapão Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
Neoenergia Santa Luzia Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
Neoenergia Guanabara Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
Neoenergia Itabapoana Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
Neoenergia Lagoa dos Patos Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
EKTT 6 Serviços de Transmissão de Energía Elétrica SPE S/A	Brazil	Energy	52.91	51.04	FC
EKTT 7 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	52.91	51.04	FC
EKTT 8 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	52.91	51.04	FC
EKTT 9 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	52.91	51.04	FC
EKTT 10 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	52.91	51.04	FC
Neoenergia Vale do Itajaí Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
Neoenergia Dourados Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
Neoenergia Atibaia Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
Neoenergia Biguaçu Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Neoenergia Sobral Transmissão de Energía, S.A.	Brazil	Energy	52.91	51.04	FC
Elektro Operaçao e Manutençao, Ltda.	Brazil	Services	52.91	51.04	FC
Elektro Redes, S.A.	Brazil	Energy	52.74	50.88	FC
Lanmóvil Amara Celular da Bahia Ltd. (Lanmara) (1)	Brazil	Other	65	65	—
Neoenergia Investimentos, S.A.	Brazil	Holding company	52.91	51.04	FC
Neoenergia, S.A.	Brazil	Holding company	52.91	51.04	FC
Potiguar Sul Transmissao de Energia, S.A.	Brazil	Energy	52.91	51.04	FC
S.E. Narandiba, S.A.	Brazil	Energy	52.91	51.04	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 Proyects Canada Corporation	Canada	Engineering	100	100	FC
Iberdrola Energy Project, Inc.	USA	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 estate					
Arrendamiento de Viviendas Protegidas Siglo XXI, S.L.	Spain	Real estate	100	100	FC
Camarate Golf, S.A. (2)	Spain	Real estate	26	26	EM
Iberdrola Inmobiliaria Patrimonio, S.A.U.	Spain	Real estate	100	100	FC
Iberdrola Inmobiliaria, S.A.	Spain	Real estate	100	100	FC
Iberdrola Inmobiliaria Real State Investment, EOOD	Bulgaria	Real estate	100	100	FC
Desarrollos Inmobiliarias Laguna del Mar, S.A. de C.V.	Mexico	Real estate	100	100	FC
Promociones La Malinche, S.A. de C.V.	Mexico	Real estate	50	50	EM
Innovation					
Atten2 Advanced Monitoring Technologies, S.L. (2)	Spain	Other	23.27	23.27	EM
Balantia Consultores, S.L. (2)	Spain	Services	20.64	20.64	EM
CO2 Revolution, S.L. (4)	Spain	Services	20	—	EM
Inversiones Financieras Perseo, S.L.	Spain	Holding company	100	100	FC
WallBox, N.V. (4)	Spain	Services	10.37	—	EM
Iberdrola QSTP, LLC	Qatar	Services	100	100	FC
Other businesses					
Subgrupo Corporación IBV Participaciones Empresariales	Spain	Holding company	50	50	EM
Iberdrola Inversiones 2010, S.A.U.	Spain	Holding company	100	100	FC
Iberdrola Participaciones, S.A.U.	Spain	Holding company	100	100	FC
CORPORATE CENTRE					
Energy, Innovation – Research, S.A.U. (formerly					
CarteraPark, 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

Company	Registered address	Activity	% direct or indirect stake		Method (*)
			31.12.2021	31.12.2020	
Iberdrola Financiación, S.A.U.	Spain	Financial	100	100	FC
Iberdrola Finanzas, S.A.U.	Spain	Financial	100	100	FC
Iberdrola International, B.V.	The Netherlands	Financial	100	100	FC
Iberdrola Finance Ireland, DAC	Ireland	Financial	100	100	FC
Iberdrola Re, S.A.	Luxembourg	Insurance	100	100	FC
Iberdrola Energía Internacional, S.A.U.	Spain	Holding company	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

JOINT OPERATIONS OF THE IBERDROLA GROUP STRUCTURED THROUGH AN INDEPENDENT VEHICLE FOR THE YEARS 2021 AND 2020

			% of direct or indirect stake	
Company	Registered address	Activity	31.12.2021	31.12.2020
LIBERALISED BUSINESS				
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
RENEWABLE BUSINESS				
Comunes Rio Carrión, S.L.	Spain	Energy	12.59	-
Infraestructuras de Medinaceli, S.L.	Spain	Energy	39.69	39.69
Sistema Eléctrico de Conexión Hueneja, S.L.	Spain	Energy	39.75	47.36
OTHER BUSINESSES				
Torre Iberdrola, A.I.E.	Spain	Real estate	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 2020 THAT LEFT THE CONSOLIDATION SCOPE IN 2020 DUE TO DISPOSAL, MERGER OR LIQUIDATION

Company	Registered address	Activity	% of direct or indirect stake	
			31.12.2021	31.12.2020
LIBERALISED BUSINESS				
Iberdrola Canadá Energy Services, Ltd.	Canada	Gas	—	100
RENEWABLE BUSINESS				
CS Walkaway, Trust	Australia	Dormant	—	100
NPP Walkaway, Trust	Australia	Dormant	—	100
RPV Investment, Trust	Australia	Dormant	—	100
Walkaway (BB), Trust	Australia	Dormant	—	100
Colorado Wind Ventures, LLC	USA	Holding company	—	81.50
Pacific Harbor Capital, Inc.	USA	Other	—	81.50
NETWORKS BUSINESS				
Thermal Energies, Inc.	USA	Dormant	—	81.50
United Capital Investments	USA	Dormant	—	81.50
Xcelcom Inc.	USA	Dormant	—	81.50
Xcel Services, Inc.	USA	Dormant	—	81.50
OTHER BUSINESSES				
Adicora Servicios de Intermediación de Ingeniería, S.L.U.	Spain	Engineering	—	100
Ingeniería, Estudios y Construcciones, S.A.	Spain	Engineering	—	100
Iberdrola Ingenieria y Construcción Costa Rica, S.A.	Costa Rica	Engineering	—	100
Iberdrola Engineering and Construction Networks, Ltd.	United Kingdom	Engineering	—	100
Iberdrola Engineering and Construction UK, Ltd.	United Kingdom	Engineering	—	100
Iberdrola Engineering and Construction Ro, SRL.	Romania	Engineering	—	100
Iberdrola Servicios de Innovación, S.L.	Spain	Innovation	—	100
Wall Box Chargers, S.L.	Spain	Innovation	—	8.40

(1) Companies that are controlled by the Group but due to their immateriality have been consolidated using the equity method. At 31 December 2021, the total asset value and earnings for the period corresponding to these companies amounted to EUR 28 million and EUR 4 million, respectively. At 31 December 2020, 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.

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 2021. This Appendix addresses the most significant developments.

1. European Union

Recovery and Resilience Fund:

On 18 February 2021, Regulation (EU) 2021/241 was published in the OJEU establishing the Recovery and Resilience Fund, which will facilitate the allocation of a total of EUR 672.5 billion (EUR 312.5 billion in transfers and EUR 360 billion in loans) to Member States to deal with the effects of the pandemic. These funds are intended to accelerate the energy (a minimum of 37% of allocations) and digital (a minimum of 20%) transitions, as well as to cover health, innovation, social and reconstruction spending. The Recovery and Resilience Fund is the most important item of the Next Generation EU, the EU's most ambitious instrument in the COVID-19 crisis, which, with an amount of EUR 750 billion between 2021 and 2024, is part of the Multiannual Budget 2021-2027.

Of the total EUR 672.5 billion, EUR 140 billion correspond to Spain (EUR 69.5 billion in subsidies, 10.3% of the EU total), to be allocated preferentially to energy (compliance with the National Energy and Climate Plan) and digital transitions, in accordance with a Recovery and Resilience Plan that was submitted to the Commission before 30 April. This plan will incorporate reforms to address EU recommendations on structural imbalances (labour market, pensions, taxation, among others).

Annexed to the Regulation on the Recovery and Resilience Fund, the Commission has published on 12/2/2021 the Guidelines for interpreting the *"do no significant harm"* (DNSH) criterion to be incorporated in the proposals of the States (do not cause significant harm to any EU environmental objective), in order to ensure that projects are aligned with the objectives of the Green Deal, as well as to promote the replacement of fossil fuels.

On 16 June 2021, the European Commission published its positive assessment of the Spanish plan, highlighting that 40% of the allocation is earmarked for climate objectives and 28% for digitalisation.

Lastly, the OJEU of 2 July 2021 published Delegated Regulation (EU) 2021/1078 of 14 April 2021, which establishes the criteria for the actions envisaged by each State of the Recovery and Resilience Fund.

Publication of the first Delegated Act on Taxonomy:

Following due consideration by the Council and the Parliament, the European Commission has published, in the OJEU of 9 December 2021, Delegated Regulation (EU) 2021/2139 on taxonomy of climate change mitigation and adaptation objectives.

This regulation is the first implementation of the Taxonomy Regulation. It is noted that this regulation provides for the classification of sustainable activities according to their significant contribution to one of the six EU environmental objectives (climate change mitigation, adaptation to climate change, air quality, protection of the aquatic environment, circular economy and biodiversity), without harming any of the others (*"do no significant harm"* criteria – DNSH).

The standard details the technical criteria relating to mitigation and adaptation objectives that determine the sustainability of various industrial and service activities, including energy production, distribution and transport, hydrogen manufacturing and transport.

The inclusion of gas (as a transition technology) and nuclear in the taxonomy will be the subject of a supplementary regulation, the proposal for which has been submitted by the Commission to a restricted consultation process (countries and expert of the “platform on sustainable finance”) on 31 December 2021. Its approval is expected within the first half of 2022.

Lastly, Commission Delegated Regulation (EU) 2021/2178, published on 10 December 2021, sets out the content and procedures for the presentation of information to be disclosed by companies required to report on the sustainability of their activities.

Regulation of the Just Transition Fund:

Regulation (EU) 2021/1056 of 24 June 2021, establishing the Just Transition Fund, was published in the OJEU of 30 June 2021. The fund is endowed with EUR 17,500 million (EUR 790 million for Spain) to facilitate the energy transition of the areas most dependent on activities linked to fossil fuels (mainly Eastern European countries).

The fund champions the development of clean energy and alternative activities, including innovation and education, preferably (but not exclusively) by SMEs. Projects involving the production, distribution, transport, storage or combustion of fossil fuels are excluded.

Publication of the Climate Law:

Regulation (EU) 2021/1119 of 30 June 2021, establishing the framework for achieving climate neutrality by 2050 at European level, was published in the OJEU of 9 July 2021. This standard, known as the “Climate Law”, sets a GHG emission reduction target of 55% by 2030 vs. 1990.

The Climate Law states that in 2024 the Commission will propose a target for 2040 and an indicative carbon budget for the period 2030-2050 that is consistent with a global temperature increase pathway of +1.5ºC.

Legislative Packages for Delivering the Green Deal:

On 14 July 2021 and 15 December 2021, the European Commission published two legislative packages that constitute its regulatory proposal to reduce emissions by 55% by 2030 vs. 1990 under the terms of the Climate Law. The regulations will be processed over the next two years, with proposals focusing on the following aspects:

- Market rules for CO2 emission allowances to reduce emissions by 61% vs. 2005 in the so-called EU-ETS sectors; it now includes maritime transport, land transport and buildings.
- Border adjustment mechanism to pass on the price of CO2 to imports.
- National targets and specific standards for reducing emissions by 40% vs. 2005 in agriculture, transport and building.
- Increasing the renewables target to 40% by 2030.
- Increased energy efficiency with primary and final energy savings targets of 39% and 36% by 2030, respectively, versus the baseline scenario.
- Decarbonisation of the building stock by 2050 (2030 for new buildings); ban on financial incentives for the installation of gas boilers from 2027.
- Energy taxes consistent with the “polluter pays” principle.
- Promotion of charging infrastructure for clean vehicles in cities, main road networks, ports and airports.

– 100% new zero emission passenger cars and vans by 2035.
– Gradual decarbonisation of ships and aircraft.
– Hydrogen and Gas Regulation and Directive:
  - Harmonisation of the retail gas market with the Clean Energy Package for electricity;
  - Requirement that “low carbon” gases achieve 70% emission savings vs. fossil fuel benchmark;
  - Enabling access to the gas system for renewable and “low carbon” gases;
  - New rules for the hydrogen market.
– Eliminate methane leakage associated with the energy sector in the EU.
– With a view to net zero emissions in 2050, promoting CO2 removals and substitution of fossil CO2 fuelling industrial processes by CO2 from biomass, waste or atmosphere

2. Spain

• Spanish electricity sector

The year 2021 was characterised by high and volatile gas and CO2 prices, especially during the second half of the year, which had the effect of increasing prices in daily wholesale electricity markets across Europe. In Spain, this effect has been worsened by the existence of a regulated domestic tariff linked to the market price, for which the government has taken various mitigating and consumer protection measures:

Consumer protection measures:

Several Royal Decree-Laws (RD-Law 8/2021, RD-Law 16/2021 and RD-Law 21/2021) have extended the protection measures of the social shield, which include the prohibition of electricity and natural gas supply cut-offs for vulnerable consumers, currently in force until 28 February 2022.

Additionally, Royal Decree Law 17/2021 created the so-called minimum vital supply, which extends the number of months (to a total of six) that must elapse from the time of the first non-payment of the electricity bill until the retail supplier can ask the electricity distributor to cut off the supply. During these six months the maximum power will be limited to 3.5 kW.

Further, by means of Royal Decres Law 23/2021, the discounts for the electrical social bonus have been temporarily increased from 40 to 70% for severely vulnerable consumers and from 25 to 60% for vulnerable consumers, a measure that has been extended until 30 April 2022 under Royal Decree Law 29/2021.

Measures to reduce electricity bills:

Royal Decree Law 12/2021 adopts urgent measures in the field of energy taxation and energy generation.

– VAT is reduced from 21% to 10% until the end of the year for consumers with contracted power up to 10 kW.
– The Tax on the Value of Electricity Production (7%) is suspended for the third quarter.
– The surplus from the 2020 final settlement may be used to offset temporary mismatches in the 2021 settlements.
– The extension of the protection of strategic sectors against purchases of national companies by foreign agents is further extended until 31 December.

Subsequently, Royal Decree Law 17/2021 regulates new urgent measures to mitigate the impact of the escalation of natural gas prices in the retail gas and electricity markets, which include:

- Reduction of the remuneration of non-emitting plants by an amount equivalent to the increase in the gas price above €20/MWh(g).
- Obligation to auction infra-marginal, manageable and non-emitting technologies.
- Regulation of water released for hydroelectric use.
- Additional tax measures: reduction of the Electricity Tax from 5.11% to 0.5% and extension of the suspension of the IVPEE (7%) until 31 December.
- Increase of EUR 900 million in the state contribution from the amount collected from CO2 auctions to finance charges, from EUR 1,100 million to EUR 2,000 million.
- Extraordinary reduction of 96% in charges until 31 December.

Finally, Royal Decree Law 23/2021 revises the scope of application of the reduction for gas prices contained in RDL 17/2021, exempting from reduction the energy of non-emitting facilities contracted at a fixed price.

In addition, a number of other regulations regulating the sector's activity were published during the year:

Final version of the 2021-2030 NECP: the final version of the 2021-2030 National Integrated Energy and Climate Plan was published via Resolution of 25 March 2021 (unchanged from the previous version). The NECP includes: (i) 2030 targets (23% reduction in emissions from 1990s, 42% RES in final consumption, 39.5% efficiency, 27% electricity in final energy consumption); (ii) electricity generation mix with 74% renewable energy by 2030; (iii) 6 GW of new storage; (iv) 28% penetration of renewables in transport due to higher biofuels target; and (v) five million electric vehicles by 2030.

Climate Change and Energy Transition Law: Law 7/2021 on Climate Change and Energy Transition has been published: (i) it sets targets in line with those of the NECP, which will be reviewed in 2023 (they can only be modified upwards); (ii) it envisions the adaptation of the electricity sector to increase consumer participation, investment in renewable energy, distributed generation and storage, the use of electricity grids and the use of flexibility for their management and local energy markets; (iii) reversible hydroelectric plants will be promoted; (iv) the contribution of EUR 450 million in revenue from CO2 auctions to the electricity sector will be consolidated; (v) new sales of non-commercial vehicles will be zero emissions by 2040; (vi) from 2021, 150 kW or 50 kW charging stations must be placed at petrol stations with the highest sales volume.

Economic measures: in Royal Decree Law 27/2021 on measures for economic recovery: (i) exclusivity clauses of the oil operator on the installation of electric vehicle charging points at its service stations on a franchise basis are prohibited; (ii) the gas system is included as guarantor of the collection of the deficits that may arise for the CORs as a result of the limitation of the increase in the TUR for gas; (iii) coverage by CORs of essential natural gas supplies is extended; and (iv) the suspension of the liberalisation regime for foreign investments in certain sectors from European Union and European Free Trade Association countries in companies listed in Spain or in unlisted companies is extended until 31 December 2022, if the investment exceeds EUR 500 million.

Access and Connection Methodology Circular – CNMC: supplements the regulation on Access and Connection established by the Ministry (RD 1183/2020), in accordance with the distribution of competences of the Ministry/CNMC. The Circular sets out the information that requests, permits and contracts must contain and describes the economic and capacity assessment criteria, the grounds for refusing permits, the terms and conditions of contracts, and the obligation of publicity and transparency of information, among other matters.

Detailed specifications calculation of grid access capacity for generation: the CNMC Resolution of 20 May 2021 establishes the detailed specifications for the determination of generation access capacity to the transmission and distribution grid. It sets 1 July as the date for lifting the moratorium on access requests established in the RD on Access and Connection. It completes the regulation on Access and Connection for generation, establishing: (i) the detailed implementation of the technical criteria for assessing access capacity set out in Circular 1/2021; and (ii) the date by which network operators must publish the available capacities in their grids.

Capacity tender at transmission nodes: the Resolution of 29 June 2021 agrees to hold a tender for access capacity at certain nodes of the transmission grid. It includes a list of 175 transmission grid nodes (400-220 kV). As indicated, the access capacity that is released or comes to the surface at the indicated nodes will be for competitive bidding, and may not be granted by applying the general criteria set out in Article 7 of Royal Decree 1183/2020.

Methodology for Electricity System Charges: Royal Decree 148/2021 approves the methodology for allocating charges (renewable premiums, historical tariff deficits and extra-peninsular surcharges) among different consumers, in terms of contracted power (€/kW) and energy consumed (€/kWh). This RD supplements the methodology for calculating transmission and distribution tariffs based on the remuneration of the grids for each financial year, which is the responsibility of the CNMC, and which was approved in January 2020. Both methodologies can be reviewed every six years, and a period of up to four years could be set to gradually implement the prices resulting from the new methodologies.

Network tariffs from 1 June 2021: CNMC Circular 3/2021 establishes the start of application of the CNMC's methodology for transmission and distribution tariffs as of 1 June, and the CNMC Resolution of 18 March 2021 sets the tariff prices as of that date.

Charges as at 1 June 2021: Order TED/371/2021 has been published, which establishes the prices of electricity charges for 2021: (i) charge prices for each of the rates; (ii) specific charges for public EV charging, in line with the CNMC tariff structure.

FNEE 2021 contributions**:** Order TED/275/2021 establishes the contributions to the National Energy Efficiency Fund for 2021 for electricity and gas traders and oil product operators in proportion to their sales in 2019 (year n-2). The weight of these sectors is approx. ¼ electricity, ¼ gas and ½ oil. The annual contribution is set at EUR 207 million, which is similar to previous years, for sales of 819 TWh, which amounts to about €0.25/MWh of electricity, gas or oil product.

Percentage financing of 2021 Social Bonus: Order TED/1124/2021 establishes the percentage of financing of the Social Bonus for the year 2021. It assigns IBERDROLA ESPAÑA, S.A.U. a percentage of 33.980551%.

Variable distribution coefficients in Collective Self-consumption: Order TED/1247/2021 has been published for the implementation of variable distribution coefficients in collective self-consumption. With the aim of optimising the distribution of energy generated by a collective self-consumption installation among its users, allowing the application of different distribution coefficients in each hour for billing and settlement purposes. Hitherto, this distribution was made according to fixed distribution coefficients, an option that is maintained for collective self-consumers that wish to do so.

Loss incentive parameters: the Resolution of 30 November 2021 of the CNMC has been published, establishing the distribution losses incentive for the second period 2022-2025. The incentive calculation methodology is a zero-sum system. (i) It rewards agents below sectoral averages and penalises those above. (ii) There is a zonal coefficient, which weights the type of grid in each zone (urban, semi-urban or rural). (iii) An adequacy ratio and increasing annual penalty/bonus limits are established.

Resolution New Offer Limits: the CNMC Resolution of 6 May 2021 approving the new operating rules for the daily and intraday electricity markets to adapt the supply limits to the European matching limits sets the new maximum and minimum supply price limits applicable as of 6 July: (EUR -500 and 3,000/MWh for the daily market); (EUR -9,999 and 9,999/MWh for the intraday market).

Further highlights included the call for auctions for the promotion of renewable energies:

- ***1st Renewables Auction***: the Resolution of 26 January 2021 details the results of the 1st Renewable Auction held on 26 January under the new remuneration framework, known as the Renewable Energy Economic Regime (REER), regulated in RD 960/2020 and implemented in Order TED/1161/2020. A total of 3,043 MW were awarded, at an average price of EUR 24.75/MWh (Wind: 998 MW (EUR 25.31/MWh) and PV: 2,036 MW (EUR 24.47/MWh)).
- ***2nd Renewables Auction:*** the Resolution of 20 October 2021 details the results of the 2nd Renewable Auction held on 19 October. Of the 3,300 MW quota, 3,123.77 MW were allocated (176.23 MW remain unallocated). A total of 3,123.77 MW were awarded, at an average price of EUR 30.58/MWh (Wind: 2,258 MW (EUR 30.18/MWh) and PV: 865.77 MW (EUR 31.65/MWh)).

With regard to the review of the operating permits for various installations:

- Order TED/308/2021 has been published which grants the renewal of the authorisation of the Cofrentes nuclear power plant (1,110 MW) until November 2030. The facility is owned by Iberdrola.
- Order TED/1084/2021 and Order TED/1085/2021 grant the renewal of the operating permits for the Ascó nuclear power plant (Generators I and II). In the case of Ascó I, the authorisation will be valid until 1 October 2030 and in Ascó II from 2 October 2021, the authorisation will be valid for 10 years.
- Order TED/1293/2021 modifies the deadlines and the documentation to be submitted for the request for renewal of the authorisation of the Trillo nuclear power plant, postponing the deadline for submitting the request for renewal to 31 March 2023.

Finally, in the field of energy transition, several support programmes and strategies have been approved to achieve the objectives set out in the Climate Change and Energy Transition Law:

- ***NEXT GENERATION EU – Recovery, Transformation and Resilience Plan Project:*** The draft and annexes of the Recovery, Transformation and Resilience Plan have been published. It is based on 10 lever policies and 30 components, among which it distributes the EUR 70 billion of direct aid. It includes contributions to Sustainable Mobility (EUR 13.2 billion), housing rehabilitation (EUR 6.8 billion), industrial policy and SMEs (EUR 8.7 billion). For electricity grids and renewables, it allocates EUR 4.5 billion and for renewable hydrogen EUR 1.5 billion.
- ***Energy Storage Strategy:*** contains an academic description of the different storage systems, a conceptual analysis of the value chain, and lists 66 measures to support their development. It quantifies the needs at 20 GW in 2030 and 30 GW in 2050.
- ***Offshore Wind Development Roadmap***: sets the objective of reaching 1 to 3 GW of floating wind power by 2030, for which a first minimum allocation of EUR 200 million will be made available until 2023 in R&D and the needs of port infrastructure will be assessed, where EUR 500 million to EUR 1 billion will have to be invested to cover the new logistical needs. It also defines the objectives, lines of action and measures for the development of offshore wind energy,
- ***Self-consumption Roadmap:*** identifies challenges and opportunities, and sets out measures to ensure mass deployment in Spain. The forecast is to reach 9 GW of installed self-consumption capacity by 2030 (14 GW in the high penetration scenario), up from the current ~2.5 GW.
- ***MOVES III Plan***: Royal Decree 266/2021 has been published, which establishes the regulatory bases for the Moves III Plan, initially endowed with EUR 400 million (extendible to EUR 800 million) and which will be in force until 31 December 2023.
- ***Self-consumption and Storage Aid Plan:*** Royal Decree 477/2021 was published, approving the granting of EUR 1.32 billion in aid for self-consumption and storage projects. It allocates an initial budget of EUR 660 million, which is extendible to EUR 1.32 billion in 2023
- ***Aid – Regulatory Bases for H2 REN Aid, Energy Communities, Storage:*** several Orders have been published approving the regulatory bases for the granting of aid corresponding to the incentive programmes within the framework of the REN, H2 REN and Storage Energy Recovery Plan. These first four calls will mobilise a total of EUR 500 million (renewable): (i) Order TED/1444/2021: H2 REN innovation and knowledge value chain aid – EUR 250 M (scalable); (ii) Order TED/1445/2021: H2 REN's pioneering and unique projects, with EUR 150 million (extendable); (iii) Order TED/1446/2021: Single energy community pilot projects – EUR 40 million; (iv) Order TED/1447/2021:

  Innovative energy storage R&D projects – EUR 50 million (extendable up to EUR 150 million).

- **Spanish gas sector**

Consumer protection measures: in the gas sector, price containment measures have also been adopted for consumers, materialised in the limitation of the increase in the TUR for gas included in Royal Decree Law 17/2021. Subsequently, Royal Decree Law 27/2021 includes the gas system as the guarantor for the collection of any deficits that may arise for the reference suppliers as a result of the limitation of the increase in the TLR for gas, and extends the coverage, by the reference suppliers, of essential natural gas supplies.

Other regulations published during the year include:

Market maker in MIBGAS: the Resolution of 4 February 2021 has been published, which obliges Repsol to submit bids for the purchase and sale of natural gas as a market maker in MIBGAS for the next four years.

Remuneration for regulated activities Gas 2021: the Resolution of 11 February 2021 of the CNMC has been published, which approves the remuneration of companies that carry out the regulated activities of liquefied natural gas plants, transport and distribution and which completes Order TED/1286/2020 (Dec 2020) which sets the remuneration and access charges for Underground Storage Systems (AASS). The new regulatory period for the gas sector, 2021-2026, will start on 1 October. 2021.

Biofuel targets 2021 and 2022: RD 205/2021 has been published, regulating biofuel sales or consumption targets for 2021 and 2022, and an Order TED/302/2021 has been published, extending the deadlines for accreditation and assessment of biofuel sales for 2020.

TLR Gas 4Q 2021: the Resolution of 26 September 2021, which publishes the last resort tariff for natural gas, has been published (4th quarter), where the price limitation established in RDL 17/2021 applies. Highlights: the average TLR gas bill for the 4th quarter of 2021 increased by 4.2% compared to the previous quarter.

3. United Kingdom

Tariff Cap: under the provisions of the Domestic Gas and Electricity (Tariff Cap) Act 2018, Ofgem introduced a new tariff cap on 1 January 2019 designed to protect customers from default tariffs, including standard variable tariffs (SVTs). The tariff cap is adjusted on 1 April and 1 October each year and may be extended until the end of 2023. Ofgem must publish a review of market conditions each year to assess whether the applicable tariff cap could be extended for a further year and provide a recommendation to the Secretary of State for the UK's Department for Business, Energy and Industrial Strategy (BEIS). In October 2021 Ofgem's recommendation was accepted and the current tariff cap was extended by one year until the end of 2022. The UK government announced in July 2021 that it is considering enacting a new text to allow the price cap to be extended beyond 2023.

Ofgem has consulted, and continues to consult, on the price cap methodology for future periods, including the costs of smart meters and COVID-19 related costs. In November 2021, Ofgem consulted on whether there is a case for short-term adjustments to the tariff cap to better reflect the costs, risks and uncertainties that suppliers had faced in volatile wholesale markets, with a view to implementing changes from April 2022, if appropriate. In mid-December 2021, Ofgem issued consultations on how the current price adjustment methodology could evolve from October 2022, given the increasing volatility of energy prices, and on temporary options before October 2022 to mitigate the impact of a downturn in the wholesale market.

RIIO-T2: during 2021, ScottishPower Energy Networks (SPEN) transitioned to the first year of the five-year electricity transmission price control, RIIO-T2, which runs from 1 April 2021 to 31 March 2026. In October 2021, the UK Competition and Markets Authority (CMA) published its final determination on the RIIO-T2 appeals brought by SPT, National Grid Electricity Transmission and SSEN Transmission, among others. We welcome the CMA's findings that support several of the areas in which we appealed, but were disappointed that the CMA did not support our case on return on equity, given the international competition to achieve the goal of zero net emissions investments.

RIIO-ED2: the RIIO-ED2 electricity distribution price control will run from 1 April 2023 to 31 March 2028. SPEN has been working hard to ensure that price control is set in a way that prepares the UK for an electric future. Our final business plan was submitted to Ofgem in December 2021. During ED2, we have proposed to spend GBP 3.3 billion to ensure that we can enable the pathway to net zero emissions. We now await Ofgem's draft resolutions to be published in summer 2022.

Carbon pricing: in the UK government's Autumn Budget it was announced that the current value of the carbon price support levy (GBP 18 per tonne of CO2) would be extended to 2023/2024. In addition, the UK government has established an emissions trading mechanism from 1 January 2021, with a possible option to link it to the EU ETS at some point in the future, subject to both the UK and the EU being willing to proceed with and agree on this option.

Contracts for Difference: the government proceeded with its plans to hold the next Contracts for Difference auction in late 2021 to support renewable generation, including offshore and onshore wind and solar PV. The eligibility period for the auction was opened for the period 13 December 2021 to 14 January 2022. The Government has indicated that the target of this upcoming is to support up to double the renewable generation capacity secured in the last Contracts for Difference auction held in 2019. That is, around 12 GW of renewable generation. Meanwhile, to support the growth of the UK offshore wind sector, the government has brought forward public investment through a GBP 160 million fund to support the development of offshore wind ports and manufacturing infrastructure. In fact, the government announced in the Autumn Budget and Spending Review that this fund would be expanded in the coming years with a total budget of more than GBP 300 million.

Smart meter roll-out: BEIS published on 1 June 2021 that the current obligation for suppliers to execute "All reasonable steps" for compliance with the smart meter programme would be extended by six months until 31 December 2021 due to the effects of COVID-19. Between 1 January 2022 and 31 December 2025 a new target-based framework will be established, whereby suppliers will set annual installation targets with a four-year trajectory to reach 100%, subject to permitted tolerances.

4. US law and regulations

Biden Administration: in January, Joe Biden was sworn in as the 46th President of the United States. During his first year, President Biden issued a series of executive orders and actions including: rejoining the Paris Climate Agreement on Day 1, setting a goal of 100% carbon-free electricity by 2030, announcing a government-wide effort to deploy 30 GW of offshore wind by 2030, establishing a net zero emissions goal by 2050 for the federal government, and grid security initiatives.

Congress: in March, the USD 1.9 trillion American Rescue Plan was approved with the aim of accelerating recovery from the COVID-19 pandemic. The bill included significant funds to help homeowners and tenants with utility bills, as well as emergency funds for state and local governments.

In November, Congress passed the bipartisan USD 1.2 trillion Infrastructure Act. The measure includes funding for a wide range of infrastructure areas, including hydrogen demonstration projects, deployment of a broadband network, investment in a smart grid and ensuring its resilience, electric vehicle charging infrastructure and port upgrades. The law also included provisions supporting the permitting of transmission lines that are considered to be in the national interest. Federal agencies will begin implementing the legislation in 2022 and funds will be distributed over the next five years.

In December, Congress passed the Forced Labour Prevention Law of the Uyghur Region in China's Xinjiang province. The legislation bans all imports of goods from the region, including solar products, unless US Customs and Border Protection (CBP) has determined that they were not produced using forced labour.

Congress also worked on a separate budget package called the Build Back Better Act. In November, the House passed a version of the USD 2 trillion package that includes more than USD 500 billion for climate and clean energy. While the package stalled in the Senate, Congress is expected to continue work on climate and other provisions in 2022. The measure could include significant support for climate and clean energy, including long-term tax credits for renewable energy deployment.

Tariffs: in November, the US Court of International Trade reinstated the exclusion of bifacial solar modules. The move reverses the Trump-era decision to impose tariffs (18%) on solar panels. In January 2022, the Biden administration appealed the court's ruling. Separately, the U.S. International Trade Commission (ITC) and the U.S. Department of Commerce (USTRC) have also issued a report. The US is considering a request to extend the solar tariffs for four more years. Any recommendations should be accepted by President Biden.

Also in November, the Commerce Department refused to open an investigation into possible tariffs on solar panel imports from Malaysia, Thailand and Vietnam. The application was submitted by a group of anonymous domestic solar manufacturers. If approved, the Commerce Department could impose tariffs retroactively on solar panel imports, which could cause a major shortage in the US solar industry.

In June, the Biden administration issued withholding and release orders (WROs) blocking certain polysilicon-based products manufactured by Hoshine Silicon Industry and its subsidiaries due to concerns about forced labour in China's Xinjiang region. Polysilicon products are components of solar panel modules. The measure was implemented by US Customs and Border Protection and will remain in force until it is withdrawn.
The Federal Energy Regulatory Commission (***FERC***) underwent a change of leadership and representation in 2021. In January, President Biden nominated Richard Glick to serve as FERC chairman. In addition, in November, the Senate confirmed Willie Phillips as a commissioner, bringing FERC to a 5-member composition with 3 Democrats and 2 Republicans represented.

In July, FERC initiated a review process for comments on whether policy reforms related to planning and cost allocation are needed. FERC is considering possible policy changes to support the construction of carbon neutral infrastructure.

In April, FERC approved a proposal (3-2 vote) to significantly reduce an incentive, the "RTO aggregator", for utilities to participate in regional transmission organisations (RTOs). The proposal would require utilities currently receiving the incentive to revise their tariffs to eliminate the incentive or cancel the incentive three years after the date they surrender operational control of their transmission facilities. If finalised as proposed, this action could adversely affect existing transmission owners, including Avangrid Networks.

In April, FERC finalised a draft (3-2 vote) that provides guidance on how energy markets could impose a price on carbon if they so choose. FERC also provided a list of factors it will use to determine whether a proposed carbon pricing mechanism is fair and reasonable and will still require utilities to file a tariff with the commission. Finally, FERC indicated that it will not seek to impose a price on carbon in all jurisdictional markets.

Maine – Customer Service Metrics and ROE adjustment 100 bp: in September CMP met customer service quality targets for 18 months. This compliance will allow CMP to re-establish the ROE of 9.25%.

Connecticut – UI electric vehicle charging infrastructure programme: in July, PURA approved UI's electric vehicle charging infrastructure programme. The programme will be launched in January 2022 and will run until 2030. UI estimates that the budget could reach USD 76 million over the 9 years.

Connecticut – UI-D Rate Review

- Maintains ROE and equity factor values until the next *rate case*.

- Offsets the regulatory asset of the Rate Adjustment Mechanism with regulatory tax liabilities (tax reform/ADIT), with both amounts being amortised over 22 months.

- Allows for a reduction in rates thanks to the lowering of the corporate tax (34% to 21%) and the contribution of funds from the COVID relief credit.

Connecticut – Storage Bill: in June, Connecticut passed a law aimed at promoting energy storage. The Act aims to deploy 1,000MW of batteries by 2030, with intermediate targets for 2024 (300MW) and 2027 (650MW).

New York – Resiliency & Compensation Bill: in June, the new New York Customer Resilience and Compensation Act was passed:

- Utilities should prepare climate vulnerability studies and resilience plans with measures for the next 10 and 20 years.

- Utilities will be entitled to recover amortisation and a return calculated on the basis of the regulatory ROE in force at any given time.

- The costs associated with the implementation of the resilience plan will be recovered through a specific charge on the bill.

New York – Integrated Energy Distributed Resources (IEDR): in June, the NYPSC published the order on IEDR which establishes a common platform for all utilities, where customers, ESCOs etc. will be able to obtain information and design new business proposals. The Commission recognises to NYSEG and RGE a cost of USD 12 million CAPEX and USD 1.5 million OPEX over the next three years (phase 1) for the design of the platform, recoverable in rates from the next rate-case.

5. Mexico

Increase in transmission charges: in May 2020, the CRE approved the increase in transmission tolls for renewable technologies and efficient cogeneration. We are still awaiting the first instance ruling on the lawsuit for injunctive relief filed by Iberdrola México. In the meantime, we are protected by the injunction granted by the courts not to pay the new increased rates.

Increase in conventional transmission charges: in May 2020, the CRE approved the increase of the transmission tolls for conventional technologies (combined cycles). An application for injunctive relief was brought, which was dismissed at first instance and appealed at second instance, with the outcome pending. Since June 2020 the new increased tariffs have been paid.

Reform to amend the Electricity Industry Act: in March 2021, a Reform to the Electricity Industry Law (LIE) was published, which is suspended due to legal proceedings brought by individuals against it and the granting of injunctions by the courts, on the grounds that the proposed amendments distort free competition and hinder the growth of renewable energies.

Mechanism for the correction of the payment of the Revenue Sufficiency Guarantee: in July 2021, the CRE issued an agreement for the Revenue Sufficiency Guarantee payment to generators that were affected by the increase in natural gas prices due to the polar vortex in Texas in February 2021. Iberdrola México's generation plants recovered the variable cost incurred by high natural gas prices.

Final Basic Supply Rates: in June 2021, the CRE provisionally modified the method for calculating the charges for the final basic supply rates. From June to December, with inflation fluctuations temporarily applied to the actual tariffs for 2020. However, the CRE approved for 2022 the basic supply rates, retaking the methodology published in 2017 based on the actual generation costs incurred by CFE Basic Supply.

Constitutional reform on electricity: on 30 September 2021, the Executive sent to Congress an Initiative to reform the Constitution in electricity matters with the fundamental aim of making CFE the only company that can sell energy to end customers (sales monopoly), reducing the role of private companies to mere suppliers of energy to CFE (purchasing monopoly), in addition to eliminating the regulator (CRE) and incorporating the system operator (CENACE) into CFE. The initiative's passage through the Chamber of Deputies and the Senate does not have a fixed date, but it could be as early as the second quarter of 2022.

6. Brazil

Privatisation of Eletrobras: Provisional Measure 1031/2021, enacted into Law No 14182 on 12 July, had as its main effects the renewal of hydroelectric concessions, with a phased-in change in the quota-based regime; the compulsory retailing of 8 GW of natural gas-fired thermoelectric plants in localities that do not have gas pipeline infrastructures, in the modality of capacity reserve and inflexibility of at least 70%; the extension of contracts under the Incentive Programme for Alternative Energy Sources Incentive Programme (PROINFA) for 20 years, at the 2019 capped price of the "A-6" auction; and the dedication of at least 50% of the demand declared by the distributors in the A-5 and A-6 auctions to the contracting of hydroelectric plants of up to 50 MW.

Law no 14.120/21**:** published on 2 March, following approval of Provisional Measure (Medida Provisória) no 998/2020. Among its main effects are the withdrawal of transmission toll subsidies (TUST/D) for new renewable projects, the creation of a mechanism for the contracting of reserve capacity with the participation of existing plants and the dedication of uncommitted P&D and EE resources for rate reduction.

Revision of the calculation of the regulatory weighted average cost of capital (WACC): the WACC rate for generation (listed plants), transmission and distribution segments was published on 15 March. Distributors were charged 7.0194% and transmission companies and listed power plants 6.7596%. Percentage values were used for processes taking place between March 2021 and February 2022.

COVID-19 measures:

– Temporary operating restrictions for distributors: ANEEL Regulatory Resolution no 928/2021, which imposed restrictions to maintain security of service to consumers, was published on 26 March. The resolution, which initially ran until 30 June, was extended until 30 September.

– Readjustment of distributors: ANEEL Regulatory Resolution no. 952/2021 was issued on 23 November, which addresses the correction of economic imbalances as a result of the pandemic, the methodology for calculating involuntary overcontracting as a result of charge reduction during the health crisis and the definition of the criteria for compensating consumers for the costs associated with the operation of the Covid Account credit operation.

Neoenergia Coelba and Cosern tariff re-adjustments: on 22 April the result of the 2021 tariff re-adjustments for Neoenergia Coelba and Neoenergia Cosern was published. The average impact for Neoenergia Coelba consumers was 8.98% and for Neoenergia Cosern consumers 8.96%. For Neoenergia Coelba, the variation of Plot B was 29.90% (amounting to BRL 4.5 billion), while for Neoenergia Cosern the variation was 30.63% (amounting to BRL 1.0 billion). The use of tax credits related to the exclusion of ICMS from the PIS/ Cofins base and the advance of revenues from excess demand and reactive power surplus for tariff affordability helped mitigate the average effect on consumers.

Tariff Review Tarifária Neoenergia Pernambuco: adopted on 27 April. The average impact for consumers was 8.99% and the new Plot B was BRL 2.0 billion. Among the measures to mitigate the rate index, use was made of the resources of the Covid Account, the deferral of credits from the ICMS exclusion in the PIS/Cofins base and the rescheduling of the payment of remuneration costs for transmission assets of the Core Grid of the Existing System (RBSE).

Neoenergia Elektro Rate Readjustment: in 27 August, the result of the 2021 rate readjustment for Neoenergia Elektro was published, with an average consumer impact of 11.49% and a variation of Plot B of 32.49% (reaching 2.4 billion Brazilian reais). Contributing to the lower impact were the readjustment of the early use of tax credits concerning the exclusion of the MCI in the PIS/Cofins base and the excess demand credits and the reactive surplus that were to be reverted to consumers only from the next rate review in 2023.

Rate readjustment at Neoenergia Brasília: on 21 October ANEEL approved the 2021 rate revision for Neoenergia Brasília, with an average consumer impact of 11.10% and a variation of Plot B of BRL 553 billion. The most representative items were the costs with sectoral charges and with energy acquisition. Measures to mitigate the impact of the rate include the deferral related to the profiling of the core grid, PIS/Cofins credits on the ICMS or waiting for power from Itaipu and the further delay of the Water Scarcity Flag.

Water crisis:

– CMSE emergency measures: due to low rainfall in the wet period, the Electricity Sector Monitoring Committee (Comitê de Monitoramento do Setor Elétrico) authorised on 5 May the extension of emergency measures to support the National Interlinked System (activation of thermoelectric generation outside the order of prevalence and import of energy from Argentina and Uruguay, with no quantity and price limits, as long as operational restrictions were observed, to minimise the total operational cost of the electricity system).

– Chamber of Exceptional Rules for the Management of Hydraulic Energy (CREG): on 28 June, by means of the Provisional Measure no 1.055, the CREG was created, with the purpose of establishing emergency measures to optimise hydraulic energy resources. The MP established the term for CREG until 30/12/2021.

– The Voluntary Demand Reduction Programme (RVD): on 23 August, the MME Regulatory Order (Portaria Normativa MME) no 22 was published, which establishes the guidelines to be followed by the industrial sector and large consumers to submit offers for the Voluntary Reduction of Electricity Demand (RVD). On 5 November, the National System Operator (ONS) announced that it was suspending the receipt of RVD bids, indicating improved conditions for electricity.

– Reduction of consumption by the Federal Public Administration: Decree no 10.779 was published on 25 August, establishing measures to reduce the federal public administration's electricity consumption. The biggest impact was on Neoenergia Brasília, which has a larger share of federal public power in its sector.

– Incentive to reduce consumption: on 31 August, the CREG published Resolution no 2, which establishes the Incentive Programme for the Voluntary Reduction of Electricity Consumption for all consumer units in the National Interlinked System (SIN). The programme rewarded units that reduced their consumption by more than 10% between September and December with a bonus of BRL 50.00 for every 100 kWh saved.

– Water Scarcity Flag: on 31 August, CREG Resolution No. 3 was published, which established, with a view to covering the costs associated with the exceptional measures to increase supply (decision on thermal and imports), the charging of the "Water Scarcity Flag" at a value of BRL 14.20 per 100 kWh consumed. The charge is levied on all consumers of the National Interlinked System (SIN) from September 2021 to April 2022, with the exception of consumers enrolled in the Social Rate for Electricity, who were paying the flag activated monthly by ANEEL.

– Simplified Auction: the Simplified Competitive Auction Procedure 2021 was prepared on 25 October with the aim of ensuring security of supply by contracting back-up power. The tender was restricted to the Southeast/Central-West and Sul sub-systems and, in total, 775.8 MWmed were contracted, associated to 17 projects (14 of them thermoelectric with natural gas, two solar photovoltaic and one thermoelectric with biomass). The main power contracts were entered into in Rio de Janeiro (673 MW), Mato Grosso do Sul (169 MW) and Espírito Santo (149 MW).

– Provisional Measure no 1078: on 13 December, Provisional Measure no 1078 was published, which authorises the structuring of credit operations to cover the additional costs of distributors as a result of the water crisis, in an attempt to mitigate the impact of this increase on the end consumer. The MPR envisages that these credit operations will be repaid over the long term through a specific rate levy, the proceeds of which will be allocated to the Energy Development Account (CDE). The Electricity Sector Montiroing Committee (CMSE) is also expected to be authorised to set the new rate flags to meet the extraordinary costs resulting from water scarcity.

Hydraulic Risk: based on the amendments enacted by Law no. 14.182 (Privatisation of Eletrobras), the Regulatory Resolution no 945/2021 was published on 14 September, providing for compensation through the extension of the concession period of power plants to MRO participants. Thus, on 17 September, through Authorisation Resolution no 2,932, the concession extension periods for Neoenergia's projects were established: Baguari (1,678 days), Baixo Iguaçu (34 days), Corumbá III (1,163 days), Dardanelos (2,148 days), Itapebi (1,353 days), Teles Pires (235 days) and Belo Monte (319 days).

Energy losses and revenue losses: in December 2021, ANEEL approved the methodology for dealing with energy losses and revenue losses. Development of the model occurred particularly in the creation of a complexity classification, which became unique (based on 138 models) and no longer based on three classifications (two models). Other notable improvements include new rules specific to risk areas (Areas with Severe Operating Restrictions, ASROs) and the establishment of the target and process for the reduction of On the issue of irrecoverable revenues, ANEEL kept the current methodology, changing only the database (four-year adoption, from 2017 to 2020).

Hydroelectric and associated power plants: on 6 December, Regulatory Resolution no 954 was published, which establishes the regulatory treatment for the implementation of Hybrid Generation Plants (UGHs) and Associated Generation Plants. The regulation established definitions and rules for authorising projects and for contracting the use of transmission systems, as well as defining tariffs and the application of discounts on transport system tolls (TUST).

Legal Framework for Distributed Micro and Minigeneration (DG): Bill no 5.829/2019, which created the regulatory framework for distributed micro and minigeneration (DG), was passed on 16 December. The Bill, which went forward for presidential approval, maintains the current rules until 2045 for units that already have DG and for those that apply for access up to 12 months after the passage of the law. For those joining after 12 months, a transition period is envisaged for the staggered payment of the TUSD Fio B and a grant to supplement with resources from the Energy Development Account (CDE) sectoral fund.

Consolidation of the Public Energy Distribution Service Rules: on 20 December, Regulatory Resolution no. 1,000 was published, consolidating the main rules for the provision of the public electricity distribution service, covering both the regulatory assets relating to the rights and duties of the consumer and other users of the distribution system. With this new regulation, Regulatory Resolution no 414/2010, among others, was repealed.

Transmission Auction no 2/2021: the 2nd transmission auction of 2021 took place on 17 December. Neoenergia acquired lot 4, located in the state of Minas Gerais, with an offer of BRL 37.1 million and the challenge of reaching 58.63%, with an Annual Allowable Revenue (ARR) of BRL 89.7 million. The estimated investment is approximately BRL 661 million.

Reserve Capacity Auction: the 2021 Reserve Capacity auction took place on 21 December, including a bid for the products "energy" and "power". Only the "power" product was traded. The average sales price was BRL 824,553.83/MW per year, with the challenge of achieving 15.34% and the total power of 4,632.8 MW. Termopernambuco was one of the 17 successful bidders and sold 498.2 MW of capacity availability. The sale price was BRL 487,412.70 /MW per year, totalling approximately BRL 3.6 billion over 16 years (contract period).

Energy auction calendar:

Auction	Proposed date
New Energy Auction A-4	May 2022
Leilão Energia Nova A-5 and A-6	August 2022
Leilão de Reserva de Capacidade (Energy)	September 2022
Leilão para Suprimento aos Sistemas Isolados	October 2022
Leilão de Reserva de Capacidade (Power)	November 2022
Existing Energy Auction A-1 and A-2	December 2022
Leilão de Reserva de Capacidade (Energy)	March 2023
Leilão Energia Nova A-4 and A-6	August 2023
Leilão para Suprimento aos Sistemas Isolados	October 2022
Leilão de Reserva de Capacidade (Power)	November 2023
Existing Energy Auction A-1 and A-2	December 2023
Leilão de Reserva de Capacidade (Energy)	March 2024
Leilão Energia Nova A-4 and A-6	August 2024
Leilão para Suprimento aos Sistemas Isolados	October 2022
Leilão de Reserva de Capacidade (Power)	November 2024
Existing Energy Auction A-1 and A-2	December 2024

2021 CONSOLIDATED MANAGEMENT REPORT

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

I. IBERDROLA's identity and its triple dimension: business, corporate and institutional

IBERDROLA heads a leading global group in the energy sector. Its activities are focused on the production, transmission, distribution and supply of electricity, which is essential for millions of users and customers. IBERDROLA relies on environmentally friendly and innovative sources of energy and technologies to remain at the forefront of digital transformation.

IBERDROLA pursues its corporate interests by observing best corporate governance practices and taking into consideration all stakeholders affected by its business activities and related to its institutional reality. It therefore seeks to build a framework of relationships based on continuous dialogue and active listening, as well as on the principles of transparency and equal treatment, thus enabling stakeholders to become part of its successful business enterprise and allowing for the creation of strong ties with them that foster trust and nurture a sense of belonging to a great company. In particular, IBERDROLA has been a pioneer in enhancing the effective engagement of shareholders in the life of the company. It considers this to be of paramount importance to remain a leader in this area.

Acutely aware of the clear economic, social and environmental impacts of all of its activities, IBERDROLA maintains a constant two-way dialogue with its stakeholders and has accepted the mandate of its shareholders, by implementing several amendments to its by-laws, to protect the communities in which it operates and help them prosper, including the most fragile or vulnerable groups.

IBERDROLA therefore views this mandate as an opportunity to work together in building a healthier, more accessible energy model increasingly based on electricity, while respecting human rights and championing initiatives that help achieve a more just, egalitarian and healthy society. In doing so, it focuses on attaining the Sustainable Development Goals (SDGs) approved by the United Nations, most notably those relating to universal access to electricity and the fight against climate change, but also others such as promoting innovation, improving levels of education, protecting biodiversity, gender equality and, in particular, the empowerment of women, as well as the protection of disadvantaged groups. Ultimately, it seeks to make all stakeholders part of the social dividend, or shared value, generated by its activities, meaning the sum of all the economic, social and environmental values that a company generates through its activities across the communities in which it operates.

II. The IBERDROLA Group

IBERDROLA is the parent and holding company of a group of companies present in Spain, Portugal, the United Kingdom, the United States, Mexico and Brazil, among other countries. The group is structured into three levels to segregate the functions of strategy, supervision and control of the overall group (entrusted to the holding company); those of organisation and coordination of the businesses of each country (entrusted to the country subholding companies); and those involving the day-to-day administration and effective management of each of those businesses (the purview of the head of business companies).

The corporate and governance structure of the IBERDROLA Group works in conjunction with the Business Model, which allows the businesses to be globally integrated, seeks to achieve the maximum operating efficiency of the various units and ensures the dissemination, implementation and monitoring of the general strategy, the basic management guidelines established for each business and best practices.

The Business Model combines a decentralised decision-making structure, inspired by the principle of "subsidiarity", with robust coordination mechanisms to ensure that all of the Group's businesses are globally integrated, all on the basis of an effective system of checks and balances to prevent management power from becoming centralised in a single governance body or person.

The IBERDROLA Group has minority shareholders in both the holding company and in certain country subholding companies, such as the Brazilian company Neoenergia, S.A. and the American company Avangrid, Inc., which is also listed on the securities market. Through a special framework to strengthen the autonomy of its listed country subholding companies, IBERDROLA ensures that the legitimate interests of the shareholders of such companies other than IBERDROLA are adequately protected and harmoniously co-exist with the wider interests of the Group and of the shareholders of the main holding company.

IBERDROLA has undergone a major transformation over the last 15 years, staying clearly ahead of the energy transition in order to tackle the challenges posed by climate change and the need for a clean and reliable smart business model.

Boasting a track record that spans over 170 years, today IBERDROLA 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. The group supplies electricity to some 100 million people in the countries in which it operates.

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.

As a result of our commitment to the environment and our support for the decarbonisation of the economy, we are the leading electric company in renewables and we have managed to reduce our emissions in Europe by 75% since 2000, reaching levels that are almost 75% below the average of European companies.

The IBERDROLA Group is now present in the following countries and geographical areas, where we hold a leading position and have become a benchmark due to our sustainable energy model:

- Spain: leading energy company and leading wind power producer.
- International: present in Portugal, France, Italy, Germany, Greece, Hungary, Romania, Cyprus, Australia, Japan and Poland.
- United Kingdom: 100% renewable producer, transmission and distribution networks in Scotland, Wales and England.
- United States: electricity and gas distributor in New York, Maine, Connecticut and Massachusetts and third largest wind power producer.
- Brazil: one of the energy leaders.
- Mexico: leading private electricity producer.

1.1 Business model

The current trends in the energy sector — the decarbonisation and electrification of the economy, technological advances and customers' increased connectivity — confirm the focus of our three global businesses: networks, renewables, and generation and retail, and all of them centred on the customer.

The IBERDROLA Group accelerates the creation of value through five strategic pathways: profitable growth, operational excellence, a customer-focused approach, optimisation of capital and, finally, digitalisation and innovation.

To make its business model as competitive as possible, IBERDROLA has organised the management of its activities into three global businesses:

Renewables Business: the renewables area is tasked with generating and marketing electricity from renewable sources: wind (onshore and offshore), hydroelectric and mini-hydroelectric, solar thermal, photovoltaic, biomass, etc.

Networks Business: the networks area is responsible for the construction, operation and maintenance of power lines, substations, transformer substations and other facilities for delivering electric power from the production centres to the end user.

Generation and Retail Business: the generation and retail area focuses on the production of electricity through the construction, operation and maintenance of generation plants and the sale and purchase of energy in wholesale markets. It also supplies energy and additional products and services to end customers.

1.2 Purpose and Values of the IBERDROLA Group

The Group's purpose, or reason for being, is none other than to continue working together to build a healthier and more accessible energy model increasingly based on electricity. In response to the most recent developments and best practices in the realm of corporate governance, this purpose now replaces, by integrating them, the mission and vision that the IBERDROLA Group had until now been pursuing, while also identifying its ultimate objective, the aim that steers its business, corporate and institutional reality and makes it a major player in ensuring the sustainable economic and social progress of all its stakeholders and all the communities in which it operates. This purpose includes the social dividend, which, together with the economic dividend, is embodied in the By-Laws and both of which represent the group's real and effective contribution to the different economic and social environments in which it is present.

The Group's purpose is based on three corporate values: sustainable energy, integrating force and driving force, all of which express its desire to become involved in and commit to the social reality in which its business activities unfold, with all the demands, challenges and opportunities this entails.

The corporate purpose and values, established in the Purpose and Values of the IBERDROLA Group, are the general principles that inform the Corporate Governance System, and are also the basis for the Code of Ethics, a binding and mandatory set of commitments that all directors, professionals and suppliers of the group have embraced as part of their pledge to implement and achieve said purpose and values.

The Group's purpose

The Group's purpose and therefore our reason for being is to continue working together to build a healthier and more accessible energy model increasingly based on electricity.

This purpose, focused on the well-being of people and the preservation of our planet, reflects the strategy that the Group has been pursuing for years and its commitment to continue fighting for:

a) A real and global energy transition which, based on the decarbonisation and electrification of the energy sector in particular and of the economy as a whole, contributes to the fight against climate change and generates new opportunities for economic, social and environmental development.

b) An energy model increasingly based on electricity, forsaking the use of fossil fuels to make wider use of renewable energy sources, efficient energy storage systems, smart grids and digital transformation.

c) An energy model that is healthier for people, whose short-term health and well-being depend on the quality of their environment.

d) An energy model that is more accessible for all, favouring inclusiveness, equality, equity and social development.

e) An energy model that is built in collaboration with all of the players involved and with society as a whole.

The Group's values

To achieve the Group's purpose, the Group's strategy and all of its actions are inspired by and based on three core values:

a) Sustainable energy: we aim to inspire while creating economic, social and environmental value for all the communities in which we operate, with our sights firmly set on the future.

   We act responsibly toward people, communities and the environment and we are fully committed to the sustainable development strategy defined by the Company's Board of Directors, which seeks to maximise the social dividend generated by the Group's activities and businesses, from which our stakeholders ultimately benefit.

   To this end, all Group professionals work in accordance with the ethical principles established in the Code of Ethics.

   More precisely, they seek to ensure transparency, the safety of people, sustainable value creation for the Company and its environment, while striving to identify and understand the expectations of all stakeholders and working to ensure the well-being of both present and future generations.

b) Integrating force: we possess great strength and a deep sense of responsibility and we therefore work together and combine our talents towards a purpose that will benefit everyone involved.

The Group's professionals make up a diverse team that is ready to achieve the success of our business project. To this end, the Group seeks to ensure that its professionals work without geographic, cultural or operational barriers, share talent, knowledge and information, and adopt a global long-term vision.

In building this team, the Group drives the development of its professionals and helps train future generations in order to foster their enthusiasm, empathy and initiative at work and to promote solidarity and creativity as well as their respect for human relations. The Group also encourages genuine and honest dialogue between its human team and the other stakeholders.

c) Driving force: we make small and large changes while being efficient and self-demanding, always in pursuit of continuous improvement.

We innovate and promote large and small changes that make life easier for people.

We expect our professionals to adopt a non-conformist attitude, to constantly seek excellence and opportunities for improvement, to embrace change and new ideas, to learn from mistakes, to evolve with feedback on their actions and to anticipate the needs of stakeholders. To achieve this, we favour simple, agile and efficient processes that feature the latest technology for organising work and sharing information.

1.3 IBERDROLA's corporate governance model

Corporate Governance System

IBERDROLA constantly updates its Corporate Governance System, consisting of the By-Laws, the Purpose and Values of the IBERDROLA Group and the Code of Ethics, the Corporate Policies, the governance rules of the corporate decision-making bodies and of other functions and internal committees, and compliance. In order to develop and implement specific aspects of its Corporate Governance System, the Company promotes the creation of working groups composed of authorised representatives of the stakeholder group affected in each case, Company employees and top-level external experts in the relevant field.

IBERDROLA develops its strategy in accordance with a purpose and values to which all the entities and people making up the Group are committed, with the creation of sustainable value, the achievement of the social dividend and leadership in the development of its activities being the common element among them.

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 Corporate and governance structure and Business Model of the Group

Given the nature of the activities carried out by the IBERDROLA Group, its organisation is based on the strategic business units, rather than on product and service lines. These businesses are managed independently, as they concern different technologies, regulations and geographic markets.

The IBERDROLA Group has a decentralised structure and management model designed to bring decision-making closer to the places where decisions should have effect, through the country subholding companies and the head of business companies. In addition, the Corporate Governance System provides for measures granting the listed country subholding companies a special framework of strengthened autonomy.

The corporate structure encompasses the Company (IBERDROLA, S.A.), the country subholding companies and the head of business companies.

- IBERDROLA, S.A. (holding company)

The Board of Directors defines and supervises the policies, strategies and general guidelines for management of the Group and adopts strategic decisions.

The chairman & CEO, with the technical support of the Operating Committee, the Business CEO and the rest of the management team assume the duty of organisation and strategic coordination through the dissemination, implementation and monitoring of the overall strategy and of the basic management guidelines established by the Board of Directors.

- Country subholding companies

The country subholding companies group together the interests in the energy head of business companies that carry out their activities in the different countries where the Group operates.

They contribute to organisation and strategic coordination in their respective countries, disseminating and implementing the Group's guidelines and management policies.

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

They have boards of directors that include independent directors, as well as their own chief executive officers, audit committees, internal audit areas and compliance divisions.

On the other hand, the companies that are not wholly-owned by the Group keep their own corporate and governance structure in order to comply with the contractual obligations undertaken with other external shareholders.

- Listed country subholding companies

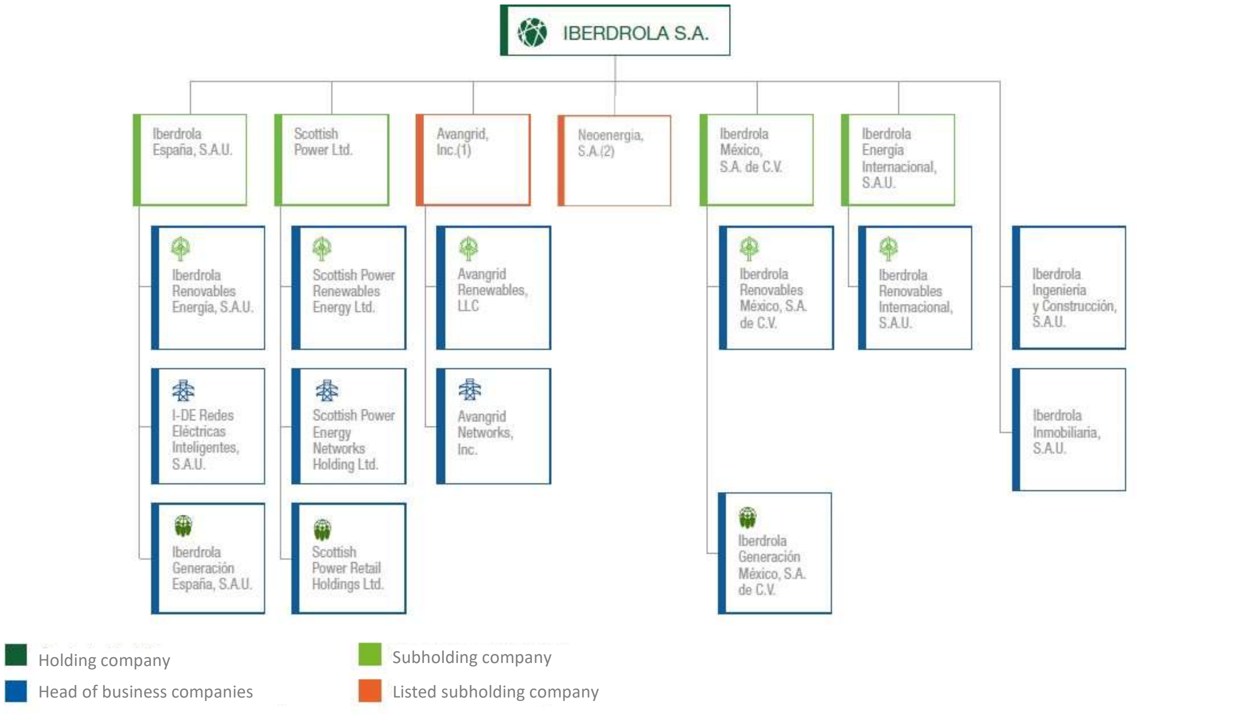
Listed country subholding companies have a special framework of strengthened autonomy with an impact on regulations, related-party transactions and management.

- Head of business companies

The head of business companies assume decentralised executive responsibilities, have the autonomy required to carry out the day-to-day administration and effective management of each of the businesses, and are responsible for the day-to-day control thereof.

They are organised through their boards of directors, which may include independent directors, and their own management bodies; they may also have their own audit committees, internal audit areas and compliance divisions.

Simplified scheme of the corporate structure of the group



[1] Avangrid, Inc. is 81.50% owned by Iberdrola, S.A.
[2] Neoenergía, S.A. is indirectly owned at a 50% + 1 share by Iberdrola, S.A.

This corporate set-up seeks to ensure agile and rapid decision-making in day-to-day management, which is the purview of the head of business companies, while ensuring proper coordination at the Group level, as a result of the supervisory functions performed by the country subholding companies and the Company.

Based on this corporate structure, the Group's governance model conforms to the following principles, which duly distinguish between supervisory and control functions on the one hand, and day-to-day administration and effective management on the other:

a) Vesting of powers in the Board of Directors to approve the Group's strategic objectives, define its organisational model and supervise the effective implementation thereof and compliance therewith.

b) The organisation and strategic coordination of the Group is entrusted to the chairman of the Board of Directors & chief executive officer (with the technical support of the Operating Committee), the Business CEO, who has overall responsibility for all of the Group's businesses, and the rest of the management team.

c) The organisation and strategic coordination function is further strengthened through the country subholding companies for those countries and businesses that the Board of Directors so decides.

d) The head of business companies of the Group assume decentralised executive responsibilities, have the autonomy required to carry out the day-to-day administration and effective management of each of the businesses, and are responsible for the day-to-day control thereof.

Within the Group's corporate and governance structure, the Operating Committee is an internal committee of the Company whose main duty is to provide technical, informational and management support to the chairman of the Board of Directors & chief executive officer, in order to facilitate the development of the Group's Business Model. The composition and duties of the committee are described in the Internal Rules on Composition and Duties of the Operating Committee.

1.5 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.

1.6 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.

1.7 Main products and services, production processes

The main products that IBERDROLA offers to its customers are electricity and natural gas, both in the wholesale and retail markets until reaching the end consumer. It also offers a wide range of products, services and solutions in the fields of:

– Improving the quality of life, peace of mind and safety of the consumer.

– Efficiency and energy services.

– Caring for the environment: renewable energy and sustainable mobility.

Quality of electricity supply and safety of the facilities.

– Installation of electrical infrastructure.

– Comprehensive management of energy facilities and supply.

Through its subsidiaries it also provides services for engineering and construction of power generation, distribution and control facilities; operation and maintenance of power generation facilities, land management and development; and sale and rental of housing, offices and retail premises. More detailed information can be found in the "customers" section on www.iberdrola.com.

As a general rule, the companies directly manage the activities that belong to their core business, and outsource others that are likely to be carried out more efficiently by other specialised companies, from which IBERDROLA requires the adherence to certain quality standards and responsible behaviour in the environmental, social and labour fields.

This information can be supplemented with the corresponding indicators described in the Sustainability Report.

1.8 Strategic pillars for the 2020-2025 period

Twenty years 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 120,000 million in order to achieve a safe, efficient decarbonised energy model.

The fight against climate change is now more important than ever. In this context, IBERDROLA's vision rests on three pillars:

- The need to further decarbonise the economy.
- Technological advances, continuing the trend toward increased efficiency in sources of renewable energy and electricity grids.
- New demands from consumers, who will need new energy services the provision of which will be possible thanks to the advantages offered by digitalisation.

These trends place electricity at the epicentre of the energy transition: sustained increase in demand due to the electrification of energy end-uses such as transportation or the heating and cooling industry will substantially increase the weight of electricity in respect of total end energy consumption.[1]

To satisfy this growing demand for electricity, it will be essential to increase investment in renewable energies, which, according to the International Energy Agency, could account for two thirds of total electricity generation by 2040, and also in efficient, smart and flexible electrical infrastructure to enable its transmission and distribution. Grids have thus become the backbone of the energy transition.

In response to societal demand to meet the challenge of decarbonisation, many countries are adopting measures to achieve the goal of climate neutrality by 2050. In view of this scenario, IBERDROLA will continue developing its strategy in the different markets where it is present, consolidating its position in renewable generation, networks and storage:

- In Spain, IBERDROLA will continue reinforcing its leading position in networks and renewable energies, making the most of the greater visibility resulting from the Energy and Climate Integrated National Plan. The company will also continue to develop its renewable energy portfolio through wind and solar power projects in order to lay the groundwork for future growth. Meanwhile, construction will begin on the green hydrogen plant in Puertollano, the first plant of its kind in the country.

[1] According to the International Energy Agency, the contribution of electricity to the end demand for energy could climb to 31% by 2040 (World Energy Outlook 2020, Sustainable Development Scenario).

- In the United States, AVANGRID is already one of the top three wind power producers in the country, with eight regulated transmission and distribution companies operating in the states of New York, Connecticut, Maine and Massachusetts. The company has announced its merger with PNM Resources, which operates in the states of New Mexico and Texas, and expects the deal to be completed in 2021. The company will continue to invest in transmission and distribution networks and to grow in onshore and offshore wind, as well as solar photovoltaics.

- In the United Kingdom, where Scottish Power has become the first 100% renewable large utility, IBERDROLA will continue to cement its leadership in onshore and offshore wind technologies. Highlights here include the development and construction of the East Anglia One project in the North Sea, with 714 MW of installed capacity, which is already fully operational. Moreover, the Group will continue to develop transmission and distribution network infrastructures.

- In Mexico, IBERDROLA is the second largest producer in the country and has a growing customer base.

- In Brazil, through NEONERGIA, is one of the country's leading electricity groups. The company is present in 18 states and has organic growth opportunities in the fields of renewable energy and transmission and distribution networks. The acquisition of Companhia Energética de Brasília Distribuição, which distributes power in Brasília, will also become effective in the first few months of 2021.

- Lastly, Iberdrola Energía Internacional is growing rapidly by investing in renewable energies in countries such as Germany, France, Portugal, Italy and Ireland. The acquisition of Infigen Energy in Australia was completed in 2020 and the company expanded into new markets such as Sweden and Japan, where it has a portfolio of offshore wind projects.

2020-2025 Plan

IBERDROLA will continue to pursue its strategy of accelerating investment across the entire electricity value chain, focusing on growing renewable capacity, increasing the resilience and integration of a more complex electricity system through distribution and transmission grids, developing further storage capacity and offering more energy solutions to customers.

To achieve this, IBERDROLA will invest more than EUR 75,000 million by 2025 in all its areas of activity, with 75% of this investment to be channelled into growth activities to maximise the opportunities that will arise from the investment cycle around the world.

The renewable business will account for 51% of total organic investment, while 40% will go to the networks business and 9% to the generation and trading business.

As a result, regulated businesses or those with long-term contracts in effect will account for more than 90% of all planned investments.

By geographical area, IBERDROLA will invest around 85% in Europe and the United States, with countries with good credit ratings accounting for more than 83% of the total organic investment.

Efficient operations and financial strength

IBERDROLA will continue to boost its operating efficiency on the strength of technical progress in digitalisation and of the synergies resulting from the standardisation of processes through the implementation of the best practices of the group in all its businesses.

This profitable growth strategy will lead to a sustainable growth in profits, allowing the company to improve shareholder remuneration in a growing and sustainable manner in line with profits, as well as to maintain a strong financial position.

This section of IBERDROLA's Management Report, Strategic pillars for the 2020-2025 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

2.1.1. Climate change and the Paris agreement

The IBERDROLA Group's strategy takes into account the Paris Agreement objectives of limiting global temperature increase to 2ºC and of achieving climate neutrality (Note 6).

a) Governance and sustainability system

The IBERDROLA Group's directors consider climate change to be a priority for the company, having integrated it into its decision-making process. The IBERDROLA Group's governance system has various corporate bodies and internal committees that monitor compliance with and implementation of climate action commitments. The Articles of Association approved by the General Meeting of Shareholders in June 2021 establish the obligation of the Board of Directors to approve, monitor and report regularly on the Climate Action Plan.

In this regard, the current *Climate Action Policy* establishes the framework of the IBERDROLA Group's strategy and business model, aligned with the Paris Agreement and the 2030 Agenda, in the fight against climate change. In it, the IBERDROLA Group undertakes to continue to assume a leadership position (directly and by establishing alliances), promoting awareness (impacts, challenges and benefits of their achievement) and contributing to a carbon neutral and sustainable future.

The Policy considers the implementation of the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and other reference organisations for the identification and reporting of long-term risks related to climate change.

The latest update of the policy, dated April 2021, sets out the company's decarbonisation objectives and basic principles for action in this area, and reflects the group's commitment to:

- Contribute to the mitigation of climate change and the decarbonisation of the energy model by gradually reducing the intensity of direct greenhouse gas emissions to below 50 grams of CO2 per kWh globally by 2030, continuing to develop electricity from renewable sources, focusing innovation efforts on more efficient and less carbon-intensive technologies and progressively introducing them in its facilities, until carbon neutrality is achieved by 2050.

- Integrate climate change into internal decision-making processes, as well as into the analysis and management of long-term risks for the group.

- Support international climate change negotiation processes, private sector engagement in the global agenda, partnership building and climate awareness-raising

The IBERDROLA Group's Investment Policy addresses the need to consider potential climate change risks (physical and transitional) when making all new investment decisions.

Furthermore, as a result of these commitments by the IBERDROLA Group, the long-term incentive plan proposed by the Board of Directors to the General Shareholders' Meeting in 2020 includes, among others, objectives linked to the fight against climate change, such as the acceleration of emission reduction targets. This commitment is aligned with the goal of reducing global emissions intensity that contributes to SDGs 7 and 13. The remuneration structure for executive directors and the management team considers economic-financial, operational and sustainability aspects. In April 2020, a long-term remuneration plan was approved (Strategic Bond 2020-2022, Note 22), which includes parameters related to the Sustainable Development Goals, such as the reduction of the average intensity of CO2 emissions, the increase in suppliers subject to sustainable development standards, among others.

b) Strategy

Climate change is a key element in defining the IBERDROLA Group's strategy, focusing on the promotion of clean technologies and innovation. IBERDROLA addresses it not only as a risk factor, but also as an opportunity for growth through mitigation and adaptation actions during the transition to a low-carbon economy.

Improving climate resilience involves assessing how climate change will create new risks or opportunities or alter existing ones. Building resilient systems means, first and foremost, a transformation to a decarbonised economy and technology, thus avoiding worst-case scenarios and taking advantage of the opportunities that the energy transition offers.

Thus, the IBERDROLA Group's Climate Action policy includes, among its priority lines of action, the analysis of risks and opportunities arising from climate change in the field of energy transition, as well as physical risks, and the integration of climate science and adaptation and resilience criteria in order to reduce or avoid the potential impacts of climate change on the activity.

The IBERDROLA Group monitors and manages the impacts derived from climate change through a permanent process of analysis, based on climate science and its application in the company's usual procedures, with a focus on planning, execution and control and continuous improvement. This analysis concludes that, although there are risks, in general terms Iberdrola's business model could be classified as resilient to climate change.

Climate change brings with it various risks, which, to a large extent, are not new risks for Iberdrola. These risks, which are set out in the General Risk Control and Management Policy, and which are therefore monitored periodically, can be grouped as follows:

– 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, lawsuits, changes in demand, etc.

– Physical risks arising from possible material impacts on the installations, as a consequence of the effects of the future evolution of climatic variables, both chronic (increase in temperatures, rise in sea level, variation in rainfall patterns) and extreme (increase in frequency and intensity of extreme weather events such as heat waves, hurricanes, floods, etc.)

Stemming from these risks, others may emerge, such as the credit impairment of counterparties (suppliers, banks, etc.,), social phenomena (humanitarian crises, impact on crops and fishing, refugee crises, epidemics, etc.) and larger competition for financial resources.

In 2020 Iberdrola updated its strategy and published its 2020-2025 Outlook. Iberdrola's investment plan set out in the 2020-2025 outlook is committed to the development of renewable energies, smart grids, the promotion of energy efficiency for our customers, digitalisation and the geographic and technological diversification of its activity. Its design is based on the analysis of future scenarios to assess its resilience to climate change risks, opportunities and threats.

The selected scenarios are based on plausible projections developed by the International Energy Agency in the framework of the World Energy Outlook (WEO2020). The 2020-2025 Outlook is based on a central scenario, and additionally considers two other scenarios against which potential risks and opportunities have been assessed:

– Sustainable Development Scenario (SDS): scenario aligned with achieving the Paris Agreement goals (<2°C), improving air quality and universal access to electricity, all in line with the UN SDGs. It sets out an ambitious and pragmatic vision of how the global energy sector can evolve to achieve net zero emissions by 2070. In WEO-2020, the SDDS also integrates the stimulus packages needed for a sustainable global recovery of COVID-19. This is the baseline scenario used to prepare Iberdrola's 2020-2025 outlook.

– Stated Policies Scenario (STEPS): provides the path towards where the energy sector is likely to be heading in 2040 based only on the policies and measures already in place or announced and the targets set.

– Net Zero Emissions by 2050 (NZE2050) scenario: a new scenario framed in the aspiration to achieve net zero emissions by mid-century, bringing forward the ambition of the SDS scenario in relation to emission neutrality.

In order to achieve its commitment to reduce emissions, the IBERDROLA Group will continue to promote and lead a business model and investment plan that is fully integrated into a decarbonised future.

IBERDROLA has launched an investment plan, which will reach EUR 75 billion gross in the period 2020-2025 to continue leading the transition to climate neutrality, focusing on renewable energy, electricity grids, storage, sustainable mobility, Smart products for our customers and new industrial vectors such as green hydrogen. Of the total, EUR 68 billion will be organic investment, 51% of which will go to renewables, 40% to grids and the rest to the liberalised business. On this horizon:

– 51% to renewables, where the world's installed renewable power will increase twofold to 60 GW.

– 40% of the organic investments planned for the period 2020-2025 (more than EUR 27 billion) will be earmarked for networks, to ensure the integration of renewable energies and the electrification of the economy.

– Industry will be called on to play a leading role in green hydrogen, and this will be pivotal in sectors where electrification is more challenging. To this end, 600 MW will be installed and will be operational by 2025.

The 2020-2030 investment package will reach EUR 150 billion by 2030.

– IBERDROLA will triple its installed renewable capacity to 95 GW by 2030, highlighting growth in offshore wind and expansion into new countries such as Sweden, Australia and Japan.

– IBERDROLA will double its regulated asset base to EUR 60 billion by 2030, seeking to decarbonise the economy and achieve universal access to energy.

– IBERDROLA will multiply the number of customer contracts, reaching ~70 million by 2030 and will focus on the progressive electrification of energy uses, Iberdrola will produce ~85,000 tonnes of green hydrogen by 2030.

As part of the process, IBERDROLA has carried out a review and update of the transition scenarios derived from climate change in different time horizons. The analysis has focused on:

– Reference transition scenarios.

– Interaction between key parameters to be used between scenarios and operational business indicators.

– Operational indicators by business/geography.

– Impact of alternative scenarios compared to Iberdrola's base case.

As noted above, the selected scenarios are based on plausible projections developed by the International Energy Agency in the framework of the World Energy Outlook (WEO2020). The 2020-2025 Outlook is based on a central scenario, the Sustainable Development Scenario (SDS), and additionally considers two other scenarios against which potential risks and opportunities have been assessed:

– The Sustainable Development Scenario (SDS) to 2030 projects an increasing contribution from the electricity sector, as shown in the table below.

	2019	2030	% Chg/2019
Electricity demand (TWh/year)	22.620	26.993	19%
Electrification (%)	19%	24%	26%
Renewables in generation mix (%)	27%	52%	93%
Installed renewable capacity (GW)	2.707	7.037	160%
Installed gas capacity (GW)	1.788	2.022	13%
CO2 intensity (grCO2/kWh)	463	247	(47) %
Total CO2 emissions electricity sector (Mt CO2)	13.699	7.786	(43) %

– In the same SDS scenario to 2050 electricity demand and final energy electrification almost doubles compared to the base year (2019). The trend towards progressive electrification of the energy system is significantly accentuated in scenarios with higher climate ambition, as shown in the table below:

	SDS2050	
	Electricity demand (TWh/year)	Electrification (%)
2019	22,620	20%
SDS: Sustainable Development Scenario (source IEA)	41,000	37%
NZE2050: Net Zero Emissions Scenario in 2050 (source IEA 2020)	60,000	49%
STEP 2050 (source IEA 2021)	40,000	30%

c) Objectives

By the end of 2021, the IBERDROLA Group had achieved a 70% reduction in direct emissions compared to 2000, reaching 60 gCO2/kWh in Europe in 2021 and 96 gCO2/kWh globally, through the closure of all its coal and diesel plants (17 plants, equivalent to 8.5 GW). The IBERDROLA Group is committed to reducing its global CO2 emissions intensity to 50 gCO2/kWh by 2030.

Global direct emissions intensity	gCO2 /kWh
2000	350
2020	98
2021	96
2025	<70
2030	~50
2050	~0

In 2021, Iberdrola continued to make progress in its commitment to the Paris Agreement and the energy transition, and in the targets already set to be a carbon neutral company in Europe by 2030, 20 years ahead of the European Union’s target, and also to reduce its global emissions intensity to 50 gCO2/kWh by 2030 and to achieve carbon neutrality by 2050.

It will do so mainly by minimising emissions in its production mix and neutralising the resulting residual emissions by 2030.

The IBERDROLA Group pledges not to build any additional thermal power plants to those already under way. Investing in this type of generation is mainly justified by the need to provide energy to the population without access to energy (i.e. Mexico) or to ensure an adequate integration of renewable energy.

The IBERDROLA Group regularly reviews the expected emissions in 2050 of the thermal power plants in operation on that date in accordance with the different updates of its strategic plan.

d) Regulation

Given that the Paris Agreement is universal and legally binding for all nations that signed it, these projections also take into account the commitments of the five main jurisdictions in which Iberdrola operates, all of which have ratified the agreement.

In recent years, these countries gradually acquired emission reduction commitments with different levels of intensity, which they have officially presented in their respective Nationally Determined Contributions (NDCs), while integrating adaptation to climate change into their management plans and policies, as summarised below.

It is a dynamic agreement with an upward ambition review mechanism in five-year cycles, with intermediate diagnostics on progress towards meeting targets as the first milestone in the ambition review, a process that will last throughout 2021 and until COP 26 scheduled for November 2021. The next diagnostic will be carried out in 2023. It is assumed that successive reviews of the NDCs will generate more ambitious climate targets and policy frameworks, which will have an impact on the ensuing estimates and forward-looking exercises.

Under the Paris Agreement, Parties also had to submit long-term decarbonisation strategies (mainly to 2050). At the high-level summit to mark the fifth anniversary of the Paris Agreement on 12 December 2020, 128 countries (United States, European Union, China, Japan, South Korea, etc.) had announced or included in regulations commitments aligned with achieving net zero emissions by around 2050, representing around 70% of the global economy.

European Union

Europe’s climate contribution, submitted in December 2020 to the United Nations Framework Convention on Climate Change (UNFCCC), includes its 2030 emission reduction targets, with a 55% reduction in greenhouse gas emissions compared to 1990, as well as the basic features of the measures to be put in place to meet this target. Since its adoption in December 2019, the European Green Deal has been the roadmap and strategy for growth towards a sustainable and competitive model. It is based on an efficient use of resources with the aim of achieving climate neutrality by 2050 and meeting the objectives of the Paris Agreement. The European Green Deal also defines the actions and policies necessary to achieve climate neutrality. Since it was approved, instruments such as the Emissions Trading Directive, the Regulation on Effort Sharing between Member States and the Energy Taxation Directive have been revised. The European Green Deal also sets the roadmap for the development of member states’ instruments to contribute to the global goals. Its governance framework establishes ambition cycles aligned with the Paris Agreement, at the heart of which are the National Energy and Climate Plans.

Spain

With a common EU objective in sight, the reduction of greenhouse (GHG) emissions in Spain should hinge on the implementation of the aforementioned European Green Deal and the regulatory instruments rolled out to meet the 2030 emissions reduction target.

At the legislative level, the Spanish government is currently drafting a Climate Change and Energy Transition Bill that transposes the main elements of the Paris Agreement to the Spanish regulatory framework. In particular, it sets the goal of achieving zero net emissions by 2050. The National Energy and Climate Plan (NECP) for 2021-2030 includes an emissions reduction target of 23% by 2030 (compared to 1990) along with ambitious targets for renewable energy (42%) and energy efficiency (39.6%) by that year.

United Kingdom

The United Kingdom is reviewing its contribution to the Paris Agreement and formally submitted its revised NDC to the UNFCCC in December 2020, with a 2030 emissions reduction target of at least 68% compared to 1990.

In December, the government also presented the 10-Point Plan for a Green Industrial Revolution, which sets out the roadmap for a sustainable, job-creating recovery with increased momentum towards net-zero emissions.

United States

The United States is required to submit a revised NDC in 2021, following the recent change of government and its application for re-entry as a signatory to the Paris Agreement. The new administration has stated that increased action is needed on climate issues at the global level.

At the same time as federal action, state-level legislative and planning activities continue. All states have at least one climate change law, and 29 of them also have laws and regulations to promote the penetration of renewable energy. The United States also has three state-level emissions trading systems (ETS).

Mexico

Under the Paris Agreement, Mexico has submitted a revised NDC to the UNFCCC in 2020 in which it commits to an unconditional reduction of its GHG emissions of 22% and 51% of its black carbon emissions compared to a Business as Usual scenario, and increasing this target to 36% and 70% respectively, depending on the fulfilment of other conditions.

Brazil

Brazil was one of the few developing countries to submit an NDC to reduce emissions in absolute terms, targeting a 37% reduction in GHG emissions by 2025 compared to 2005 and 43% by 2030.

In 2020, it presented a revised NDC maintaining the same level of ambition, but introducing ideas for future improvements contingent upon financial support from the international community.

Section 4.6.2. of the Management Report “Climate change risks” provides an analysis of these risks in each of the Group’s businesses.

The “Non-financial Statement” accompanying these Financial Statements provides further information about climate change and the Paris Agreement.

- **COVID-19**

The effects of the COVID-19 pandemic continued to have an impact on the Group's operations and results in FY2021, although substantially less so than in the previous year.

While it is difficult to accurately gauge the impact of COVID-19 on these Financial Statements, the IBERDROLA Group, based on the best available information, estimates are for a reduction in EBITDA of EUR 154 million due to the pandemic's effect on demand and an increase in non-payments of EUR 96 million.

These impacts break down as follows:

	Demand		Non-payments	
Millions of euros	**Networks**	**Generation and retail**	**Networks**	**Generation and retail**
Spain	—	(18)	—	(22)
United Kingdom	3	(34)	—	(16)
United States	—	—	(29)	—
Mexico	—	—	—	—
Brazil	(52)	—	(15)	—
IEI	—	(53)	—	(14)
Total	**(49)**	**(105)**	**(44)**	**(52)**

At the date of authorisation for issue of these Financial Statements, it is not possible to make a precise estimate of the future impact of COVID-19 on the Company's earnings in the coming months because it remains to be seen how quickly the economies of the countries in which the Group operates will recover. Further uncertainties include the duration of the government measures currently in effect and the fact that we may see further measures in the coming months.

- **Currency performance**

In 2021, the exchange rates of IBERDROLA's main reference currencies the US dollar and the Brazilian real depreciated against the euro by 3.5% and 7.6%, respectively, while the pound sterling appreciated by 3.5%, pushing down total EBITDA by EUR 169 million and Net profit by EUR 74 million.

- **Demand**

With regard to the evolution of demand in the period in the company's main areas of activity:

- Key points about the energy balance in the peninsular system in 2021 were: an increase in wind (+10%), solar (+29.3%) and coal (+3%) production, a decrease in hydroelectric (-3.4%), combined cycle (-2%) and nuclear (-3.1%), compared to same period of the previous year.

  Meanwhile, demand was up 2.4% on 2020 when adjusted for work and temperature factors.

  The year 2021 ended with a hydro producer index of 0.9 and hydro reserves at 50.8%, compared with an index of 1 and reserve levels of 51.0% at year-end 2020.

- In the United Kingdom, electricity demand was up 2.2% on 2020, while gas demand rose by 2%.

- In the areas where Avangrid operates on the east coast of the United States, electricity demand was up 2%, while gas demand was up 3.8% when compared with 2020.

– The demand in Neoenergia's areas of operation in Brazil was down 13.4% on 2020.

2.2 Highlights of the IBERDROLA Group

In describing the evolution of the IBERDROLA Group's results, it is necessary to highlight the following non-recurring effects recorded during the year.

1. The Supreme Court ruling declaring null and void the application of the hydroelectric levy derived from Law 15/20212, which has led to the recording in Spain of income of EUR 951 million under the heading "Taxes other than income tax" and EUR 155 million of late-payment interest under the heading "Finance income" (Notes 40 and 42).

2. On 24 May 2021, the UK Government and Parliament approved the increase of the corporate tax rate from 19% to 25% effective 1 April 2023. In accordance with IAS 12, deferred taxes have been recalculated at the new expected tax rate. The effect of this revaluation has been an increase in "Corporate income tax expense" of EUR 508 million.

3. The implementation of efficiency measures, with an impact of EUR 94.2 million at EBITDA level, which will allow for optimisation of future results.

2.3 Business performance

2.3.1 *Analysis of the Income statement*

Key figures for 2021 are as follows:

Millions of euros	2021	2020	Change (%)
Revenue	39,114	33,145	18.0
Gross income [(1)]	17,062	16,145	5.7
EBITDA [(2)]	12,006	10,038	19.6
EBIT [(3)]	7,343	5,564	32.0
Net profit for the period attributable to the parent	3,885	3,611	7.6

(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 2021, the IBERDROLA Group reported EBITDA of EUR 12,006 million, up 19.6%, albeit negatively impacted by the exchange rate effect of EUR 169 million, without which it would have risen by 21.3%.

EBITDA is also affected by, on the one hand, the negative impact of COVID on demand and, on the other hand, a number of court rulings and legal measures in Spain and the efficiency measures described above.

From an operational point of view, positive contributions were made by Networks assets in the United States and Brazil, higher installed renewable capacity and the increase in renewable production in the different geographies. On the negative side, of particular note is the UK business, with lower margins due to the need to buy energy on the spot market at high prices as a result of low wind power production; and Mexico, temporarily affected by a upturn in gas costs as a result of the cold snap that affected the US state of Texas in February, an impact that should be recouped over the coming months as electricity rates incorporate these fuel prices in their calculation.

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 274 million 7.6% on 2020 to reach EUR 3,885 million.

2.3.1.1 Gross income

Gross income came to EUR 17,062 million, up EUR 917 million, or 5.7%, compared to the figure reported in 2020. Stripping out the exchange rate effect of EUR 267 million, it would be EUR 1,184 million (7.3%) up on the figure reported in the previous year.

Gross income by business is as follows:

Millions of euros	2021	2020	Change (%)
Networks business	8,273	7,615	8.6
Renewables business	5,484	3,758	45.9
Liberalised business	3,320	4,794	(30.7)
Other businesses	25	16	56.3
Corporation and adjustments	(40)	(38)	5.3
Gross income	**17,062**	**16,145**	**5.7**

– **Networks business**

The Networks business increased its contribution by EUR 658 million, 8.6% to reach EUR 8,273 million (EUR 7,615 million in 2020). The exchange rate effect was responsible for a reduction of EUR 223 million and the business improved its contribution by EUR 881 million.

From an operating standpoint, the higher contribution from Networks assets was positive thanks to: the increase in the regulatory asset base, which rose 6% compared to year-end 2020, at constant exchange rates; the new tariff revisions in force, which include the tariff recognition of new investments and the offsetting of regulatory assets and liabilities from previous years; and Brazil, where the devaluation was offset by the positive impact of tariff and inflation adjustments at the distribution companies and the higher contribution from transmission assets, as well as the consolidation of Neoenergia Distribuição Brasília from the beginning of March.

– **Renewable business**

The Renewables business increased its contribution to gross income by EUR 1,726 million, 45.9% to reach EUR 5,484 million (EUR 3,758 million in 2020).

The exchange rate effect was responsible for a reduction of EUR 22 million in gross income, while and the business improved by EUR 1,748 million.

This improvement is mainly due to the increase in the average power in operation in Spain, the United States, Mexico and Brazil and the contributions of the countries grouped in Iberdrola Energía Internacional (IEI), Australia, France and Poland. During the year, 3,156 MW were installed.

– **Liberalised business**

The Liberalised business decreased its contribution to gross income by EUR 1,474 million, 30.7% to reach EUR 3,320 million (EUR 4,794 million in 2020).

The exchange rate effect was responsible for a reduction of EUR 21 million in gross income, while the business reduced its contribution by EUR 1,453 million. The decrease is explained by the increase in supply costs, mainly due to trends in gas and CO2 prices, while selling prices were mostly already fixed, and the impact in the UK of sectoral costs resulting from the energy crisis which are temporarily borne by suppliers.

– **Other businesses**

Other businesses improved their contribution to gross income by EUR 9 million to reach EUR 25 million compared to EUR 16 million in the previous year, mainly due to real estate sales.

2.3.1.2 *Gross operating profit - EBITDA*

Consolidated EBITDA was up EUR 1,968 million (19.6%) to EUR 12,006 million compared to EUR 10,038 million in 2020. The net effect of exchange rates fluctuations had a negative impact EUR 169 million.

Contributions by business were as follows:

Millions of euros	2021	2020	Change (%)
Networks business	5,394	4,783	12.8
Renewables business	5,521	2,596	112.7
Liberalised business	905	2,580	(64.9)
Other businesses	37	—	—
Corporation and adjustments	149	79	88.6
EBITDA	**12,006**	**10,038**	**19.6**

In addition to the above-mentioned gross income performance, the variables behind the EBITDA performance are as follows

– **Net operating expenses**

Net operating expenses fell by EUR 59 million (1.4%) to EUR 4,227 million (EUR 4,286 million in 2020). The exchange rate effect pushed up net operating expenses by EUR 85 million. Excluding this impact, this heading would be up EUR 26 million. The increase is due to the incorporation of new businesses such as Neo Distribução Brasília, Infigen (Australia) and Aalto Power (France). The costs of implementing the efficiency plans are more than offset by the impact of the exchange rate and the contribution to Other operating income of the incorporation of new renewable capacity to the joint vehicle with Mapfre.

As described in Note 2.c, the presentation of the Income statement has been changed with respect to 2020 by including in this item the gains or losses from the loss of control of consolidated shareholdings. A gain of EUR 230 million was recorded in 2021 due to the loss of control of the wind farms included in the agreement reached with Mapfre within the asset rotation process.

Net operating expenses by business were as follows:

Millions of euros	2021	2020	Change (%)
Networks business	(2,207)	(2,147)	2.8
Renewables business	(636)	(791)	(19.6)
Liberalised business	(1,586)	(1,416)	12.0
Other businesses	12	(15)	(180.0)
Corporation and adjustments	190	83	128.9
Net operating expenses	**(4,227)**	**(4,286)**	**(1.4)**

– **Taxes other than income tax**

Taxes other than income tax decreased by EUR 992 million, to EUR 829 million (EUR 1,821 million in 2020). The exchange rate effect improves the comparison by EUR 11 million. The variation is mainly due to the extraordinary gains from of the hydroelectric levy ruling, which represents net revenues of EUR 951 million in Spain, as mentioned above.

2.3.1.3 *Net operating profit – EBIT*

EBIT totalled EUR 7,343 million, up 32.0% on 2020 (EUR 5,564 million). The breakdown by business is as follows:

Millions of euros	2021	2020	Change (%)
Networks business	3,362	2,880	16.7
Energy Production and Customers business	3,913	2,728	43.4
Other businesses	27	(11)	345.5
Corporation and adjustments	41	(33)	224.2
EBIT	**7,343**	**5,564**	**32.0**

– **Valuation adjustments, trade and contract assets**

Trade payable provisions totalled EUR 369 million, down EUR 12 million on 2020 (EUR 381 million).

– **Amortisation, depreciation and provisions**

Amortisation and depreciation was up EUR 225 million (5.7%) to reach EUR 4,197 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 1 million compared to 2020.

2.3.1.4 *Net finance income/cost*

Financial losses were up by EUR 12 million to EUR 1,003 million (EUR 991 million in 2020), putting average interest expenses at 3.24% and the average cost of adjusted financial debt at 3.60% (2.86% and 3.18% respectively in 2020).
The breakdown of items in said variation is as follows:

Millions of euros	2021	2020	Change
Gains/(losses) on debt	(1,312)	(1,175)	(137)
Derivatives and measurement differences in foreign currency	(32)	90	(122)
Interim interest	145	149	(4)
Discounting to present value of provisions	(116)	(127)	11
Other	312	72	240
Total	**(1,003)**	**(991)**	**(12)**

The change can be largely explained by:

- Gains on debt increased by EUR 137 million, EUR 155 million due to higher costs partially offset by EUR 18 million due to a decrease in the average balance by EUR 586 million. The cost of debt is up 42 basis points due to higher inflation in Brazil, which is more than offset by the operating profit of the distributors also indexed to inflation. Without Brazil, the cost of adjusted net financial debt is down by 4 basis points from 2.93% in 2020 to 2.89% in 2021.

- Other items contributed an improvement of EUR 125 million, which was mainly due to the collection of interest on arrears and the marking to market of equity investments, partly offset by the worse result from exchange rate hedges.

2.3.1.5 *Profit/(loss) of equity-accounted investees*

Profit/(loss) at equity-accounted investees was a negative EUR 39 million.

The comparison is affected by the sale of SIEMENS GAMESA in 2020, which resulted in a gross capital gain of EUR 485 million.

The negative result in this item in 2021 is a result of the EUR 75 million impairment loss on Norte Energía following its classification as available-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 3,885 million, up EUR 274 million (7.6%) on the previous year's total of EUR 3,611 million.

Corporate income tax expense was up by EUR 831 million to EUR 1,914 million, compared to EUR 1,083 million in 2020. The effect is mainly due to the progressive increase of the UK tax rate from 17% to 19% in 2020 and from 19% to 25% in 2021 which resulted in an increase of EUR 508 million for adjustments to deferred tax assets and liabilities.

The effective tax rate for the financial year 2021 was 23.42% compared to 22.38% for the financial year 2020.

Meanwhile, non-controlling interests increased by EUR 126 million to EUR 467 million, mainly due to higher earnings in both the United States and Brazil.

2.4 Operating performance in the period

2.4.1 *Networks business*

During the financial year 2021, the electricity distributed by the Group amounted to 237,752 GWh, an increase of 5.7% compared to the previous year. Of particular note is the increase in Brazil following the integration of Neoenergia Brasilia from March 2021.

	2021	2020	% chg
Spain	90,962	88,390	2.9
United Kingdom	32,221	31,738	1.5
United States	38,756	38,012	2.0
Brazil	75,813	66,857	13.4
Total electrical distribution (Gwh) [1]	**237,752**	**224,997**	**5.7**

[1] At power plant busbars

	2021	2020	% chg
United States	61,365	59,134	3.8
Total gas distribution (GWh)	**61,365**	**59,134**	**3.8**

Electricity and gas supply points reached 33.90 million, up 4.9% year-on-year, thanks to organic growth in all geographies and the incorporation of Neoenergia Brasília, which contributed 1.1 million supply points with the following breakdown:

	2021	2020
Electricity		
Spain	11.28	11.21
United Kingdom	3.55	3.54
United States	2.30	2.27
Brazil	15.74	14.28
Total electricity	**32.87**	**31.30**
Gas		
United States	1.03	1.02
Total gas	**1.03**	**1.02**
Total supply points (millions)	**33.90**	**32.32**

2.4.1.1. Spain

The IBERDROLA Group has 11.28 million supply points, slightly above the figure reported at the end of the previous year. Total energy distributed came to 90,962 GWh, up 2.9% on 2020 (88,390 GWh). The lockdown measures have had an impact on this decline in demand.

The table shows the values of the TIEPI (interruption time in minutes), and NIEPI (number of interruptions) in relation to the previous year:

	2021	2020
Regulatory TIEPI	<39	42.00
Accumulated NIEPI	<0.9	0.90

The indicators improved even though I-DE's network was heavily affected in January by the unprecedented snowstorm Filomena, which affected a total of 270,000 customers across the peninsula. In this context, i-DE managed to restore service to 70% of the affected customers in less than 30 minutes, thanks to the degree of automation of the grid and automatic supply restoration developments.

In September, the cold drop storm caused heavy storms and flooding. It affected a total of 120,000 customers in central and eastern Spain. Supply to 75% of the affected customers was restored in less than 30 minutes, thanks again to the capabilities of i-DE's smart grid implemented in recent years.

During 2021, important agreements were concluded. Iberdrola and the European Investment Bank (EIB) have signed a green loan worth EUR 550 million to support the development, modernisation and digitisation of the company's electricity distribution networks. This agreement contributes to the development of the grid investment plan that i-DE will pursue between 2021 and 2023 for an amount of EUR 1,472 million and whose objective is to improve the reliability, efficiency and safety of the distribution of renewable and sustainable electricity.

Iberdrola also announced that it will lead the development of the first Mediterranean Corridor for heavy road transport that will be 100% electric. This project, which will be developed in eastern Spain and covers more than 450 kilometres, will involve i-DE, as it will require the development of a smart grid infrastructure to service the very high power charging infrastructure so as to ensure maximum efficiency.

September saw the inauguration of the new Global Smart Grids Innovation Hub, the company's pioneering grid innovation centre, which aims to become a benchmark in innovation applied to grids and will act 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, more than 50 companies, technology centres and universities are already working on 120 projects worth EUR 110 million.

In December, Royal Decree 1125/2021 was published, which regulates the awarding of grants from European funds to distribution companies. It will total EUR 525 million over 2021-2023, of which i-DE accounts for approximately 34%. These amounts will subsidise 50% of the investments submitted for the digitisation and automation of grids and the necessary reinforcements for recharging points of >250 kW. The subsidised amount will allow investment to be increased above the current limit (0.14% of GDP).

Finally, in December, i-DE received the ISO 9001 Quality Management System certification from AENOR, one of the world's most widely recognised quality recognitions. i-DE has been awarded the quality certificate for twenty years. On this occasion, unlike in previous years when specific processes have been certified, the certification has been extended to the entire i-DE business: planning, development, operation and customer services of the distribution grid. This is i-DE's third certification with AENOR, together with ISO 14001 for Environmental Management and ISO 10002 for Claims and Compliants Management.

2.4.1.2 United Kingdom

The IBERDROLA Group has more than 3.55 million supply points in the United Kingdom. Total energy distributed in 2021 came to 32,221 GWh (31,738 GWh in 2020), which represents an increase of 1.5% on 2020.

Energy distributed by licence is as follows:

	2021	2020	% chg
Scottish Power Distribution (SPD)	17,462	17,121	199.2
Scottish Power Manweb (SPM)	14,759	14,617	97.1
Distribution (B.C.)	**32,221**	**31,738**	**152.2**

SPD's quality of service indicators are better than those of 2020. SMP was affected in early 2021 by the impact of storm Christoph, which brought heavy snow and rain.

Average interruption time per consumer (Customer Minutes Lost, or CML) was as follows:

CML (mins)	2021	2020
Scottish Power Distribution (SPD)	28.91	30.46
Scottish Power Manweb (SPM)	40.77	32.99

The number of consumers affected by interruptions for every 100 customers (Customer Interruptions, or CI) was as follows:

Number of interruptions (No)	2021	2020
Scottish Power Distribution (SPD)	39.79	41.04
Scottish Power Manweb (SPM)	34.32	30.72

Both the SPM and SPD grids were affected by the storms that hit the country. In particular, the Arwen storm at the end of November affected more than 200,000 customers in SPM's grid. The storm was classified by Ofgem as a "Severe Weather Exceptional Event".

ScottishPower Energy Networks presented its 2023-2028 grid investment plan to Ofgem within the framework of the RIIO-ED2 regulatory cycle. The company will invest £3.2 billion (€3.7 billion) over five years, with the aim of continuing to drive the UK's energy and digital transformation as it transitions to an electrified, carbon-free economy.

The objectives of SP Energy Networks' investment plan include: developing a Net Zero ready grid by continuing to adapt the infrastructure to make it more resilient and reliable, using innovative, flexible and efficient solutions; supporting customers and the communities in which it operates by offering enhanced services tailored to their needs; and preparing the business for a digital and sustainable future by incorporating new digital methods, innovation and process redesign.

With the aim of reviving economic activity following the COVID-19 restrictions by accelerating investment in decarbonisation, the UK government and Ofgem asked distributors to identify sites where a lack of distribution grid capacity was limiting the development and uptake of low-carbon technologies. Ofgem made GBP 300 million available to distributors to implement additional Green Recovery projects in the time remaining in the RIIO-ED1 regulatory cycle (until March 2023), recognising the recovery of these funds through rates. SPEN has received approval for 40 of the projects submitted for a total of GBP 64.7 million (GBP 34.7 million in SPD and GBP 30.0 million in SPM). These projects consist of grid investments to enable the deployment of electric vehicle charging, the installation of heat pumps, the connection of higher volumes of distributed renewable generation, and also for the adaptation of residential connections.

In November, Ofgem expressed its support for the initial proposals to develop the first two DC submarine cables of the Eastern HVDC link project, the major submarine energy highway between Scotland and the northeast of England. Ofgem recognised the crucial role that both links would play in boosting renewable energy and the UK's climate change targets. Following Ofgem's endorsement of the development of Eastern Link, SP Energy Networks submitted the Final Needs Case at the end of the year. Ofgem is expected to make its final decision on the project in 2024.

In addition, Ofgem's investigation into the delay of the Western Link project concluded with the agreement reached with National Grid Electricity Transmission and Scottish Power Transmission, confirming that neither of these companies would have caused or exacerbated the delay. The investigation pointed out that the root causes of the two-year delay were attributable to supply chain problems: manufacturing, cable installation and commissioning tests. Ofgem further acknowledges that consumers have benefited by GBP 100M due to the financial management of the project and its contract management strategy.

2.4.1.3 United States

– **Distribution**

In the United States IBERDROLA has 2.3 million electricity supply points. Total energy distributed in the year came to 38,756 GWh, up 2.0% on 2020 (38,012 GWh).

	2021	2020	% chg
Central Maine Power (CMP)	9,900	9,590	3.2
NY State Electric & Gas (NYSEG)	16,310	16,056	1.6
Rochester Gas & Electric (RG&E)	7,444	7,327	1.6
United Illuminating Company (UI)	5,102	5,039	1.3
Volume of energy distributed (GWh)	**38,756**	**38,012**	**2.0**

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)	2021	2020
NY State Electric & Gas (NYSEG)	1.81	1.85
Rochester Gas & Electric (RG&E)	2.02	1.98
Central Maine Power (CMP)	1.81	1.79

UI's System Average Interruption Duration Index (SAIDI), which is the regulatory indicator that applies in Connecticut is as follows:

SAIDI (mins)	2021	2020
United Illuminating Company (UI)	39.61	45.36

Average number of interruptions per customer (System Average Interruption Frequency Index, or SAIFI) is as follows:

SAIFI	2021	2020
NY State Electric & Gas (NYSEG)	2.02	2.03
Rochester Gas & Electric (RG&E)	1.46	1.38
Central Maine Power (CMP)	1.13	0.89
United Illuminating Company (UI)	0.46	0.56

Throughout 2021, AVANGRID distributors were recognised with various awards: NYSEG was awarded the New York State Engineering Platinum Award in the Energy category for its reconstruction of the electrical circuit under Seneca Lake, which is given by the New York Council of Engineering Companies to the most outstanding initiatives of the year for their innovation, complexity and overall value to society. UI, NYSEG and CMP each won the prestigious “Emergency Response Award” for their ability to respond to storms that affected parts of the country in late 2019 and 2020. This award, given each year by the Edison Electric Institute (EEI), recognises electric utilities that excel in their efforts to quickly restore service after a storm or natural disaster.

In July, AVANGRID, through its distributors, joined the Electric Highway Coalition, an initiative to expand the network of electric vehicle charging points on US highways. The company will contribute to the construction of charging infrastructure in its service areas, with the goal of installing more than 400 DC fast chargers from the Atlantic coast through the South and Midwest to the Gulf regions.

It also manages thermal generation. Power and production details are as follows.

Power (MW)	2021	2020	Chg. MW
Gas combined cycles	204	204	—

Power (MW)	2021	2020	% chg Consolidated
Gas combined cycles	7	6	16.7

– Gas

Avangrid supplies gas to more than 1 million supply points. By the end of 2021, it had distributed a total of 61,365 GWh of gas, up 3.8% on the previous year due mainly to the lower temperatures of the first quarter of the year.

	2021	2020	% chg
NY State Electric & Gas (NYSEG)	15,576	15,500	0.5
Rochester Gas & Electric (RG&E)	16,183	16,448	-1.6
Maine Natural Gas (MNG)	4,660	2,863	62.8
Berkshire Gas (BGC)	2,933	2,864	2.4
Connecticut Natural Gas (CNG)	11,153	10,960	1.8
Southern Connecticut Gas (SCG)	10,860	10,499	3.4
Total gas distribution (GWh)	**61,365**	**59,134**	**3.8**

2.4.1.4 Brazil

Neoenergia supply points amount to 15.74 million. The volume of electricity distributed amounted to 75,814 GWh, up 13.4% compared to the same period of the previous year, including the energy distributed by Neoenergia Brasília. Stripping out the effect of the incorporation of Brasilia in March 2021, the change in demand compared to 2020 represents an increase of 3.71%.

Energy distributed (GWh)	2021	2020	% chg
COELBA	24,948	24,127	3.4
COSERN	6,686	6,350	5.3
CELPE	17,628	17,232	2.3
ELEKTRO	20,077	19,148	4.9
BRASILIA	6,475	—	—
Total	**75,814**	**66,857**	**13.4**

Efforts to improve the quality of supply have led to an improvement compared to 2020 in all distributors in the Northeast and Elektro.

The average interruption time per customer (*duração equivalente de interrupção por unidade consumidora*, DEC) was as follows:

DEC (h)	2021	2020
ELEKTRO	7.38	7.57
COELBA	11.40	12.43
COSERN	6.79	9.21
CELPE	12.03	12.62
BRASILIA	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 2020 at Elektro and CELPE:

FEC	2021	2020
ELEKTRO	4.21	4.50
COELBA	5.16	5.54
COSERN	2.80	3.87
CELPE	5.76	5.37
BRASILIA	7.05	—

Neoenergia took over in March the operation of Companhia Energética de Brasília (CEB-D), which distributes energy to 1.1 million customers in the Federal District, where the capital, Brasilia, is located. During the second quarter of the year, Neoenergia completed the integration process of Neoenergia Distribuição Brasília. After its first 100 days of operation, Neoenergia Distribuição Brasília already showed concrete results and significant progress, both in operational improvements and in various actions and investments, which make this integration an example of success.

In August, Neoenergia unified its brand, changing the names of its five distributors: Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro, Neoenergia Pernambuco and Neoenergia Brasília. This change consolidates the maturation of a management model based on modernisation, technological innovation, sustainability and service quality.

In addition, Neoenergia was awarded the following distinctions in 2021:

- In June, Cosern was awarded for its response to customer demands in the category of large distributors, with more than one million supply points. The award, called the Ombudsman Award, is given annually by the National Electricity Agency (ANEEL).

- In August, Neoenergia Distribuição Brasilia won the Aneel Quality Award 2020 – Aneel Consumer Satisfaction Index, in the Midwest category. The award evaluates the level of consumer satisfaction, the quality of energy supply and services provided, customer service and trust.

- In September, Neoenergia's distributors received the Abradee 2021 Award in recognition of their operational performance, ranking among the best in the country. In addition, Neoenergia was recognised with a silver title in the SA Customer 2021 Award in the Leading Customer Management Project category of digital excellence.

- In December, Neoenergia received the Pro-Ethics Company seal for the fourth time in a row. The matrix was joined in this edition by the distributors Neoenergia Coelba, Neoenergia Pernambuco, Neoenergia Elektro and Neoenergia Cosern, which were also included under the umbrella of the standard, another example of the energy company's efficient anti-bribery management system. This recognition is awarded by the Federal Comptroller General's Office (CGU), the Federal Government body responsible for the defence of public assets, transparency and the fight against corruption, and aims to promote more upright, ethical and transparent corporate environments in Brazil.

Finally, Neoenergia participated in the auction held by the Brazilian regulator (ANEEL) in December 2021, winning lot four of BRL 661 million of investment in the state of Minas Gerais. This installation will provide greater reliability and operational flexibility in critical scenarios of high energy imports by the southeast region, in addition to ensuring voltage control in São Paulo's high and medium voltage system. Since 2017. Neoenergia has been awarded a total of 13 projects in auctions since 2017, five of which are already in operation, while further progress has been made in building the other assets and in securing the pertinent licenses. These projects will extend the existing transmission grid by over 6,000 km.

2.4.2 *Electricity production and retail*

At year-end 2021, Iberdrola's consolidated installed capacity was up 3,150 MW (net of derecognitions) on 2020 at 55,551 MW consolidated in terms of EBITDA, with 69.5% the total (38,596 MW of renewable and nuclear power) coming from emission-free sources, compared to 67.6% in 2020.

	31.12.2021			31.12.2020			
By country	Consolidated at EBITDA level	Managed by investees (*)	Total 2021	Consolidated at EBITDA level	Managed by investees (*)	Total 2020	Chg MW consolidated
Spain	28,117	311	28,428	26,384	252	26,636	1,733
United Kingdom	2,993	15	3,008	2,849	15	2,864	144
United States	8,899	248	9,147	8,574	248	8,822	325
Mexico	10,683	—	10,683	10,672	—	10,672	11
Brazil	2,353	2,194	4,547	1,885	2,195	4,080	468
IEI	2,506	—	2,506	2,037	—	2,037	469
Total power (MW)	**55,551**	**2,768**	**58,319**	**52,401**	**2,710**	**55,111**	**3,150**

(*) Includes the proportional part of MW.

	31.12.2021			31.12.2020			
By technology	Consolidated at EBITDA level	Managed by investees (*)	Total 2021	Consolidated at EBITDA level	Managed by investees (*)	Total 2020	Chg MW consolidated
Renewable energy	**35,419**	**2,717**	**38,136**	**32,263**	**2,659**	**34,922**	**3,156**
Onshore wind	18,971	509	19,480	18,125	450	18,575	846
Offshore wind	1,258	—	1,258	1,258	—	1,258	—
Hydroelectric (**)	11,654	2,194	13,848	10,669	2,195	12,864	985
Mini hydroelectric	283	2	285	301	2	303	(18)
Solar and other	3,253	12	3,265	1,910	12	1,922	1,343
Nuclear	**3,177**	**—**	**3,177**	**3,177**	**—**	**3,177**	**—**
Gas combined cycles	**15,821**	**—**	**15,821**	**15,821**	**—**	**15,821**	**—**
Cogeneration	**1,134**	**51**	**1,185**	**1,140**	**51**	**1,191**	**(6)**
Total power (MW)	**55,551**	**2,768**	**58,319**	**52,401**	**2,710**	**55,111**	**3,150**

(*) 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 2021 was 155,150 GWh, up 0.2% on 2020, with 57% of the total being emission-free (88,367 GWh in renewable and nuclear production):

	31.12.2021			31.12.2020			
By country (GWh)	Consolidated at EBITDA level	Managed by investees (*)	Total 2021	Consolidated at EBITDA level	Managed by investees (*)	Total 2020	Chg. (%) Consolidated
Spain	60,186	782	60,968	59,105	749	59,854	1.8
United Kingdom	6,708	9	6,717	6,664	14	6,678	0.7
United States	22,014	570	22,584	21,607	516	22,123	1.9
Mexico	54,296	—	54,296	57,517	—	57,517	(5.6)
Brazil	7,374	7,755	15,129	6,361	6,760	13,121	15.9
IEI	4,572	—	4,572	3,550	—	3,550	28.8
Total production	**155,150**	**9,116**	**164,266**	**154,804**	**8,039**	**162,843**	**0.2**

(*) Includes the proportional part of GWh.

By technology (GWh)	31.12.2021			31.12.2020			
	Consolidated at EBITDA level	Managed by investees (*)	Total 2021	Consolidated at EBITDA level	Managed by investees (*)	Total 2020	Chg. (%) Consolidated
Renewable energy	**65,174**	**8,776**	**73,950**	**60,402**	**7,664**	**68,066**	**7.9**
Onshore wind	40,586	989	41,575	38,507	896	39,403	5.4
Offshore wind	4,617	—	4,617	4,380	—	4,380	5.4
Hydroelectric (**)	16,619	7,755	24,374	15,274	6,760	22,034	8.8
Mini hydroelectric	624	6	630	674	8	682	(7.4)
Solar and other	2,728	26	2,754	1,567	—	1,567	74.1
Nuclear	**23,193**	**—**	**23,193**	**24,316**	**—**	**24,316**	**(4.6)**
Gas combined cycles	**59,963**	**—**	**59,963**	**63,673**	**—**	**63,673**	**(5.8)**
Cogeneration	**6,820**	**340**	**7,160**	**6,176**	**375**	**6,551**	**10.4**
Coal	**—**	**—**	**—**	**237**	**—**	**237**	**(100.0)**
Total production	**155,150**	**9,116**	**164,266**	**154,804**	**8,039**	**162,843**	**0.2**

(*) Includes the proportional part of GWh.

(**) Includes 132 MW from Hydroelectrical facilities managed by the Networks business in the United States.

2.4.2.1 Spain

Renewable capacity and production

At year-end, Iberdrola had an installed renewable capacity, consolidated at EBITDA level, of 18,949 MW in Spain, with the following breakdown:

Power by technology (MW)	2021	2020	Change MW
Onshore wind	5,866	6,094	(228)
Solar PV (**)	2,086	1,100	986
Hydroelectric (*)	10,700	9,715	985
Mini-hydro	283	301	(18)
Batteries	14	—	14
Total	**18,949**	**17,210**	**1,739**

(*) Including the 998 MW of Gouvaes and Daivoes in Portugal.

(**) Solar capacity measured in MWdc.

Onshore wind decreased by 228 MW due to: the commissioning of 67 MW in the wind farms of El Puntal II 15 MW, Valdesantos 13 MW, Verdigueiro 37 MW and the installation of 2 MW in the wind farm of Cordel Vidural. In addition, 295 MW was removed following the sale of the wind farms that form part of the agreement with Mapfre

In photovoltaic solar power: module installation work has been completed at the Ceclavín-Oriol (111 MW), Puertollano (100 MW), Arenales (150 MW), Francisco Pizarro (517 MW), Majada Alta (32 MW), San Antonio (46 MW), Barcience (15 MW), Campo Arañuelo (11 MW), Alaraz (2 MW) and Revilla-Vallejera (2 MW) plants.

Hydroelectric power includes the Támega project (998 MW) in Portugal, work also continues on the Tâmega hydroelectric complex, with Daivoes (118 MW) and Gouvães (880 MW) expected to come fully on stream in the first half of 2022, once the system operator (REN) energises the evacuation lines to the national transmission grid at the end of January, at which time each of the three generators at Daivoes and the four generators at Gouvães will come into operation.

In addition, 31 MW of mini-hydro have been removed, 13 MW of ordinary regime and 18 MW of special regime.

In battery storage projects, the following capacity/power 3 MW are installed in Campo Arañuelo, 5 MW in Puertollano and 6 MW in Abadiño.

In relation to ongoing projects:

- More than 1 GW of capacity is in the start-up phase, including the Ciudad Rodrigo photovoltaic plant (318 MW) in Salamanca, the Revilla-Vallejera (50 MW) and Almaraz 1 and 2 (80 MW) photovoltaic plants, and the Buniel (115 MW) and Iglesias (94 MW) wind farms in Burgos.

- In Portugal, work also continues on the Tâmega hydroelectric complex at the Alto Tâmega development (160 MW). At this plant, the concreting of the dam is almost 60% complete, while at the power plant, the concreting process is already more than 75% complete.

The trend in consolidated production by technology is as follows:

	2021	2020	% chg Consolidated
Onshore wind	11,501	11,251	2.2
Hydroelectric and Mini-hydro RO	14,620	13,111	11.5
Mini-hydro RE	624	674	(7.4)
Solar and other	1,233	509	142.2
Total production (GWh)	**27,978**	**25,545**	**9.5**

- Onshore wind power production reached 11,501 GWh during the period, with an increase of 2.2% compared to 2020, mainly due to the entry of new facilities, increasing the average operating capacity by 146 MW.

- Hydroelectric production reached 14,620 GWh, up 11.5% on the previous year. Production at mini-hydro plants was also down, with total power generation of 624 GWh, 7.4% less than in the same period of the previous year.

- Solar energy production will reach 1,233 GWh in the period following the entry into operation of new facilities, as there will be an increase of 474 MW in average operating capacity in 2021.

Thermal capacity and production

Installed capacity in Spain comes to 9,168 MW. The breakdown by technology is as follows:

Power by technology (MW)	2021	2020	Change MW
Nuclear	3,177	3,177	—
Gas combined cycles	5,695	5,695	—
Cogeneration	296	302	(6)
Total	**9,168**	**9,174**	**(6)**

The changes in 2021 relate to the reduction of 6 MW at the cogeneration plant Eneryworks Villarrobledo.

In 2021, production amounted to 32,208 GWh. The performance in the year by technology is as follows:

Net production by technology (GWh)	2021	2020	% chg
Nuclear	23,193	24,316	(4.6)
Gas combined cycles	7,023	7,216	(2.7)
Cogeneration	1,992	1,791	11.2
Coal	—	237	(100.0)
Total	**32,208**	**33,560**	**(4.0)**

Iberdrola's thermal production in 2021 was down 4% compared to the same period of the previous year. The lower production at nuclear power plants (-4.6%), combined cycle (-2.7%) and coal facilities following the closure of the Lada and Velilla plants in 2020 was slightly offset by cogeneration production.

Supply

The portfolio under management in Spain represented 19 million contracts at the end of 2021, broken down as follows:

Thousands	No of contracts
Electricity contracts	9,985
National gas contracts	1,150
Contracts for products and services	7,796
Total	**18,931**

By market type, the categories are:

Thousands	No of contracts
Free market	15,747
Last resort	3,184
Total	**18,931**

Iberdrola's electricity revenue (in power plant busbars) in 2021 was down by 7.9% and was distributed as follows:

GWh	2021	2020	Chg. (%)
Free market	50,594	51,417	(1.6)
PVPC	8,537	8,926	(4.4)
Other markets	28,350	34,648	(18.2)
Electricity sales	**87,481**	**94,991**	**(7.9)**

Iberdrola managed a gas balance in 2021 of 2.8 bcm, of which 0.09 bcm was sold in wholesale operations, 1.32 bcm was sold to end customers and 1.3 bcm was used for electricity production.

2.4.2.2 United Kingdom

Renewable capacity and production

Consolidated installed capacity in the United Kingdom comes to 2,993 MW. The breakdown by technology is as follows:

Power by technology (MW)	2021	2020	Change MW
Onshore wind	1,971	1,935	36
Offshore wind	908	908	—
Solar PV (*)	10	—	10
Batteries	104	6	98
Total	**2,993**	**2,849**	**144**

(*) Solar capacity measured in MWdc

In onshore wind, 36 MW were installed at Beinn An Tuirc III (28 MW) and Halsary (8 MW) farms.

In solar photovoltaic, the installation of the Carland Cross hybrid project (10 MW) has been completed.

In battery storage, the start-up of several projects continues, with 50 MW installed at Gorman Bess, 45 MW at Whitelee in Scotland and 3 MW at Barnesmore Bess in Ireland in 2021.

In ongoing projects, work continues on the hybrid projects with batteries to be located at the already operational wind farms of Coldham (9 MW) and Coal C (10 MW) in England.

In addition to the renewables business in the UK, development is continuing in offshore wind projects in the country, focusing on the East Anglia group of projects in the North Sea, of which East Anglia 1 North, East Anglia 2 and East Anglia 3 are being developed simultaneously as the East Anglia Hub (3,100 MW), with the following progress made:

– The evaluation period for EA1N and EA2 authorisation applications has been completed and final decisions are expected to be taken by 31 March 2022.

– Key contracted engineering, design and network work continued during the fourth quarter, while marine and land site investigation work has been completed. With regard to suppliers, bids have been received for the supply of foundations, inter-turbine cabling and the transport and installation of the turbines, and the contract for the high-voltage export cable has been awarded.

– Regarding the CfD auction, plans for all EA Hub projects were submitted and accepted, but due to clearance deadlines, only East Anglia 3 will participate in this year's auction.

The trend in consolidated production, terms of EBITDA, was as follows:

	2021	2020	% chg Consolidated
Onshore wind	3,275	3,567	(8.2)
Offshore wind	3,433	3,097	10.8
Total production (GWh)	**6,708**	**6,664**	**0.7**

– Onshore wind power production totalled 3,275 GWh, down 8.2% on the same period of the previous year, due to a drop in wind power during the period.

– Offshore wind production was up 10.8% to 3,433 GWh in East Anglia 1.

Supply

The portfolio under management in the United Kingdom totalled 7 million contracts at the end of 2021, broken down as follows:

Thousands	No. of contracts
Electricity contracts	2,844
National gas contracts	1,923
Contracts for products and services	363
Smart meters	1,859
Total	**6,989**

In 2021, 19,383 GWh of electricity and 26,094 GWh of gas was supplied to customers, 4.6%* and 6.8%** more than in 2020, respectively.

* Sales measured in power plant busbars
** Without deducting shrinkage

2.4.2.3 United States

Renewable capacity and production

Power by technology (MW)	2021	2020	Change MW
Onshore wind	7,708	7,485	223
Hydroelectric	118	118	—
Solar PV (*)	232	131	101
Batteries	13	13	—
Total	**8,071**	**7,747**	**324**

(*) Solar capacity measured in MWdc

223 MW of onshore wind power is incorporated in the following wind farms: Golden Hills 190 MW, Roaring Brook 18 MW, La Joya 2 MW and the repowering of the Trimont 7 MW and Klondike II 6 MW wind farms.
In solar photovoltaic, installation of the modules for the Lund Hill plant continues, with 101 MW of the 194 MW to be installed.

In addition, work continues on solar photovoltaic: projects at the Montague (211 MW), Bakeoven (269 MW) and Daybreak (189 MW) plants in Oregon.

The end of 2021 saw major achievements in offshore wind technology in the United States, as onshore construction began on Vineyard Wind 1 (800 MW), the country's first commercial-scale offshore wind project, and the selection of the Commonwealth Wind offshore wind project (1,232 MW) was announced by the State of Massachusetts. The proposal includes the construction of a cable factory, the development of a second offshore wind port in Massachusetts, and other economic development initiatives, local job creation and environmental commitments. Meanwhile, Park City Wind (804 MW) and Kitty Hawk Offshore Wind (800 MW) advanced through the study process on their way to becoming fully licensed projects.

In addition, the company will explore new growth opportunities following the announcement last October by the US Bureau of Ocean Energy Management (BOEM) of an area leasing plan. This plan supports President Biden's goal of deploying 30 GW of offshore wind by 2030 and has the New York Bight, one of the most sought-after leasing areas on the East Coast, to be auctioned in the first quarter of 2022, followed by Carolina Long Bay in the second quarter of 2022 and California in the third quarter. Other lease areas under consideration and scheduled for auction are the Gulf of Mexico (Q4 2022), Central Atlantic (Q2 2023), Oregon (Q3 2023) and Gulf of Maine (Q3 2024).

Consolidated production by technology and its trend during the year was as follows:

	2021	2020	% chg Consolidated
Onshore wind	18,399	18,415	(0.1)
Solar and other	299	321	(6.9)
Total production (GWh)	**18,698**	**18,736**	**(0.2)**
Hydroelectric networks business in the United States	132	120	10.0
Total production (GWh)	**18,830**	**18,856**	**(0.14)**

- Onshore wind power production totalled 18,399 GWh, down 0.1% on the same period of 2020 due to a drop in wind power during the period.

- Production with solar and other technologies (including 54 GWh from fuel cells) came to 299 GWh.

In the United States, the renewable business manages the Klamath power plant. Power and production in 2021 were as follows:

Power (MW)	2021	2020	Chg. MW
Cogeneration	636	636	—

Production (GWh)	2021	2020	% chg Consolidated
Cogeneration	3,194	2,745	16.4

2.4.2.4 Mexico

Renewable capacity and production

At year-end, installed renewable capacity in Mexico was 1,335 MW.

Power by technology (MW)	2021	2020	Change MW
Onshore wind	693	682	11
Own use	590	590	—
For third parties	103	103	—
Solar photovoltaic (*)	642	642	—
Total	**1,335**	**1,324**	**11**

(*) Solar capacity measured in MWdc

The power variation corresponds to the 11 MW installed at the PIER IV wind farm.

Consolidated production by technology and its trend during the year was as follows:

	2021	2020	% chg Consolidated
Onshore wind	1,759	1,147	53.4
Solar and other	1,188	729	63.0
Total production (GWh)	**2,947**	**1,876**	**57.1**

– Onshore wind power production totalled 1,759 GWh, up 53.4% on the end of 2020, due to an increase in average operating capacity.

– Solar energy production has generated 1,188 GWh due to the start-up of the Cuyoaco photovoltaic plant

Thermal capacity and production

In Mexico, thermal capacity at year-end 2021 was 9,348 MW.

Mexico	2021	2020	MW change
Gas combined cycles	9,146	9,146	—
Own use	2,103	2,103	—
For third parties	7,043	7,043	—
Cogeneration	202	202	—
Power (MW)	**9,348**	**9,348**	—

Thermal production in 2021 totalled 51,349 GWh, down 7.7% on the same period of the previous year:

Mexico	2021	2020	% chg
Gas combined cycles	49,705	54,001	(8.0)
Own use	15,001	14,841	1.1
For third parties	34,704	39,160	(11.4)
Own cogeneration	1,644	1,640	0.2
Total production (GWh)	**51,349**	**55,641**	**(7.7)**

Supply

Electricity sales in 2021 amounted to 55,046 GWh, up 4.7% on 2020, broken down as follows:

GWh	2021	2020	Chg. (%)
CFE	34,903	39,160	(10.9)
Private	20,143	13,398	50.3
Retail sales (GWh)	**55,046**	**52,558**	**4.7**

2.4.2.5 Brazil

Renewable capacity and production

Power by technology (MW)	2021	2020	Change MW
Onshore wind	984	516	468
Hydroelectric	836	836	—
Total	**1,820**	**1,352**	**468**

Work continues on onshore wind power in the Chafariz complex in the state of Paraiba, consisting of a total of 15 wind projects with a total capacity of 472 MW, having closed the year with 468 MW installed and only 3 MW of the Chafariz 3 project still pending, meaning that the farm has already begun partial production.

In the state of Piauí, the construction of the Oitis complex, consisting of 12 wind farms with a total capacity of 566 MW, is continuing and will be completed in the second half of 2022.

In solar photovoltaic technology, construction has begun on Luzia II and III (149 MW) in the state of Paraiba, with commissioning expected in the second half of 2022.

Consolidated production by technology and its trend during the year was as follows:

	2021	2020	% chg Consolidated
Onshore wind	2,313	1,878	23.2
Hydroelectric	1,867	2,043	(8.6)
Total production (GWh)	**4,180**	**3,921**	**6.6**

– Onshore wind power production reached 2,313 GWh, up 23.2% compared to 2020, due to the higher wind power recorded during the year and the partial commissioning of the Chafariz Complex.

– Meanwhile, hydroelectric production came to 1,867 GWh 8.6% lower than in 2020.

Thermal capacity and production

Generation power in Brazil, which comes from the Termopernambuco gas combined cycle facility, is 533 MW. Production in 2021 amounted to 3,194 GWh, up 30.9% on the 2,440 GWh generated in 2020.

2.4.2.6 Iberdrola Energía Internacional (IEI)

Renewable capacity and production

Iberdrola Energía Internacional's installed renewable capacity came to 2,263 MW, 469 MW more than in December 2020.

Power by technology (MW)	2021	2020	Change MW
Onshore wind	1,749	1,413	336
Offshore wind	350	350	—
Solar PV (*)	89	6	83
Batteries	75	25	50
Total	**2,263**	**1,794**	**469**

(*) Solar capacity measured in MWdc

In wind power capacity, 336 MW of onshore wind power was added. Installed capacity by country

Onshore wind	2021	2020	MW change
Greece and Cyprus	308	295	13
Australia	880	670	210
France	118	118	—
Portugal	92	92	—
Poland	113	—	113
Hungary	158	158	—
Romania	80	80	—
Total	**1,749**	**1,413**	**336**

In wind power:

– In Australia, construction work continued on Port Augusta, a 317 MW hybrid wind-solar project, which will become one of the largest hybrid renewable energy plants in the southern hemisphere. All the wind turbines of this hybrid project (210 MW) have been installed and the first GWh were exported in December.

– In Greece, the Mikronoros wind farm (33.6 MW) ended the year with 13 MW installed.

– In Poland, 113 MW are added following the purchase of the Zopowy and Korytnica 1 wind farms.

In photovoltaic capacity, 83 MW were added:

– At the Port Augusta hybrid project in Australia, 54 MW of the 106.9 MW of solar PV to be installed at the plant have been installed.

– At the Montalto di Castro plant in Italy, 19.8 MW out of a total of 23.4 MW have been installed.

– In Portugal, the first 9.4 MW of the 27.4 MW Algeruz 2 plant have been installed.

In addition, the 50 MW Wallgrove storage project has been completed and entered commercial operation in December, and work has started on the 245.5 MW Avonlie project.

The development and construction of offshore wind projects continues:

– In France, at the Saint Brieuc project (496 MW), work continues at sea to install the foundations, a phase that will continue until the end of October, while the first underwater trenching campaign to bury the cables between turbines has been successfully completed. Iberdrola is also participating in the auction of 1 GW of offshore wind with fixed foundations off the coast of Normandy, which is already in the competitive dialogue phase, and has recently been prequalified for the auction of 250 MW of floating offshore wind in Brittany, with the competitive process now starting. Both auctions will be awarded in 2022.

– In Germany, the Baltic Eagle project (476 MW) has arranged the supply for the main contracts. Fabrication work on the foundations will begin in October while the fabrication of the offshore substation is progressing with a view to its installation in mid-2022.

– In Japan, Iberdrola Renewables Japan K.K. continues to work with its partners Hitachi Zosen and Cosmo EcoPower to submit the best bid for the Aomori project, which is expected to be auctioned in the first half of 2023. In addition, the development of the project portfolio with its partner Macquarie's Green Investment Group (GIG) continues, with a special focus on the Saga project, whose area has been designated as a candidate for the next auction rounds, as well as the analysis for the entry of other projects. The results of the first auction, which were published at the end of December last year, will undoubtedly have a major impact on the future of Japanese auctions.

– In Sweden, the Utposten 2 project, which is being led by Svea Vind Offshore together with Iberdrola, was publicly announced at the end of July, and awaits approval by the authorities once oral hearings are concluded and administrative procedures are completed. In the meantime, work continues on the rest of the projects in the pipeline.

– In Ireland, site characterisation campaigns continue for the three projects being worked on together with our partner DP Energy: Clarus, Shelmalere and Inis, with a total maximum capacity of 3,000 MW.

– In Poland, Iberdrola Renewables Polska has been incorporated. Work continues with our partner SeaWind on the finalisation of land permit applications for projects that will take part in the auctions to be held from 2025 onwards.

– In Taiwan, progress continues to be made on the environmental impact studies, and the geotechnical studies and the resource campaign at two sites have just been contracted. These are a necessary condition for Iberdrola Renewables Taiwan to be able to bid in next year's offshore wind auctions.

Renewable energy production totalled 4,531 GWh at year-end, up 28.0% on 2020, mainly in onshore wind (up 48.5%), due to the additional power gained from acquisitions in Australia, France and Poland, due to the lower wind power in the year, with production in solar photovoltaics remained stable.

	2021	2020	% chg Consolidated
Renewable energy	**4,531**	**3,540**	**28.0**
Onshore wind	3,339	2,249	48.5
Offshore wind	1,184	1,283	(7.7)
Solar and other	8	8	—
Total production (GWh)	**4,531**	**3,540**	**28.0**
Gas combined cycles (GWh)(*)	**41**	**10**	**310.0**

(*) Included with the acquisition of Infigen in Australia

Supply

The portfolio managed by Iberdrola in Portugal, France, Italy, Germany, Ireland and the United States totals 1,882 thousand contracts, representing growth of 4.9% vs year-end 2020. broken down as follows:

No. of contracts (thousands)	2021	2020
Electricity contracts	778	743
Gas contracts	288	264
Contracts for products and services	816	787
Total	**1,882**	**1,794**

Electricity sales at the international division, while affected by the pandemic, grew by 3.0% in 2021 and amounted to 10,229 GWh. Gas sales increased by 33.9% to 1,869 GWh with the following breakdown by geography:

GWh	2021	2020	Chg. (%)
Portugal	6,084	7,374	(17.5)
France	1,313	836	57.1
Germany	869	777	11.8
Italy	1,733	1,369	26.6
Ireland	112	81	38.3
United States	118	103	14.6
Electricity (*)	**10,229**	**10,540**	**3.0**
Portugal	192	162	18.5
France	801	482	66.2
Italy	715	650	10.0
Ireland	161	102	57.8
Gas (**)	**1,869**	**1,396**	**33.9**
Total	**12,098**	**11,936**	**1.4**

(*) Sales measured in power plant busbars
(**) Without deducting shrinkage

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 19,405 million at the end of 2021 (Note 4 to the consolidated Financial Statements). Counting the financing operations signed after 31 December, this figure rises to EUR 19,521 million.

This liquidity comes mainly from syndicated credit facilities signed with relationship banks, undrawn loans arranged with multilateral lenders and development banks (European Investment Bank – EIB, Instituto de Crédito Oficial – ICO, *Banco Nacional de Desenvolvimento Econômico e Social* – BNDES), as well as cash and cash equivalents and short-term investments (between three 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 24 months of the Group's financing needs in the base case and 16 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:

		31.12.2021	31.12.2020 (*)
Adjusted FFO / Adjusted net financial debt (1)	%	23.0	23.6
Adjusted RCF / Adjusted net financial debt (1)	%	20.6	21.4
Adjusted net financial debt/Adjusted EBITDA	Times	3.2	3.5

(1) As shown in the table below
(*) Figures aligned with the criteria used in 2021

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	31.12.2021	31.12.2020 (*)
Net profit for the period attributable to the parent	3,885	3,611
Valuation adjustments, trade and contract assets	369	381
Amortisation, depreciation and provisions	4,294	4,093
Earnings at companies accounted for using the equity method	74	(462)
Discounting to present value of provisions	116	127
Non-controlling interests	467	341
Dividends received	49	57
Amounts allocated to the Income statement – capital grants	(81)	(74)
Negative non-cash tax effects	471	137
Tax deductibility of goodwill	71	—
Undue payments Hydroelectric levy	(830)	—
Gas deduction RDL 17-18/2021	29	—
Funds from operations (FFO)	**8,914**	**8,211**
Exit plan	72	45
Contribution of new hires pro-forma, 1 year	7	36
Adjusted funds from operations (FFO)	**8,993**	**8,292**
Dividends paid	(953)	(787)
Adjusted retained cash flow (RCF)	**8,040**	**7,505**

Millions of euros	31.12.2021	31.12.2020 (*)
EBITDA	12,006	10,038
Exit plan	95	60
Contribution of new hires pro-forma, 1 year	15	51
Adjusted EBITDA	**12,116**	**10,149**

(*) Figures aligned with the criteria used in 2021

(1) Includes the amount included under the heading “Profit for the year from discontinued activities”

3.3 Capital funds

3.3.1 Leverage

Adjusted net financial debt at 31 December 2021 increased by EUR 3,977 million to EUR 39,119 million compared to EUR 35,142 million at 31 December 2020, due to the substantial investments made in the period, the appreciation of currencies and the increase in working capital due to regulatory changes in Spain, which was partially offset by the issuance of hybrids.

Additionally, adjusted net leverage improved by 1.30% to 41.0%, compared to 42.3% 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.

At 31 December 2021 the Group’s average borrowings costs stood at 3.24%, compared to 2.86% in the same period of the previous year (Note 28).

The Group’s average cost of adjusted net financial debt was 3.60% at 31 December 2021, compared to 3.18% in the same period of the previous year.

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:

	December 31, 2021	31/12/2020
Bond market – EUR	26.20%	31.1%
Bond market – USD	19.20%	18.50%
Bond market – GBP	7.10%	8.10%
Other capital markets	5.00%	4.00%
Promissory notes	8.30%	7.70%
Multilateral banking and development	15.20%	15.60%
Structured financing	1.20%	1.10%
Leases	5.60%	5.30%
Bank loans and credits	12.20%	8.60%
Total	**100.0%**	**100.0%**

The IBERDROLA Group has a comfortable debt maturity profile, with an average life of its adjusted gross financial debt of about six years. The maturity profile of the IBERDROLA Group's debt classified under "Bank borrowings, bonds or other marketable securities" at year-end 2021 is shown in Note 28.

3.4. Working capital

Working capital increased by EUR 2,944 million compared with December 2020.

Millions of euros	31.12.2021	31.12.2020	Change
Assets held for sale	124	—	124
Nuclear fuel	267	260	7
Inventories	2,639	2,443	196
Trade and other current receivables	8,183	6,477	1,706
Other current financial investments	1,533	578	955
Derivative financial instruments – assets (1)	2,411	324	2,087
Taxes receivable	2,773	1,187	1,586
CURRENT ASSETS	**17,930**	**11,269**	**6,661**
Provisions	789	579	210
Derivative financial instruments – liabilities (2)	1,588	129	1,459
Trade payables, other current financial liabilities and other current liabilities	9,780	7,760	2,020
Taxes receivable	1,432	1,404	28
CURRENT LIABILITIES	**13,589**	**9,872**	**3,717**
NET WORKING CAPITAL	**4,341**	**1,397**	**2,944**

(1) Not including cash and cash equivalents or debt derivative assets related to financial transactions (Note 21).

(2) Not including cash and cash equivalents or debt derivative liabilities related to financial transactions (Note 21).

4. MAIN RISKS AND UNCERTAINTIES

4.1 Comprehensive risk control and management system

The IBERDROLA Group is exposed to various risks inherent in the different countries, industries and markets in which it operates, and in the activities it carries out, that may prevent it from achieving its objectives and executing its strategies successfully.

Aware of the importance of this matter, the Company's Board of Directors undertakes to develop all of its capabilities to ensure that the significant risks inherent to all of the Group's activities and businesses 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 appropriate management of the risk/opportunity ratio with a level of risk that enables it to:

- attain the strategic goals set by the Group, with volatility curtailed;
- provide the maximum level of assurance to the shareholders;
- contribute to the attainment of the Sustainable Development Goals (SDGs) approved by the UN, with a special focus on goals seven and thirteen;
- protect the results and reputation of the Group;

– defend the interests of shareholders, customers, other stakeholders interested in the progress of the Company, and society in general;

– ensure corporate stability and financial strength in a sustained fashion over time; and

– disseminate a risk culture among the Group's employees, 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 Group's Risk Management and Internal Assurance Division, which reports functionally to that committee. This process is carried out in coordination with the audit and compliance committees that exist at the Group's other 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) Inform regulatory agencies and the principal external players, in a transparent fashion, regarding the risks facing the Group 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 a Group-level 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 as a whole.

d) The measurement and control of risks by following procedures and standards which are homogeneous and common to the Group 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 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 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.
- Procurement Policy.
- Information Technology Policy.

– Cybersecurity Risk Policy.

– Occupational Health and Safety Risks Policy.

– Reputational Risk Framework Policy.

b) Specific Risk Policies for the various businesses of the Group:

– Risk Policy for the Liberalised Businesses of the IBERDROLA Group.

– Risk Policy for the Renewable 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 the Group'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 the Group's risk policies and implementing their application, approving the guidelines regarding specific risk limits, taking into account the nature and particularities of the businesses in each country.

The parent business companies in each country or region must see to it that their governing bodies approve a set of specific risk limits for their company and put the necessary control systems in place 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 the IBERDROLA Group.

The risk factors to which the Group is generally subject are listed below:

a) Corporate governance risks: the main corporate governance risks derive from any infringement 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 area. The consequences may include: (i) the challenging of corporate resolutions; (ii) the participation of dissenting shareholders at the General Meeting; (iii) requirements or possibly sanctions from the CNMV; and/or (iv) divestment and/or lack of interest in investing in Iberdrola shares.

b) Market risks: exposure of the Group's results and equity 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 (steel, aluminium, copper, polysilicon and others).

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. Counterparties can 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 through its businesses, such as the characteristics 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 compensation of regulated activities or in the required conditions of supply, or in environmental o tax regulations, including risks related to political changes that could affect legal security and the legal framework applicable to the Group's businesses 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, construction of facilities.
- Supply and the supply chain.
- Cybersecurity and information systems.
- The health and safety of people.
- Risks associated with climate change, extreme natural events and pandemics.
- Regulatory compliance.
- The reliability of financial and non-financial information.
- Fraud and corruption.
- Lawsuits, arbitration and tax proceedings.

g) Reputational risks: potential negative impact on the value of the Company 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 tracking, control and reporting of these risks through the monitoring tools in place. 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.

– The inclusion of risk factors that are supplementary to the main risk factor, such as financial, environmental, sustainability, 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 evolution 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 2021 and the Risks section of the Integrated Report – February 2022.

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.

This 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, despite the extraordinary situation to have arisen from the COVID-19 pandemic, the historical cost of defaults has remained moderate at slightly above 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, debentures or other marketable securities at floating rate borrowings and cash placements of IBERDROLA Group are basically pegged to market rates (mainly Euribor, Libor-pound sterling, Libor-dollar and the CDI in the case of the debt of 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 2021 is described in Note 29 to the consolidated Financial Statements.

The Group's debt structure at 31 December 2021, 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 operating currency (United States dollar) differs from the currency for purposes of calculation of corporate tax (Mexican peso).

The IBERDROLA Group reduces this risk by:

- Carrying out all its economic flows in the operating currency of each Group company, provided that this is possible and economically viable and efficient, or otherwise through the use of financial derivatives.
- Financially hedging, as far as possible, the risk of transfer of earnings expected for the current year, thereby limiting the ultimate impact on Group earnings.
- Financially hedging, as far as possible, the exchange rate risk in the Mexican corporate tax, thereby limiting the ultimate impact on the earnings of Mexico and of the Group.
- Mitigating the impact on the consolidated net equity value of a hypothetical depreciation of currencies due to the Group's investments in foreign subsidiaries by maintaining an adequate percentage of foreign currency debt, as well as through financial derivatives.

The sensitivity of the consolidated profit and equity to changes in the dollar/euro, pound sterling/euro and Brazilian real/euro exchange rate 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 obtain financing under unfavourable terms. For this purpose, various management measures are used, such as maintaining committed credit facilities that are adequate in terms of amount, term and flexibility, diversification in the satisfaction 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 2021 or expected to be implemented in 2022.

Country risk

All of the international 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 international 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 2021 were as follows:

País	Moody´s	S&P	Fitch
Spain	Baa1	A	A-
United Kingdom	Aa3	AA	AA
United States	Aaa	AA+	AAA
Brazil	Ba2	BB-	BB-
Mexico	Baa1	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 businesses 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 (through AVANGRID), the United Kingdom, Mexico and Brazil (through NEOENERGIA), as well as other countries.

Lastly, the IBERDROLA Group has a Generation and Retail business that operates in the thermal generation sectors in Spain, Mexico and Brazil (through NEOENERGIA), and in the retail supply of electricity and gas to end customers in Spain, the United Kingdom, Mexico, Brazil (through NEOENERGIA) and other countries.

The operating details provided in this section show the situation at 31 December 2021, 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, guaranteeing 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.

a. Spain

The business manages 11.28 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.

The remuneration for 2017, 2018 and 2019 is still provisional as the final remuneration rates have yet to be published.

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. The latest tariff revision for electricity distributors (RIIO ED1), including SPD and SPM, is valid from April 2015 to April 2023. The SPT revision (RIIO T2) is valid from April 2021 to April 2026. Recognised ROE after tax (in real terms) is 6% for SPD and SPM and 4.25% for SPT.

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 2.30 million electricity supply points and 1.03 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 9% for electricity distribution).

– Rochester Gas and Electric (RG&E), New York, with a 3-year rate case in force since April 2020 (base ROE of 9% for electricity distribution).

– 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 and an Order in that regard is to be issued. CMP's distribution ROE is 9.25% with a 100 bps decrease that has been requested to be removed. The regulator's decision is pending.

– 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, and the Order in that regard is to be issued. As part of an agreement with the state regulator (PURA), no rates review will be requested for the distribution business until May 2023.

– As well as the following natural gas distribution companies:
  – Maine Natural Gas Corporation (MNG), ROE of 9.55% and 10-year rates effective 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% and three-year rates effective since 2019.

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 (66 Twh in energy distributed in 2021), managing approximately 15.74 million supply points:

- Elektro Redes, S.A. (ELEKTRO), operating in the states of São Paulo and Mato Grosso do Sul, with 2.7 million points of supply. Rates in force until August 2023 and WACC of 7.32%;

- Companhia de Eletricidade do Estado do Bahia (Coelba), operating in the state of Bahía, with 6 million supply points. Rates in force until April 2023 and WACC of 7.32%;

- Companhia Energetica de Pernambuco S.A.(Celpe), operating in the state of Pernambuco, with 3.8 million supply points. Rates in force until April 2025 and WACC of 7.32%;

- Companhia Energética do Rio Grande do Norte (Cosern), operating in the state of Rio Grande do Norte, with 1.4 million supply points. Rates in force until April 2023 and WACC of 7.32%;

- Neoenergia Brasilia, operating in the Federal District, with 1.1 million supply points. Rates in force until October 2026 and WACC of 7.32%;

- 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.

Published by the Brazilian Ministry of Mines and Energy, Ordinance 514/2018 has gradually reduced the minimum demand for a consumer to be classified as free. The figure has been set at 1,000 kW since 1 January 2022.

4.5.2 *Renewable energy business and liberalised businesses*

The Group's renewables business includes hydroelectric, wind (onshore and offshore) and photovoltaic generation, as well as storage (pumping and batteries) technologies.

- The regulatory frameworks in each country in which the Group operates are aimed at promoting the development of renewable energies based on formulas that may include premiums (on production or investment), green certificates, tax relief or regulated tariffs so that investors can obtain a sufficient and reasonable return. Any structural and significant changes to the aforementioned regulations may represent a risk for said businesses.

– The group's Renewables Businesses preferably sell their energy at: i) regulated rate or ii) fixed price through PPAs. The remaining market exposure of the Renewables Businesses is transferred to the Liberalised business in those countries where it is present, for integrated management. The offsetting of risk positions between the wholesale business (thermal and renewable) and the retail business largely reduces the Group's market risk.

– In addition to the above risks, the Group's renewable energy businesses may be exposed, to a greater or lesser extent, to source risk (mainly hydraulic 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 resources in a given year basically affects the Renewables business in Spain, and to a lesser extent the Renewables business in Brazil.

  – The risk of wind resources in a given year affects the Renewable businesses of 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.

The Group has important renewables projects under construction and development in the different countries where 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.

The Iberdrola Group has a wide array of thermal generation plants in Spain and Mexico, a single thermal plant in Brazil and another one in the United States. A significant number of the plants in Mexico and the Brazilian plant have long-term PPAs (power purchase agreements) with CFE in Mexico (state-owned electricity company) and electricity distributors Coelba and Celpe in Brazil.

– The various Energy Management units supply 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 in which the Group operates, and manage the sale and purchase of surpluses and shortfalls.

– The retail activities sell energy to end customers at fixed or indexed prices, together with other services, at such terms as may be customary in the retail markets of the countries in which they operate (Spain, the UK, Mexico, Brazil, Italy, France, Germany and Ireland).

Main market risks of liberalised business:

– Market prices for electricity, both wholesale and retail, are closely correlated with the prices of fuel (oil and gas) and of the emission allowances needed to produce electricity.

– Spot prices in the wholesale electricity market exhibit marked volatility as a result of: 1) the volatility of spot prices of fuels and emission allowances, 2) fluctuating demand, 3) availability of wind or water and 4) possible operational problems in networks or power plants, or extreme weather events due to climate change, with strong temporary impacts on prices and demand.

– Forward electricity prices are further influenced by projections of new generation plants coming on stream and of increases or decreases in future reserve capacity.

– In general terms: 1) margins of the wholesale business (thermal and renewable to market) are subject to the risk of the differential between the wholesale spot price and the cost of production, and 2) margins of the retail business are subject to i) the risk of the price differential between the wholesale spot market and forward retail prices, ii) the degree of competition among retailers and iii) the risk of possible regulatory intervention in the form of regulated tariffs, taxes or other obligations (i.e. energy anti-poverty measures, maximum regulated prices in the UK, etc.).

The sensitivities shown below cover the exposures of both activities, where applicable.

a. Spain

The Group currently has an installed capacity of renewable energy in Spain of: 5,866 MW of wind power, 9,715 MW of hydroelectric power, 2,086 MWdc of photovoltaic power and 270 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 — MW co-generation. Sales of the free-market retail electricity business in Spain amounted to 50.6 TWh in 2020. Additionally, the last resort tariff retail subsidiary supplied 8.5 TWh in 2021.

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. In the medium to long term, dry years are offset by wet years (no sensitivities are provided due to current regulatory uncertainty).

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%. At the end of 2019, RDL 17/2019 was approved, extending the value of reasonable profitability through to 2031. Facilities built prior to 2004 have zero supplement per MW.

In accordance with RD 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. Government-driven auctions have been launched in 2021 to achieve the NECP targets, guaranteeing fixed prices with the system for a period of time.

The production of hydroelectric power plants is not regulated by RD 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. Consequently, the price of natural gas conditions revenues from the other less expensive technologies which are used to cover demand. The price of CO_2 also influences the cost of production in thermal power plants.

In 2021, 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 (liberalised business)

Given the current market conditions, where the price is primarily determined by the generation cost at combined cycle plants, which make up around 16% 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 narrowing of the associated margin). This is 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 ±16 million overall, for both electricity and gas.

Regulatory uncertainty in the Spanish electricity market

As a consequence of the ongoing and steep rise in prices in international gas markets and CO_2 emission allowances, and their impact on wholesale electricity prices and regulated rates for last resort retailers, in 2021 the Spanish government approved various measures to act in the Spanish electricity market, among which the following are worth highlighting:

– Royal Decree-Law 17/2021, of 14 September, on urgent measures to mitigate the impact of soaring natural gas prices on the retail gas and electricity markets, which establishes a reduction in the price of gas for electricity production facilities that do not emit greenhouse gases, which is partially mitigated as a result of the approval of Royal Decree-Law 23/2021, of 26 October, on urgent energy measures to protect consumers and introduce transparency in the wholesale and retail electricity and natural gas markets.

– Draft Bill to act on the remuneration of CO_2 not emitted from the electricity market, currently making its way through parliament. Its ultimate impact on the Iberdrola Group is still uncertain.

In the event that the current high international gas and CO_2 prices are prolonged over time, it cannot be ruled out that the Spanish government will approve new intervention measures during 2022, including possible future auctions for the sale of energy to third parties by the dominant generation operators, as provided in the aforementioned Royal Decree-Law 17/2021.

The operational risk of the Group's nuclear power plants in Spain is described in the operational risks section.

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 at the IBERDROLA Group's retail business in United Kingdom amounted to 19.3 TWh of electricity and 26.1 TWh of gas in 2021, both higher than in 2020, owing to the partial overcoming of the impact of the COVID-19 pandemic.

The bulk of the onshore wind farms the Group currently in operation, as well as West of Duddon Sands, were developed under current "Renewables Obligation" legislation. Under such legislation, revenues are partially exposed to the risk of the market price for electricity, as the total revenues obtained reflect the price of the energy produced 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 (80 MW), 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.
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 suppliers in accordance with their market share, and therefore credit risk vis-à-vis this counterparty is practically zero.

Energy from all of the Group's renewable installations in the UK is transferred annually to the Retail business.

The portfolio of offshore wind projects under development in the country includes the East Anglia Hub, with up to 3,100 MW, as well as offshore land rights in Scotland for the future development of offshore wind farms 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 on a half-yearly basis the maximum prices that suppliers may charge to end customers under the "Standard Variable Tariff". The desirability of maintaining this price cap system was reviewed in 2020 and extended until the end of 2023, although the British government has already announced its intention to extend its validity beyond this date.

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 2.0% lower for electricity and 10.2% lower for gas compared to average values. This year's hot temperatures have had a negative impact on results amounting to EUR 47 million.

c. United States

The IBERDROLA Group conducts its renewables business in the United States through its listed company Avangrid, which has an installed capacity of 7,708 MW in onshore wind farms and 233 MWdc in operational photovoltaic plants, plus a further 636 MW in thermal power.

Approximately 73% of the energy produced is sold under fixed-price long-term contracts with third parties. If the hedges carried out are considered, the percentage of fixed-price energy rises up to 84%. The remaining 16% of the energy produced is sold to the market in more or less short terms.

With electricity prices around USD 42MWh, 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 marine projects, including the projects with already awarded long-term power purchase agreements of Vineyard (800 MW, 100% data), Park City Wind (804 MW) and Commonwealth Wind (1,232 MW).

d. Brazil

In Brazil, the Group, through NEOENERGIA, currently has onshore wind farms 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 60% is sold to electricity distribution companies under long-term contracts (PPAs).

The Wholesale Business has a combined cycle power plant of 533 MW in Brazil (Pernambuco), with long-term purchase and sale agreements in effect.

Renewable energy without a PPA and thermal generation surpluses are traded through the Group's retail company in the free market. With market prices of approximately BRL 160/MWh, a price fluctuation of 30% would affect the results of the IBERDROLA Group by less than EUR 5 million, due to the fact that expected generation almost matches expected demand.

e. Mexico

In Mexico the business currently has an installed capacity of 693 MW in wind farms and 642 MWdc in solar plants, with three sales arrangements: a) fixed-price sale of power to CFE under a long-term contract (La venta III, 103 MW); b) sale of power to third parties, typically with a discount on the official price published by CFE under the self-supply regime; or c) sale of power to the free market. The Group also has 9,146 MW in combined cycle plants and 202 MW in cogeneration plants in Mexico.

Mexican legislation requires electricity retailers in the free market to present Certificates of Clean Energy at the end of each year for a percentage of their energy sales for the year, which percentage increases over time. The Group's renewable production not for own supply in Mexico generates these certificates, which are then sold, at market prices, to the Group's Wholesale and Retail business.

Commodity price risk

Electricity generation at IBERDROLA Generación México is gas-intensive. Gas prices are therefore an essential component of this risk. In 2021, approximately 66% of the electricity generated in Mexico was sold under long-term sales agreements (to the CFE and, to a lesser extent, to other major industrial customers), whereby the risk associated with the purchase price of gas used in generating this electricity is passed on.

The remaining energy is sold to customers (either under self-supply or in the free market) at a price 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. In the event of an adverse scenario (high cost of gas relative to other energy commodities), the impact would be just shy of EUR 27 million in the 95th percentile.

Demand risk (liberalised business)

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. Nonetheless, most of the plants 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

On 30 September 2021, the Mexican executive sent to Congress an "Initiative to reform the Constitution", which is currently making its way through parliament, the aim of which is to repeal the current legal framework of the country's electricity industry contained in the Electricity Industry Law (LIE) and the Public Electricity Service Law of 1992. The ultimate impact for the Iberdrola Group is 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 continue, the impact could reach EUR 50 million.

f. International

In Germany, the Group owns 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 1,749 MW in wind farms and 164 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.

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, Germany and Ireland, although the scale of this activity is not material at Group level.

Risk other operations in energy markets

Finally, 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 2% 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 2021, 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 57 million for commodity derivatives. This value is much lower than the EUR 3,000 million threshold set for non-financial companies in the European regulation (EMIR).

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, 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)

In relation to thermal generation in Spain, the main risk arises from unscheduled outages of the nuclear power plants (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 the thermal generation business and of the large hydroelectric power plants of the Renewables Business 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 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 different Wholesale and Retail, Renewables and Networks businesses in the Group have appointed specific cybersecurity managers and defined plans and processes for their internal networks and cyber infrastructures, aligned with the Group's global framework but adapted to their specific requirements (Industrial Control Systems (ICS), SCADA, Advanced Metering Infrastructure (AMI), etc.).

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*

IBERDROLA has a Climate Change Policy (available at www.iberdrola.com) and is firmly committed to addressing growing interest among investors in climate change risks. It is therefore working to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board.

The Articles of Association approved by the General Meeting of Shareholders in June 2021 establish the obligation of the Board of Directors to approve, monitor and report regularly on the Climate Action Plan. In response to the need for professionalisation, diversification and qualification in relevant issues, the Board has a training and refresher programme for its members. In turn, the remuneration structure for executive directors and the management team considers economic-financial, operational and sustainability aspects. Iberdrola's Climate Action Report (October 2021, available at www.iberdrola.com) provides additional information.

We are all facing a systemic global risk. Companies, governments and individuals can all reduce their emissions (mitigation) and/or become more resilient (adaptation).

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. Risks may be grouped into the following categories:

- Physical risks, due to a potential material impact on facilities as a consequence of 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.).
- 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 and so on.
- Other risks, like the credit impairment of counterparties (suppliers, banks, etc.,), social phenomena (humanitarian crises, impact on crops and fishing, refugee crises, epidemics, etc.) and larger competition for financial resources.

It should be noted that the main transition risks, regulatory and market risks, are largely domestic concerns. Climate change risks require strategic management in certain cases, with notable examples here including the growth policy pursued by IBERDROLA, which focuses heavily on the development of renewable energies and flexible smart grids.

In contrast, physical risks are site-specific, progressive related to each specific technology and relatively long-term, although they can already be felt in the short term (e.g. sometimes as a result of increased extreme weather events). The fact that the impacts are primarily long-term means that it is largely the Group's future assets, and not its current assets, that will be more severely impacted, since all assets are progressively renewed when they reach the end of their useful life. Additionally, the following physical risk mitigation and management measures should be highlighted:

- The design and specifications of the new equipment will take into account more severe weather scenarios, and technological improvements will extract more economic value from the new projects.
- Consideration of this risk in new investments: the Group's Investment Policy addresses the need to consider potential climate change risks (physical and transitional) in decision-making on any new investment.
- The experience amassed by the Group in managing climatic events (equipment redundancy, emergency plans, event management, network design, etc.), as well as the digitalisation and modernisation of networks and generation facilities.
- Insurance coverage.
- Diversification of assets (by geography, technology, age, etc.).
- Regulatory coverage in the Networks business.
- Sufficient financial strength to undertake investment in adaptation.

Regulated 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 coast areas would have a quite reduced impact on the regulatory conditions of our Group's assets.

Increases in temperature and greater frequency of extreme climatic events may entail increased technical losses, worse levels of services, an increase in operation and maintenance costs (associated with various factors such as increased technical losses and reduced useful life of assets) and annual capital expenditure, although in perfectly manageable amounts given the multi-year tariff reviews that take place at these regulated businesses. The investment and response plans already in place, together with accumulated experience and sound network design (meshing and making lines underground) would act as mitigating factors.

In terms of transition risks, notable examples include the potential mass development of distributed generation, the impact of which would be partly offset by the growing electrification of the economy (e.g. electric vehicles) and investment in smart grids.

Renewables business

The main physical risk is potential negative future performance of hydroelectric, solar and wind resources, the key elements having a financial impact on this activity. Added to the uncertainty associated with long-term global climate projections is the need to specify 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.

a. In the case of hydraulic 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 especially visible in flow plants, although the negative effects in certain regions may 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 23 million is estimated, based on average prices over the following decade.
b. In the case of wind power, and as noted above, there are no conclusive studies on the matter that allow us to anticipate the future impact with any degree of certainty. However, for illustrative purposes, a 1% reduction in the current the Group's current

overall wind power production would result in a lower profit margin of some EUR 24 million based on average prices over the following decade and current exchange rates.

In terms of transition risks, potential cuts to remuneration to renewable energies and a drop in wholesale marginal market prices due to a higher renewable production at a reduced variable cost should be noted.

Wholesale and Retail business

The long-term impact of climate change on the thermal generation business is not expected to be material, since the Group’s assets in this area will be substantially reduced in the next few decades as they reach the end of their useful life, and will be mainly concentrated in Mexico.

The impact on the retail business is considered minor, since any possible negative impacts deriving from efficiency measures and changes in temperature could be offset by the increased growth that the electrification of the economy is expected to produce.

In conclusion, and based on the impacts we have 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. In terms of transitional risks, the Group’s current 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 Group believes that the opportunities arising from decarbonisation of the global economy (growth in renewables, investments in inclusive smart grids, electrification of transport, green hydrogen, etc.) outweigh the risks.

It is also worth noting that the Group continues to advance and deepen its climate analysis, as part of a process of continuous improvement in analysing projections and adapting as and when necessary.

For more information on this risk, see the “Risks” section of the “Climate Action” section of the 2021 Sustainability Report.

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 appropriate corporate divisions.

The comprehensive risk control and management system therefore provides for the continuous monitoring and detection of emerging 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 aspects, the impact on society 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 2021 Sustainability Report, as well as the Integrated Report – February 2022 and the 2021 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.

– Avangrid-PNM Resources merger project

Avangrid, Iberdrola's subsidiary in the United States, has notified the Securities Exchange Commission (SEC) of the agreement reached with PNM Resources to extend until 20 April 2023 the expiry date of the merger agreement signed by the two companies. The agreement is extendable for a period of three months.

The two companies have also decided to lodge an appeal with the New Mexico Supreme Court against the ruling of the New Mexico Public Regulation Commission (NMPRC) of 9 December 2021, rejecting the stipulated agreement signed by Avangrid, PNM, some of its subsidiaries and certain third parties in the context of the merger between PNM and Avangrid.

The friendly transaction, recommended by PNM Resources' board of directors, was approved by several state and federal agencies during the merger clearance process throughout 2021: the Public Utility Commission of Texas and five federal agencies (Federal Energy Regulatory Commission (FERC), Hart-Scott-Rodino Clearance (HSR), Committee on Foreign Investment in the United States (CFIUS), Federal Communications Commission (FCC) and Nuclear Regulatory Commission (NRC)).

– 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 2021 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 2021, IBERDROLA invested EUR 337 million in R+D+i activities, up 15% from 2020. 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 2021, 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 2021, 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 2021 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 homes, 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 2021, 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 2021 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 Group'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. From 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 2021, the following stand out:

- Pilot projects: throughout 2021, more than 25 pilot projects have been carried out with startups in technological areas such as IoT, robotics and batteries, in areas such as construction and maintenance of grids, hybridisation of land use (agrovoltaic), electric mobility, energy efficiency. They aim at improving the construction and management of assets, optimising operation and maintenance or improving the services offered to our customers.

- Challenges: in 2021 Iberdrola has 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: 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": Perseus has continued the initiative launched in 2020 to invest in and build electrification and the circular economy - in areas such as recycling of photovoltaic modules, blades and batteries – and in hard-to-decarbonise sectors such as industrial heat production and heavy transport. Through this initiative, 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 the treasury share transaction 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 2021 and 2020 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 01.01.2020	**24,376,375**	**18**	**218**	8.94	**6,362,072,000**	**0.38**
Additions	286,880,467	215	2,708	9.44	—	—
Capital reduction	(213,592,000)	(160)	(1,918)	8.98	—	—
Iberdrola *Retribución Flexible* system (1)	693,281	1	—	—	—	—
Disposals (2)	(13,136,001)	(10)	(120)	9.12	—	—
Balance at 31.12.2020	**85,222,122**	**64**	**888**	10.42	**6,350,061,000**	**1.34**
Additions	180,342,768	135	1,895	10.51	—	—
Capital reduction	(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**	**822**	**9.92**	**6,366,088,000**	**1.30**

(1) Shares received.
(2) Includes awards to employees

Treasury shares of Scottish Power	No. of shares	Nominal (million euros)	Treasury share cost (million euros)	Average price (euros)	Total shares	% of capital
Balance at 01.01.2020	**913,719**	**1**	**8**	8.69	**6,362,072,000**	**0.01**
Additions	210,836	—	2	10.39	—	—
Iberdrola *Retribución Flexible* system [1]	88,194	—	—	—	—	—
Disposals [2]	(397,104)	—	(2)	5.09	—	—
Balance at 31.12.2020	**815,645**	**1**	**8**	**9.94**	**6,350,061,000**	**0.01**
Additions	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**	**7**	**11.39**	**6,366,088,000**	**0.01**

[1] Shares received
[2] Includes awards to employees

During financial years 2021 and 2020, treasury shares held by the IBERDROLA Group were always below the legal limit.

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 Meeting held on 13 April 2018, 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:

- Acquisitions may be made directly by the Company or indirectly through its subsidiaries under the same terms and conditions as those set forth in this resolution. The subsidiaries which carry out regulated activities pursuant to the provisions of Law 24/2013 of 26 December on the Electricity Sector and Law 34/1988 of 7 October on the Hydrocarbon Sector are excluded from this authorisation.

- 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 at any time.

- 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 is granted for a period of five years as from the approval of this 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, all as provided in Section 146.1.b) of the Spanish Companies Act.

The resolution expressly provides that the shares acquired under the aforementioned authorisation can be transferred or retired or used for the remuneration systems provided for in paragraph three of letter a) of Section 146.1 of 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**

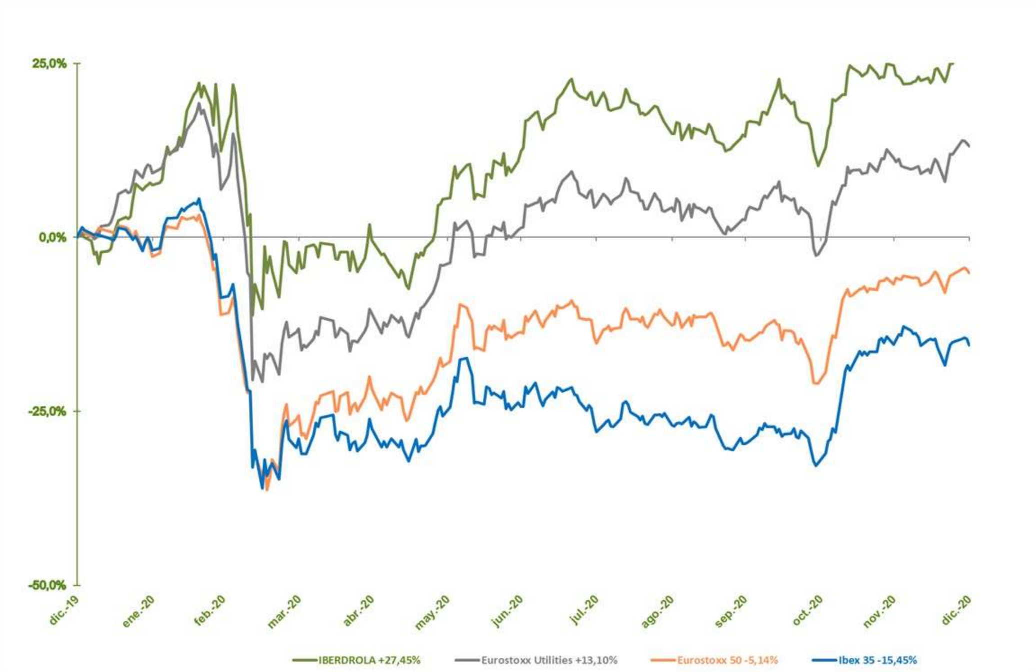
		2021	2020
Stock market capitalisation (1)	Millions of euros	66,271	74,296
Earnings per share continuing operations	Euros	0.585	0.552
P.E.R. (share price at year end/profit per share)	Times	17.795	21.196
Price / Carrying amount (capitalisation on carrying amount at year end) (2)	Times	1.640	2.100

(1) 6,366,088,000 and 6,350,061,000 shares at 31 December 2021 and 2020, respectively.

(2) Capitalisation at 31 December 2021 (66,271) / Equity of the parent company (40,479). Capitalisation at 31 December 2020 (74,296) / Equity of the parent company (35,412).

– **The IBERDROLA share**

Stock market performance of IBERDROLA compared to the indexes:



	2021	2020
Number of shares outstanding	6,366,088,000	6,350,061,000
Share price at period end	10.41	11.70
Average share price for the year	10.46	10.26
Average daily volume	13,241,383	16,539,716
Maximum volume (30/11/2021 and 12/03/2020)	56,338,346	65,237,950
Minimum volume (03/05/2021 and 24/12/2020)	3,983,299	1,247,598
Shareholder remuneration (Euros)	0.422	0.405
Gross interim dividend (08/02/2021 - 05/02/2020) (1)	0.168	0.168
Gross final dividend (29/07/2021 and 04/08/2020) (2)	0.254	0.232
Attendance fees	—	0.005
Shareholders' profitability (3)	4.05%	3.46%

(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

8.1 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 2021 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 2021

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 31/12/2021

TAX IDENTIFICATION CODE (C.I.F.) A-48010615

Company name: IBERDROLA, S.A.

Registered office: Plaza Euskadi número 5

48009 Bilbao - Biscay - Spain

NOTE: The English text of the headings of this Annual Corporate Governance Report have been extracted directly from the English-language template provided by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED COMPANIES

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:

No X

Yes

Date of the last modification of the share capital	Share capital	Number of shares	Number of voting rights (not including additional loyalty-attributed votes)
30/07/2021	4,774,566,000	6,366,088,000	6,366,088,000

Observations
On 3 February 2022, the share capital was increased to €4,828,172,250, represented by 6,437,563,000 ordinary shares having a nominal value of €0.75 each, belonging to a single class and series, which are fully subscribed and paid up.

Indicate whether there are different classes of shares with different associated rights:

Yes ** **No X

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 (including votes for loyalty)		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK, INC.	0.00	5.14	0.00	0.02	5.16
NORGES BANK	3.36	0.00	0.00	0.00	3.36
QATAR INVESTMENT AUTHORITY	0.00	8.69	0.00	0.00	8.69

Observations
Data at 31/12/2021. According to available information, the approximate breakdown of the interests in the share capital by type of shareholder is as follows: - Foreign investors 69.25% - Domestic entities 8.53% - Domestic retail investors 22.22%

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 (including votes for loyalty)	% of voting rights through financial instruments	% of total voting rights
BLACKROCK, INC.	BLACKROCK GROUP	5.14	0.02	5.16
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:

Name or company name of shareholder	Type of movement	Description of movement
NORGES BANK	21/06/2021	Interest decreased to below 3%
NORGES BANK	28/06/2021	Interest increased to above 3%
NORGES BANK	29/06/2021	Interest decreased to below 3%
NORGES BANK	12/07/2021	Interest increased to above 3%

Most significant movements
The sources of the information provided are the notices sent by the shareholders to the CNMV and to the Company itself, the information contained in their respective annual reports and press releases, and the information that the Company obtains from Iberclear. 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.

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 vote	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN MANUEL GONZÁLEZ SERNA					0.01		
MS MARÍA HELENA ANTOLÍN RAYBAUD							
MS SARA DE LA RICA GOIRICELAYA							
MR FRANCISCO MARTÍNEZ CÓRCOLES	0.01				0.01		
MR XABIER SAGREDO ORMAZA							
MR MANUEL MOREU MUNAIZ							
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	0.14	0.06			0.20		
MR IÑIGO VÍCTOR DE	0.02				0.02		

ORIOL IBARRA							
MR ANTHONY L. GARDNER							
MS NICOLA MARY BREWER							
MS REGINA HELENA JORGE NUNES							
MR ÁNGEL JESÚS ACEBES PANIAGUA							
MS MARÍA ÁNGELES ALCALÁ DÍAZ							
MS ISABEL GARCÍA TEJERINA							

Total percentage of voting rights held by the Board of Directors	0.25

Observations
Pursuant to the provisions of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting and the evaluation by the Board of Directors, after a report from the Remuneration Committee, of the level of achievement of the objectives to which it is linked, the chairman & CEO may receive up to a maximum of 1,900,000 shares for his performance during the 2017-2019 period, to be paid, if appropriate, in three equal parts in 2020 (already paid), 2021 (already paid) and 2022. The former Business CEO may receive a maximum of 300,000 shares, to be paid, if appropriate, in three equal parts in 2020 (already paid), 2021 (already paid) and 2022. Each of the deliveries of shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect. A new Strategic Bonus for the 2020-2022 period was approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020. Pursuant thereto, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the evaluation of the Company's performance during said period, to be paid, if appropriate, in 2023, 2024 and 2025. Mr Francisco Martínez Córcoles may receive up to a maximum of 300,000 shares.

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

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			

Observations
There are no directors appointed on behalf of significant shareholders or directors connected thereto or proposed by them for appointment.

A.7 Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes ☐ **No X**

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes ☐ **No X**

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 ☐ **No X**

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
82,915,340		1.30

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	
Total:	

Explain any significant changes during the year:

Explain significant changes
The Company sent to the CNMV three updates to its treasury share position during financial year 2021 as a result of a change in the number of voting rights arising from corporate transactions:

- On 10 February notices were provided of direct acquisitions of a total of 10,835,446 shares (0.169%), coinciding with the increase in capital resulting from the "Iberdrola Retribución Flexible" programme.
- On 7 July notices were provided of direct acquisitions of a total of 35,802,235 shares (0.574%), coinciding with the reduction in capital carried out.
- On 30 July notices were provided of direct acquisitions of a total of 4,611,792 shares (0.072%), coinciding with the increase in capital resulting from the "Iberdrola Retribución Flexible" programme.
- During financial year 2021 the Company also provided three more notices arising from consecutive direct acquisitions of own shares due to said acquisitions exceeding 1% of voting rights since the preceding notice:
- On 4 January the Company notified the CNMV of direct acquisitions of a total of 80,216,494 own shares (1.263%).
- On 22 April notice was provided of direct acquisitions of a total of 64,181,755 shares (1.000%); and
- On 23 December notice was provided of direct acquisitions of a total of 66,426,270 shares (1.043%).

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.

The shareholders acting at the General Shareholders' Meeting held on 13 April 2018 resolved to expressly authorise the Board of Directors, with the power of substitution, pursuant to the Companies Act (*Ley de Sociedades de Capital*), to carry out the derivative acquisition of shares of Iberdrola on the following terms:

a) Purchases may be made by Iberdrola directly, or indirectly through its subsidiaries. Subsidiaries carrying out regulated activities are excluded pursuant to the provisions of the Electricity Industry Act (*Ley del Sector Eléctrico*) and the Hydrocarbons Act (*Ley de Hidrocarburos*).
b) Purchases will be made using purchase/sale or swap transactions or any other means allowed by law.
c) Purchases may be made up to the maximum sum permitted by law (i.e. 10% of the share capital).
d) 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.
e) The authorisation was granted for a period not to exceed five years as from the approval of the resolution.

f) 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, if any, purchased as a result of the aforementioned authorisation could be used for either transfer or retirement or could be applied to the remuneration systems provided for in the Companies Act; added to the foregoing alternatives was the possible development of programmes fostering the acquisition of interests in the Company, such as, for example, dividend reinvestment plans, loyalty bonuses or similar instruments.

Furthermore, 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. It was also authorised to issue debentures exchangeable for and/or convertible into shares and warrants in an amount of up to €5,000 million within a period of 5 years. Both authorisations included the power to exclude preemptive rights up to an overall maximum nominal amount of 10% of the share capital.

A.11 Estimated float:

	%
Estimated float	81.24%

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.

Yes X **No □**

Description of restrictions
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 entity. 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. According to Article 28, affected shareholders may not exercise their right to vote at the General Shareholders' Meeting if the resolution to be approved is intended to: (a) relieve the shareholder of an obligation or grant the shareholder a right; (b) provide the shareholder with any kind of financial assistance, including the provision of guarantees in favour thereof; (c) release the shareholder, if a director, from obligations arising from the duty of loyalty as provided by law; or (d) approve a related-party transaction that affects the shareholder, unless the corresponding proposed resolution has been approved in accordance with the provisions of law. Article 50 of the By-Laws provides that the by-law restrictions against the exercise of voting rights by shareholders affected by conflicts of interest established in Article 28 above and the limitation on the maximum number of votes that may be cast by a single shareholder contained in sections 2 and 4 of Article 29 above shall be deprived of effect upon the occurrence of certain circumstances in the case of a takeover bid. Furthermore, Section 527 of the Companies Act provides that at listed companies (*sociedades anónimas cotizadas*), the by-law provisions that directly or indirectly set,

as a general rule, the maximum number of votes that may be cast by a single shareholder, by the companies belonging to the same group or by those acting in concert with the foregoing shall be of no effect when, following a takeover bid, the bidder has reached a percentage that is equal to or greater than 70% of the voting share capital, unless such bidder is not subject to equivalent breakthrough measures or has not adopted them.

Pursuant to U.S. law, due to the business carried out by Avangrid, Inc. (a company belonging to the Iberdrola group) in that country, the acquisition of an interest giving rise to the holding of 10% or more of the share capital of Iberdrola will be subject to the prior approval of certain U.S. regulatory authorities.

Pursuant to Australia’s Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA), the acquisition of an interest in at least 20% of the share capital of Iberdrola by a person, alone or with one or more associates, requires approval by the Australian Treasurer, due to the Iberdrola group’s ownership of Infigen Energy and other Australian renewable energy assets. Furthermore, the Australian Treasurer also has powers under the FATA in certain circumstances if prior approval is not obtained where a person alone or with one or more associates acquires an interest in: (i) at least 10% in Iberdrola; (ii) at least 5% of Iberdrola and has entered into a legal arrangement relating to that person’s business and Iberdrola or its business; or (ii) any percentage of Iberdrola’s share capital, and the person, alone or with one or more associates, is in a position to influence or participate in Iberdrola’s central management and control.

Among the measures adopted by the Spanish Government in view of the economic consequences of the COVID-19 pandemic, 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 (Sect. 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).

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 ☐ **No X**

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 ☐ **No X**

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.

Yes X **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:

Yes X **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, the By-Laws

of Iberdrola contain Articles 21.2 (qualified quorum) and 52 (qualified majority) mentioned in sections B.1 and B.2 above.

B.4 Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

	Attendance data				
Date of general meeting	% physical presence	% present by proxy	% distance voting		Total
			Electronic voting	Other	
29/03/2019	9.00	61.40	0.33	3.39	74.12
Of which float:	0.55	61.17	0.33	3.39	65.44
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

Observations

The **2021 Meeting** was held online without the physical presence of the shareholders, who were able to attend and vote online during the Meeting, as well as to vote prior to the Meeting using the corporate website (votes reflected in the "**Electronic voting**" column). Shareholders were also able to vote remotely prior to the Meeting by telephone, by delivering or sending their absentee voting cards via WhatsApp, email and postal channels, as well as through depositaries and custodians (votes reflected in the "**Other**" column).

The "Other" column also includes absentee votes received through shareholder information desks opened by the Company in 2019. These premises were not activated in 2020 or in 2021.

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 ☐ **No X**

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 ☐ **No X**

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 ☐ **No X**

B.8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

https://www.iberdrola.com/corporate-governance

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 JUAN MANUEL GONZÁLEZ SERNA		Independent	Lead Independent Director	31/03/2017	18/06/2021	Resolution of Shareholders at General Meeting
MS MARÍA HELENA ANTOLÍN RAYBAUD		Independent	Director	26/03/2010	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
MR FRANCISCO MARTÍNEZ CÓRCOLES		Other external	Director	31/03/2017	18/06/2021	Resolution of Shareholders at General Meeting
MR XABIER SAGREDO ORMAZA		Independent	Director	08/04/2016	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 JOSÉ IGNACIO SÁNCHEZ GALÁN		Executive	Chairman/CEO	21/05/2001	29/03/2019	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
MR ANTHONY L. GARDNER		Independent	2nd Vice-Chair	13/04/2018	13/04/2018	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	26/10/2021	Interim appointment (co-option)
MS ISABEL GARCÍA TEJERINA		Independent	Director	16/12/2021	16/12/2021	Interim appointment (co-option)

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 JOSÉ WALFREDO FERNÁNDEZ	Independent	29/03/2019	06/08/2021	Audit and Risk Supervision Committee	YES
MS SAMANTHA BARBER	Other External	02/04/2020	26/10/2021	Sustainable Development Committee	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 José Walfredo Fernández and Ms Samantha Barber resigned because both took up new duties outside of the Company incompatible with the position of director. Mr José Walfredo Fernández sent a letter to the chairman of the Board of Directors explaining the reasons for his cessation of office. Ms Samantha Barber gave appropriate explanations to all the directors at the 26 October 2021 meeting of the Board of Directors.

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	Chairman & CEO	Salamanca, Spain, 1950. Other current positions and professional activities

		He is the chairman of the boards of directors of the country subholding companies of the Iberdrola group in the United Kingdom (Scottish Power Ltd.), the United States (Avangrid, Inc., a NYSE-listed company) and Brazil (Neoenergia, S.A., a company listed on the BOVESPA). He is a member of the group of top utility executives of the World Economic Forum (Davos), which he has chaired, of the Steering Committee of the European Round Table of Industrialists and of the J.P. Morgan International Council, and chairman of the Renewable Hydrogen Coalition. Academic training He graduated as an Industrial Engineer from the Technical Engineering School of Universidad Pontificia Comillas (Madrid). He has received 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 the University of Salamanca, a member of the Dean's Advisory Council of the Massachusetts Institute of Technology (MIT) and a trustee of the Comillas-ICAI University Foundation. 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, headquartered in Germany. He has also 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 He has been chief executive officer of Airtel Móvil, S.A. (now, Vodafone España, S.A.U.) and a member of the Supervisory Board of Nutreco Holding N.V., a listed company in The Netherlands, active in the food industry. Other information

		Amongst other recognitions, in 2020 he received the Management Leadership Award of the Spanish Association for Quality (AEC) and the Economic Personality of the Year Award from elEconomista. In 2019 he was selected as one of the five best-performing CEOs in the world and the top in the utilities sector by Harvard Business Review, and he was recognised by Bloomberg as one of the 30 most influential leaders in the fight against climate change. That year he also received the National Innovation and Design Award in the Innovative Career category from the Spanish Ministry of Science, Innovation and Universities, an Honourable Mention for his professional career from the Colegio Oficial de Ingenieros Industriales de Madrid, and the designation of Universal Spaniard by Fundación Independiente. In 2018 he was appointed as an Honorary Member of the Spanish Institute of Engineering. In 2017 he was named Best Chief Executive Officer (CEO) within the utilities category (for the eleventh time) by the Institutional Investor Research Group. In 2014 he was distinguished by Queen Elizabeth II with the title Commander of the Most Excellent Order of the British Empire and received the international Responsible Capitalism award from the First Group. In 2011 he was named Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thomson Extel Survey. In 2008 he was named Business Leader of the Year by the Spain-U.S. Chamber of Commerce and was awarded the 2008 International Economy Prize by Fundación Cristóbal Gabarrón. In 2006 he was named Best CEO of the Year at the Platts Global Energy Awards. He was given the Award for Best CEO in Investor Relations by IR Magazine for three years in a row (2003-2005).

Total number of executive directors	1
Percentage of Board	7.14

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 He is the chairman of Cerealto Siro Foods, a business group in the food sector, and a member of the Governing Board of the Spanish Commercial Coding Association (*Asociación Española de Codificación Comercial*) (AECOC). He is also a member of the board of directors of the HM Hospitales Group. He is chairman of Tuero Medioambiente, S.L. and manager of Tuero Portugal Unipessoal Lda. He is a director of CO2 Revolution, S.L. 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 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 is a member of the advisory board of Rabobank in Spain and Europe and has been a member of the board 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 Grupo SIRO as well as a member of the Executive Committee and trustee of Fundación SERES, 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.
MS MARÍA HELENA ANTOLÍN RAYBAUD	Toulon, France, 1966. <u>Other current positions and professional activities</u> She is vice-chair of the Board of Directors and member of the Management Committee of Grupo Antolín Irausa, S.A. She is also 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), vice president of the Excellence in Management Club (*Club de Excelencia en la Gestión*), 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. <u>Academic training</u> Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida (United States), and a Master of Business Administration from Anglia University, Cambridge (United Kingdom) and from Escuela Politécnica de Valencia (Spain). <u>Noteworthy experience in the energy and industrial engineering sector</u> She has served as 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. <u>Noteworthy experience in other industries</u>

	She has been a member of the Advisory Board of SabadellUrquijo Banca Privada.
MS SARA DE LA RICA GOIRICELAYA	Bilbao, Spain, 1963. <u>Other current positions and professional activities</u> She is a 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*), and an honorary member of the Spanish Economics Association (*Asociación Española de Economía*). She is also an associate researcher for CreAM (Centre for Research and Analysis of Migration - University College of London) and IZA (Institute of Labor Economics - Bonn). 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. <u>Academic training</u> With a PhD in Economics from the University of the Basque Country and currently a professor at this institution, 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. <u>Noteworthy experience in the energy and industrial engineering sector</u> She has been a member of the Appointments Committee of Iberdrola, S.A. She has also been an independent director of Iberdrola España, S.A. (Sociedad Unipersonal), the country subholding company of the energy businesses in Spain. <u>Noteworthy experience in other industries</u> She has been president 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). She has also 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*).
MR XABIER SAGREDO ORMAZA	Portugalete, Spain, 1972. <u>Other current positions and professional activities</u> He is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa and of BBK Fundazioa. He is also 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. <u>Academic training</u> 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. <u>Noteworthy experience in the energy and industrial engineering sector</u> He has been a director of Iberdrola Generación, S.A. (Sociedad Unipersonal) and a member of its Audit and Compliance Committee. He was 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. <u>Noteworthy experience in other industries</u>

	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.
MR MANUEL MOREU MUNAIZ	Pontevedra, Spain, 1953. Other current positions and professional activities He is president of the 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. He is a professor of the Master's Programme in Oil at Universidad Politécnica de Madrid (ETSIM), of the Maritime Master's Programme of Instituto Marítimo Español and of Universidad Pontificia Comillas. 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, S.A., 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 ANTHONY L. GARDNER	Washington D.C., United States, 1963. On 26 October 2021, he was appointed Second Vice-Chair of the Board of Directors.

	Other current positions and professional activities He is 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, S.A. He has also been an independent director of 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 a senior advisor of the law firm Sidley Austin LLP, and of the Bill & Melinda Gates Foundation.
MS NICOLA MARY BREWER	Taplow, United Kingdom, 1957 Other positions and professional activities

	Trustee of the charity organisation Sentebale. <u>Academic training</u> Was educated at the Belfast Royal Academy and read English at the University of Leeds, graduating with a BA in 1980, then taking a Doctorate in linguistics in 1988. Granted an Honorary Doctorate of Laws from the University of Leeds in 2009. <u>Noteworthy experience in the energy and industrial engineering sector</u> She has held the position of independent director at Scottish Power Ltd., the country subholding company of the energy businesses in the United Kingdom. She was also a non-executive director of Aggreko plc. <u>Noteworthy experience in other industries</u> She was a diplomat until 2014, having been the Founding Director of the Diplomatic Academy of the Foreign and Commonwealth Office (“FCO”) of the British government. In 2009, she succeeded Mr Paul Boateng as British High Commissioner to South Africa, Swaziland and Lesotho, completing her mission in September 2013. In December 2006, 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, taking up her new position in 2007 and standing down in 2009. In 2004, she was appointed 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 served as the FCO’s Director for Global Issues from 2001 to 2002, and then as Director-General for Regional Programmes at the Department for International Development (DfID), the DfID board member supervising the UK’s overseas bilateral aid programmes. She joined the FCO in 1983, completing 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 from 2014 to 2020.
MS REGINA HELENA JORGE NUNES	São Paulo, Brazil, 1965 Other current positions and professional activities She is the founder and CEO of RNA Capital. She is also an independent director of IRB-Brasil Resseguros S.A. and coordinator-chair of its Risk and Solvency Committee. 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 country subholding company of the energy businesses in Brazil. She has been an independent director and member of the audit committee of Companhia Distribuidora de Gás do Rio de Janeiro (CEG), 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 Bank of Brasil and of the Investments, Capital Structure and Dividend Committee of IRB-Brasil Resseguros, S.A. She has been a member of the advisory board of Mercado Eletrônico, a company dedicated to electronic B2B commerce. She served for 20 years at S&P Global Ratings. She was president of operation 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 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 <u>Other current positions and professional activities</u> He is chairman and founding partner of MA Abogados Estudio Jurídico, S.L.P., as well as sole director and professional partner of Doble A Estudios y Análisis, S.L.P. and managing partner of Michavila Acebes Abogados, S.L.P. He is also a trustee of Fundación para el Análisis y Estudios Sociales (FAES) and of Fundación Universitaria Teresa de Ávila. <u>Academic training</u> Degree in Law from Universidad de Salamanca. <u>Noteworthy experience in the energy and industrial engineering sector</u> 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, S.A. (during part of that period, he was also a member of the Executive Committee and of the Appointments Committee). After the IPO flotation of Bankia, S.A., he was a director of Banco Financiero y de Ahorros, S.A. ("BFA"), 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. <u>Noteworthy experience in other industries</u> 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 She is a Professor of Commercial Law at the University of Castilla-La Mancha and is Of Counsel to the law firm "Ramón y Cajal Abogados, S.L.P." 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 of "Iberdrola España, S.A." (Sociedad Unipersonal) and of "Neoenergia, S.A." Noteworthy experience in other industries She has held several positions at the University of Castilla-La Mancha, including vice-chancellor for student affairs and general secretary, and is currently a professor of Commercial Law at that university. She has been a visiting researcher at German universities and has been invited to participate in conferences and to lecture for undergraduate, postgraduate, master's and doctoral degrees at Spanish and foreign universities and research institutes. She served as Director General of Registries and Notaries of the Ministry of Justice from 2009 to 2011, and since 2013 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 She is a Senior Advisor at "Ernst & Young España, S.A." for sustainability issues and the agri-food sector. She is also an independent director of "Primafrio, S.L.", the chair of its Innovation and Sustainability Committee, and a member of its Audit Committee.

	She is an independent director of "Avanza Previsión Compañía de Seguros, S.A." and a member of its Audit Committee. <u>Academic training</u> 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. <u>Noteworthy experience in the energy and industrial engineering sector</u> She has been an independent director of the group's country subholding company in Brazil, "Neoenergia, S.A.", and a member of its Finance, Audit, Remuneration and Succession committees, as well as chair of the Sustainability Committee. She has been the Director of Strategic Planning at the chemical fertiliser company "Fertiberia, S.A.", a member of the board of the Algerian fertiliser manufacturing company "Fertial SPA" and of "Sociedad Estatal de Infraestructuras Agrarias del Norte, S.A.", as well as a member of the Governing Board of the Spanish Ports System (*Puertos del Estado*). <u>Noteworthy experience in other industries</u> 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.

	Other information 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	11
Percentage of Board	78.57

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 in 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), of Empresa de Luz y Fuerza Eléctrica de Oruro, S.A. (Bolivia) and of 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 of Empresa Eléctrica de Guatemala, S.A. He has also been a member of the Appointments Committee and of the Sustainable Development Committee of Iberdrola, S.A., director of Corporate Governance for the Americas of Iberdrola, S.A., director of Management Control at Amara, S.A., and a financial analyst in the Financial Division and the International Division of Iberdrola, S.A. Noteworthy experience in other industries He has been chair of Empresa de Servicios Sanitarios de Los Lagos, S.A. (ESSAL) in Chile.
MR FRANCISCO MARTÍNEZ CÓRCOLES	Ceased to hold office as Business CEO effective 1 November 2021.	IBERDROLA	Alicante, Spain, 1956. Other current positions and professional activities He is a Member of Merit of the National Association of Engineers of the Escuela Técnica Superior de Ingeniería (ICAI). Academic training Industrial Engineer specialising in Electricity from the ICAI (Universidad Pontificia Comillas, Madrid) and Master in Business Management from IESE Business School (Universidad de Navarra). Noteworthy experience in the energy and industrial engineering sector He spent his professional career at Compañía Sevillana de Electricidad, S.A. until joining

			Hidroeléctrica Española, S.A., and then, after the merger with Iberduero, S.A., Iberdrola, S.A., where he has been director of the Production Market, director of the Wholesale Energy Markets Business Unit, and general director of the Liberalised Energy Business of the group, with overall responsibility for all of the Wholesale, Retail and Energy Management businesses of the Iberdrola group. In June 2014 he was appointed Business CEO of the Iberdrola group, with overall responsibility for all of the group’s businesses worldwide. He has been Business CEO of Iberdrola, S.A. and chairman of Iberdrola España, S.A. and of Iberdrola Energía Internacional, S.A. (Sociedad Unipersonal), as well as a director of Iberdrola México, S.A. de C.V. He has held the position of chairman of Elektro Holding, S.A., of Iberdrola Generación, S.A. (Sociedad Unipersonal), of Iberdrola Generación México, S.A. de C.V. and of Scottish Power Generation Holdings Ltd. and has been a member of the board of Compañía Operadora del Mercado Eléctrico Español, S.A., Elcogas, S.A. and Iberdrola Ingeniería y Construcción, S.A. (Sociedad Unipersonal). He was also a member of the Board of Directors of the Spanish Electric Industry Association (*Asociación Española de la Industria Eléctrica*) (UNESA). Noteworthy experience in other industries

			He began his professional career at the Systems Division of Arthur Andersen. He has been a member of the advisory board of the International University of Bremen (Germany) and vice president of the Energy and Natural Resources Committee of the Spanish Institute of Engineering. Other information He has been awarded the Javier Benjumea Prize of the National Association of Engineers of ICAI in its XVII edition and the Gold Medal of the Spanish Nuclear Society.

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
MR FRANCISCO MARTÍNEZ CÓRCOLES	01-11-2021	Executive	Other external

Observations
The change in category is due to his resignation as Business CEO effective 1 November 2021.

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 2021	Year 2020	Year 2019	Year 2018	Year 2021	Year 2020	Year 2019	Year 2018
Executive	0	0	0	0	0.00	0.00	0.00	0.00
Proprietary	0	0	0	0	0.00	0.00	0.00	0.00
Independent	6	4	5	4	54.54	40.00	50.00	44.00
Other External	0	1	1	1	0.00	50.00	50.00	50.00
Total:	6	5	6	5	42.86	35.71	42.86	35.71

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

Yes X **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, provides that any type of bias entailing any kind of discrimination shall be avoided in the candidate selection process, as well as the commitment of the Board of Directors to assess various candidates during the selection process whose appointment favours a diversity of skills, knowledge, experience, origin, age and gender among the directors. The Regulations of the Appointments Committee give this committee the duty to regularly review, evaluate compliance with, and propose the amendment of the Board of Directors Diversity and Member Selection Policy. Furthermore, pursuant to the Board of Directors Diversity and Member Selection Policy, the Board also has the power to periodically evaluate the level of compliance with and effectiveness of this policy, in order to assess the usefulness thereof. As part of this review, the Appointments Committee considered it appropriate to amend the Board of Directors Diversity and Member Selection Policy in order to conform it to the new legal provisions introduced by Law 5/2021 of 12 April, among other purposes. The proposal was approved by the Board of Directors in April 2021. One of the objectives included in the Board of Directors Diversity and Member Selection Policy is that by 2022 the number of female directors should represent at least forty per cent of the total number of members of the Board of Directors, which objective was met on 16 December 2021 as a result of the actions described below. The Board of Directors has a diverse composition in terms of professional backgrounds and nationalities. Six of the fourteen members of the Board of Directors are currently women. Two of them chair two of the four consultative committees. The shareholders at the General Shareholders' Meeting held on 26 March 2010 approved the appointment of Ms María Helena Antolín Raybaud with the classification of independent director. She is chair of the Appointments Committee. The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 approved the appointment of Ms Sara de la Rica Goiricelaya,

with the classification of independent director. She is currently the chair of the Sustainable Development Committee. The shareholders acting at the General Shareholders' Meeting held on 2 April 2020 approved the appointment of Ms Nicola Mary Brewer and Ms Regina Helena Jorge Nunes as independent directors. On 26 October 2021, María Ángeles Alcalá Díaz was appointed on an interim basis (co-option procedure) as an independent director, and became a member of the Audit and Risk Supervision Committee. Finally, on 16 December 2021, Isabel García Tejerina was appointed on an interim basis (co-option procedure) as an independent director, and became a member of the Sustainable Development Committee. At 31 December 2021, women constituted 42.86% of the Board of Directors. Therefore, meeting the objective set in this regard has been met.

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
The Board of Directors Diversity and Member Selection Policy ensures that the proposed appointments of directors are based on a prior analysis of the needs of the Board of Directors. In particular, the candidates must be respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties. In particular, they must 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. In the selection of candidates, it also endeavours 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. To this end, the selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the group does or will do business. The directors must also have sufficient knowledge of the Spanish and English languages to be able to perform their duties. In turn, the Regulations of the Appointments Committee give this 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 and, in particular, from any bias that might hinder the selection of female directors.

As shown in the previous section, Iberdrola deliberately seeks to include women with the appropriate professional profile among potential candidates.

Furthermore, the basic principles of the Equality, Diversity and Inclusion Policy include the promotion of gender equality within the group, in compliance with the laws in force in each country, and following international best practices, as well as the provisions in this regard of 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.

Is should be noted that the benchmark objectives for the variable remuneration of the executive directors include increasing the presence of women in top positions and closing the pay gap. Along these lines, section C.1.14 of this Report shows that the percentage of top female executives exceeded 27% in 2021. Furthermore, the pay gap is one of the parameters used to determine the calculation of the long-term variable remuneration approved of the executive directors, management personnel and other professionals of Iberdrola, 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 men and women working at Iberdrola, S.A. and the companies of its group. And remuneration is considered to be the full-time equivalent annualised salary at 31 December 2020, 2021 and 2022, plus the variable remuneration received during the corresponding year. The final calculation date is 31 December 2022. The Board of Directors performs this evaluation upon a proposal of the Remuneration Committee, and the level of performance is expected to be determined during the first half of 2023.

The annual work plan of the Remuneration Committee for financial year 2019 included analysis and monitoring of the pay gap. This activity will continue until financial year 2023 in order to assess the level of performance against the indicators set out in the 2020-2023 Strategic Bonus.

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.

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. Particularly noteworthy is the fact that 42.86% of the directors are female.

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 ☐ **No X**

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	The chairman & CEO, as an individual decision-making body, has all the powers that may be delegated under the law and the By-Laws.
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).

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 powers?
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. (Grupo Cerealto Siro)	Joint and several director
	Tuero Medioambiente, S.L.	Chair
	CO2 Revolution, S.L.	Director
	HM Hospitales 1989, S.A.	Director
MS MARÍA HELENA ANTOLÍN RAYBAUD	Grupo Antolín Irauza, 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	Sentebale	Director
MS REGINA HELENA JORGE NUNES	IRB-Brasil Resseguros S.A.	Director
MR ÁNGEL JESÚS ACEBES PANIAGUA	MA Abogados Estudio Jurídico, S.L.P.	Director
	Doble A Estudio y Análisis, S.L.P.	Sole Director
MS MARÍA ÁNGELES ALCALÁ DÍAZ	UCLM-Emprende, S.L.U.	Director
MS ISABEL GARCÍA TEJERINA	Avanza Previsión Compañía de Seguros, S.A.	Director
	Primafrío, S.L.	Director

Observations
The positions described above for which the directors receive remuneration are specified below: - Mr Juan Manuel González Serna: joint and several administrator of GSU Found, S.L. (Grupo Cerealto Siro). - Ms María Helena Antolín Raybaud: vice-chair of Grupo Antolín Irauza, S.A. - Mr Manuel Moreu Munaiz: president of Seaplace, S.L.; director de Tubacex, S.A.

- Mr Xabier Sagredo Ormaza: chair of Bilbao Bizkaia Kutxa Fundación Bancaria - Bilbao Bizkaia Kutxa Banku Fundazioa.
- Ms Regina Helena Jorge Nunes: director of IRB-Brasil Resseguros S.A. and Coordinator/Chair of its Risk and Solvency Committee.
- Mr Ángel Jesús Acebes Paniagua: sole director of Doble A Estudio y Análisis, S.L.P.
- Ms Isabel García Tejerina: director of Avanza Previsión Compañía de Seguros, S.A. and of Primafrío, S.L.

The profiles of the members of the Board of Directors available in section C.1.3 of this Report show other non-remunerated positions 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
MS MARÍA HELENA ANTOLÍN RAYBAUD	Member of the Territorial Advisory Board of SabadellUrquijo Banca Privada de Madrid y Centro de España.
MS SARA DE LA RICA GOIRICELAYA	Director of Fundación ISEAK
	Professor of Economics at University of the Basque Country
MR MANUEL MOREU MUNAIZ	Professor of IME Comillas Master’s Programme in Maritime Law
	Professor of the Master’s Programme in Oil at Universidad Politécnica de Madrid.
MS REGINA HELENA JORGE NUNES	Founder and CEO of RNA Capital Ltda.
MR ANTHONY L. GARDNER	Managing Partner of Brookfield Private Equity Group
	Senior Adviser, Brunswick Group, LLP
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 of Universidad de Castilla-La Mancha.

MS ISABEL GARCÍA TEJERINA	Senior Advisor for sustainability issues and the agri-food sector of Ernst & Young España, S.A.
MR XABIER SAGREDO ORMAZA	Chairman of Fundación Bancaria Bilbao Bizkaia Kutxa-BBK

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:

Yes X **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)	21,392
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	
Pension rights accumulated by former directors (thousands of euros)	

Observations
This amount includes the remuneration received €5,914 thousand by all of the directors for their performance as such during financial year 2021 (fixed remuneration, attendance fees and other items) as well as salaries, annual variable remuneration and the shares received by the executive directors in payment of the second period of the 2017-2019 Strategic Bonus (Mr Francisco Martínez Córcoles stepped down as an executive director effective 1 November 2021), all of which is duly described in the Annual Director Remuneration Report.

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
MS SONSOLES RUBIO REINOSO	Internal Audit Director
MR SANTIAGO MARTÍNEZ GARRIDO	Director of Legal Services
MR ARMANDO MARTÍNEZ MARTÍNEZ	Business CEO
MR ASÍS CANALES ABAITUA	Director of Purchasing and Insurance
MR XABIER VITERI SOLAUN	Director of the Renewable Energy Business

MR AITOR MOSO RAIGOSO	Director of the Liberalised Business
MR JUAN CARLOS REBOLLO LICEAGA	Risk Management and Internal Assurance Director
MR PEDRO AZAGRA BLÁZQUEZ	Corporate Development Director
MR JOSÉ SAINZ ARMADA	General Finance, Control and Resources Director (CFO)
MS MARÍA DOLORES HERRERA PEREDA	Director of Compliance
MS ELENA LEÓN MUÑOZ	Director of Networks Business

Number of women in senior management	3
Percentage of total senior management	27.27%

Total remuneration of senior management (thousands of euros)	24,812

Observations
Ms Elena León Muñoz was appointed Director of the Networks Business and a member of senior management on 1 November 2021. 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 €131,259 thousand in 2021 (767 people) and €128,758 thousand in 2020 (757 people), affected by the exchange rate.

C.1.15 Indicate whether the Board regulations were amended during the year:

Yes X **No** ☐

Description of amendment(s)
As part of the process of ongoing review of Iberdrola's 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) conform the text thereof to the amendments made to the By-Laws as a result of the amendments to the Companies Act, (ii) vest the Audit and Risk Supervision Committee with the power to report on related-party transactions, which power was previously vested in the Appointments Committee, and (iii) include as a power of the Board the approval and updating of a climate action plan.

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.

1. APPOINTMENT AND RE-ELECTION OF DIRECTORS 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.

The Appointments Committee must advise the Board of Directors regarding the most appropriate configuration thereof and of its committees as regards size and equilibrium among the various classes of directors existing at any time. This is in any event based on the conditions that candidates for director must meet pursuant to the Board of Directors Diversity and Member Selection Policy.

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 group operates.

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 group.

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.

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.

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.

2. REMOVAL OF DIRECTORS

Directors shall 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 shall 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 structure of the Company's share capital, 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 evaluates the operation of its governance bodies on an annual basis, and based on the conclusions obtained, identifies the principal areas of work for the next financial year. 100% of the areas of work identified in the evaluation process from the prior financial year were covered during 2021. The principal milestones for financial year 2021 include the following: <u>Composition:</u> - Regular staggered renewal of the Board of Directors with the appointments of Ms María Ángeles Alcalá Diaz and Ms Isabel García Tejerina, for advance compliance with recommendation 15 of the *Good Governance Code of Listed Companies* to have at least 40% female directors before the end of 2022. <u>Development of Competencies:</u> - New *Director Remuneration Policy*. - New *Procedure for Related-Party Transactions with Members of Senior Management, Delegated Related-Party Transactions and Series of Related-Party Transactions.* - Oversight of the implementation of the Internal Control over Non-Financial Reporting System.

Operation: - Specific training on issues of importance to the Board of Directors and its committees (e.g. cybersecurity, best practices in competency matrixes, talent management, remuneration, etc.). - Greater coordination and engagement of directors and participants at each meeting. Environmental and social issues: - New Climate Action Plan. - Development of a Stakeholder Engagement Model, with a special focus on sustainability components in connection with suppliers. - Update of the *Manual on Reputational Crisis Event Procedures and Significant Issues for Institutional Investors*.

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated
The Appointments Committee coordinates the evaluation of the operation of the Board of Directors and of the committees thereof on an annual basis, and submits to the full Board of Directors the results of said evaluation together with a proposed Improvement Plan that contains any recommendations to correct potential deficiencies detected. The evaluation for financial year 2021 used PricewaterhouseCoopers Asesores de Negocios, S.L. (PwC) as an external adviser. The scope of the process in 2021 included the evaluation of the Board of Directors, of its committees, of the chairman & CEO, of the Business CEO and of each of the other directors from the following viewpoints: (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 coverage of potential areas for work 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. The first vice-chair and lead independent director also conducted individual interviews with the directors, receiving feedback on the performance of the Board of Directors and its committees, all of which was reflected in the evaluation process. This process included a comparative analysis of 23 companies, which include (i) those considered to have best practices at the domestic and international level, and (ii) comparable companies, both domestic and international.

This evaluation used more than 380 best practices indicators, which practices were assessed using objective and verifiable evidence.

The process concluded with a Continuous Improvement Plan with indicators that will be evaluated for compliance the following financial year and which analyse, among other things, the following areas:

1. Oversight of all social aspects of the strategy and reflection thereof in the non-financial information.
2. Continuous improvement of the governance bodies, enriching remote training sessions like talent management, ESG goals and business risks (cybersecurity, climate, regulatory, etc.)
3. Relations with investors and other Stakeholders, strengthening transparency in all aspects of corporate governance.

On 22 February 2022 the Board of Directors approved the results of the evaluation of financial year 2021 and the Continuous Improvement Plan for financial year 2022.

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.

Iberdrola has been assisted by an outside consultant for the last twelve years. In 2021 PwC's business relations with the Iberdrola group worldwide were approximately €27 million.

The total amount of billing by PwC for consulting services provided to the Board of Directors and the Office of the Secretary thereof in 2021 was €371 thousand.

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:

a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Governance and Sustainability System.

b) 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 group.

c) 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.

d) 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.

e) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors.

f) 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.

g) 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.

h) 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 f) and g) 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?:

Yes X **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

IBERDROLA

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 ☐ **No X**

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

Yes ☐ **No X**

Observations
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 ☐ **No X**

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 the 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	8
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 Audit and Risk Supervision Committee	12
Number of meetings held by the Sustainable Development Committee	10
Number of meetings held by the Appointments Committee	10
Number of meetings held by the Remuneration Committee	12
Number of meetings held by the Executive Committee	15

Observations
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 & CEO as well as 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	8
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	8
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100.00

Observations
The attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2021 is detailed 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:

Yes X **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	Chairman & CEO
MR JOSÉ SAINZ ARMADA	General Finance, Control and Resources Director (CFO)

Observations
The Iberdrola group has established a certification process by which those responsible for financial information in the different areas of the Company (i.e. those responsible for the subholding companies and global corporate areas) 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 within their area of responsibility, and (ii) they are responsible for establishing the Internal Control Over Financial Reporting (ICFR) system within their area of responsibility and have found, upon evaluation, 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 chairman & CEO 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 group.

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* 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 Audit and Risk Supervision 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 Audit and Risk Supervision 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 approved by the Board of Directors and 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 Audit and Risk Supervision Committee has reported throughout the year 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 Audit and Risk Supervision 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 2021:

- Report dated 10 May 2021 on the results for the first quarter of 2021.
- Report dated 19 July 2021 on the financial information for the first half of 2021.
- Report dated 25 October 2021 on the results for the third quarter of 2021.
- Report dated 21 February 2022 regarding the annual financial statements of Iberdrola and its consolidated group for financial year 2021.

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 individual 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 ☐ **No X**

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 and the Statutory Auditor Contracting and Relations Policy provide that:

- The relations of the Audit and Risk Supervision Committee (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 by the Auditor to the Iberdrola group that can be authorised:

- 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 (a) 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 do not have their own audit and compliance committee; or (b) 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 the group during any financial year of the Company.

As regards financial year 2021:

- Iberdrola's Auditor, "KPMG Auditores, S.L." ("KPMG"), appeared on thirteen 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.

- 17 February 2021 KPMG sent to the Committee written confirmation of its independence with regard to the audit of the financial information for financial year 2020.

- On 19 July 2021 KPMG sent to the Committee written confirmation of its independence with regard to the limited review of the financial information as at 30 June 2021.

- 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.

- In these letters the Auditor represented 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 21 February 2022, KPMG reported that 3 of its professionals were hired by the Iberdrola group during 2021. 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 21 February 2022 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 which form the basis of the relations of the Company with financial analysts, investment banks, and rating agencies are contained in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors and are transparency, equal treatment, non-discrimination, truthfulness, and trustworthiness of the information supplied.

The Finance, Control and Resources Division, through the Investor Relations and Communication Division, manages their requests for information and requests submitted by institutional or retail investors. The Finance, Control and Resources Division gives mandates to investment banks. The Corporate Development Division gives the appropriate advisory mandates to investment banks within the scope of its activities, in coordination with the Finance, Control and Resources Division.

The independence of financial analysts is protected by the Investor Relations and Communications 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 Prospects 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.
- Visits to Company facilities.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes ☐ **No X**

If there were any disagreements with the outgoing auditor, explain their content:

Yes ☐ **No X**

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:

Yes X **No** ☐

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	1,513	2,348	3,861
Amount invoiced for non-audit work/Amount for audit work (in %)	30.20	10.80	14.40

Observations

See annex.

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 ☐ **No X**

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	5	5

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	17.24	17.24

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:

Yes X **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 its 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. They are also 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. The regulations of the consultative committees also provide that they 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 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 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 a director is required to properly prepare for the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the committees of which the director is a member, for which purposes the director 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:

Yes X **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 duty 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, loss of suitability, respectability, capability, expertise, 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 their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, every director must inform the Company, through the secretary of the Board of Directors, in the event that the director is subject to an investigation, arrested, or an order for the commencement of an oral criminal trial is issued against the director for the commission for any crime, and of the occurrence of any significant procedural steps in such proceedings. In such instance, the Board of Directors shall review this circumstance as soon as practicable and, following a report of the Appointments Committee, shall adopt the decisions it deems fit taking into account the interests of the Company. In addition, the director must inform the Company of any fact or event that may be relevant to the holding of office as a director. Directors must also submit their resignation to the Board of Directors and formally resign from their position in the events described in section C.1.19 of

this Report.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

Yes X **No ☐**

Director's name	Nature of the situation	Observations
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	CENYT case	See reasoned explanation
MR FRANCISCO MARTÍNEZ CÓRCOLES	CENYT case	See reasoned explanation

Indicate whether the Board of Directors has examined the case. If so, explain with reasons whether, given the specific circumstances, it has adopted any measure, such as opening an internal enquiry, requesting the director's resignation or proposing his or her dismissal.

Indicate also whether the Board decision was backed up by a report from the nomination committee.

Yes X **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 Iberdrola. The Board of Directors has examined the case and unanimously confirmed its full confidence in the suitability of both directors to hold office.	From the day after the appearance of the first news reports in June 2018 regarding the hiring of Club Exclusivo de Negocios y Transacciones, S.L." ("CENYT"), a company legally organised and with its own resources to operate in its industry, Iberdrola has 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 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 Iberdrola, S.A. and the Board of Directors of Iberdrola Renovables, S.A.U.). 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 guarantee that all responsible areas them had the required human and material

	resources and acted free of any type of interference. These investigations have included all available documentary evidence. In certain cases, whether due to the nature of the services provided, the passage of time (which well exceeded the six-year period legally provided for maintaining business documentation) or the lack of cooperation of certain former employees, complete documentation was not available. Iberdrola's Compliance Unit has been advised by "Pricewaterhousecoopers Asesores de Negocio, S.L." ("PwC"), which has performed an independent investigation, with neither supervision nor control of internal bodies or outside lawyers, and which made a commitment to make its findings available to the judicial authorities, whatever those findings may be (PwC 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). Said investigations have not identified payments to companies linked to Mr Villarejo other than those initially identified (17 invoices): 14 from Iberdrola, between 2004 and 2009, in the total amount of €1,017,824.14, and 3 from Iberdrola Renovables, between 2012 and 2017, in the total amount of €114,200.00. Furthermore, all of the payments correspond to invoices recorded in the files of the group created in accordance with the internal procedures requiring that the service be requested and the corresponding invoice be approved by a person duly authorised to do so by reason of the subject matter, and approved by a controller other than the requesting party. The Compliance Unit has reviewed the commercial relationship (the engagement, accounting and payment processes) of Iberdrola and the other companies of the group with all of the companies that have provided them with security and intelligence services during the years related to the facts investigated by Central Preliminary Examining Court No. 6 and, based on the information available thereto, no evidence

	has been identified of any illegal conduct or conduct contrary to the Governance and Sustainability System. As regards the court proceeding, the Company is appearing as an aggrieved party and is actively cooperating in the clarification of the facts, providing the Court with the results and documentation of the investigations. The Executive Committee of the Company's Board of Directors resolved last May to make all of its directors, officers and employees available to said Court so that they could appear before it and give their statements and provide all of the cooperation requested of them. The Chairman of the Board of Directors & CEO Mr Ignacio Sánchez Galán and the external director Mr Francisco Martínez Córcoles, the officers Mr Juan Carlos Rebollo Liceaga and Mr Pablo Isunza Gaminde, as well as the company Iberdrola Renovables Energía, S.A., which appeared through its legal representative, have made statements as persons of interest and have provided the Court with full explanations as requested. Other former officers who are no longer with the Company have also made statements before the Court. Various international law firms have reviewed various aspects of the procedure followed: Iberdrola's Compliance System, the reaction to this matter by the governing bodies of the various companies of the group participating therein, the internal investigation procedure and the results thereof (including the forensic report of PwC), and documentation relating to the various investigations that have been provided in the aforementioned legal proceedings. Their conclusion is that, with the information currently available in the judicial proceeding, there is insufficient evidence to pursue a criminal case against any company of the Iberdrola Group or against any of its current directors or officers, without prejudice to any liabilities that may arise against other persons. Notwithstanding the foregoing, the lengthiness of the aforementioned legal proceeding and the profusion of accusations and arguments lacking

	factual and legal support, which have been used by competitors and former officers of the Company for the clear purpose of harming its good name and reputation, might undermine its ability to compete in the market, which is the main risk for the Company, more than the legal consequences of the criminal proceedings themselves. 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.

Not applicable.

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	25
Type of beneficiary	Description of the agreement
Executive directors and officers	1. EXECUTIVE DIRECTORS Pursuant to the provisions of his contract, the chairman & CEO has the right to receive a severance payment in the event of termination of his relationship with the Company, provided that such termination is not the consequence 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. 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. Furthermore, in consideration for the chairman & CEO's non-compete commitment for a period of

	two years, he shall 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 withdrawal from 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	Current
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Chair	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	20.00
% of proprietary directors	0.00
% of independent directors	80.00
% 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 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. The chairman of the Board of Directors and the chief executive officer, if any, are members in all cases. The secretary of the Board of Directors acts as secretary of the Committee. The appointment of its members, with a minimum of 4 and a maximum of 8, and the 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.

The Executive Committee shall meet as many times as deemed necessary by the chair thereof. It shall also meet when so requested by a minimum of two of the directors forming part thereof.

Resolutions of the Committee shall be adopted by absolute majority of its members who are present at the meeting in person or by proxy.

The duties of this Committee consist of making proposals to the Board of Directors regarding strategic decisions, investments and divestitures that are significant for the Company or the 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 the coordination of the group and the strategic goals thereof.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents). Particularly noteworthy are the following:

a) Monitoring of investment projects.
b) Setting the baseline of the budget for 2022 and monitoring implementation of the budget for 2021.
c) Monitoring the achievement of targets in accordance with outlook 2020-2025 and view to 2030.
d) Terms and conditions of the first increase in capital by means of a scrip issue.
e) Monitoring of risk linked to changes in the group's environment.

AUDIT AND RISK SUPERVISION COMMITTEE

Name	Position	Current

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 Audit and Risk Supervision 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 all members of the Audit and Risk Supervision Committee, 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 Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The members of the Audit and Risk Supervision Committee 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 chair shall hold office for a maximum period of four years, after which period the director who has held office as such may not be re-elected until the passage of at least one year from ceasing to act as such.

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.

The duties of the Committee are provided and are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Audit and Risk Supervision Committee.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents). Particularly noteworthy are the following:

a) Memorandum of internal control recommendations resulting from the financial information audit of financial year 2020 and implementation of said recommendations.
b) Evaluation of the Internal Control over Financial Reporting System and Internal Control over Non-Financial Reporting System.
c) Monitoring of political, reputational and related corruption risks and analysis of alert mechanisms.
d) Reporting on the risks of the group's businesses.
e) Approval of a new version of the Statutory Auditor Contracting and Relations Policy.
f) Submission of the strategic cybersecurity plan.
g) Submission to the Board of the proposed Procedure for Related-Party Transactions with Members of Senior Management, Delegated Related-Party Transactions and Series of Related-Party Transactions.

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 AND MS REGINA HELENA JORGE NUNES
Date of appointment of the chairperson	19/02/2019

NOMINATION COMMITTEE

Name	Position	Current
MS MARÍA HELENA ANTOLÍN RAYBAUD	Chair	Independent
MR ANTHONY L. GARDNER	Member	Independent
MR ÁNGEL JESÚS ACEBES PANIAGUA	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 Appointments 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.

A majority of the members of the Appointments Committee must be classified as independent. The Board also appoints the chair thereof from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The Board of Directors shall endeavour to ensure that the members of the 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.

The members of the Appointments Committee 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.

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.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Appointments Committee.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents). Particularly noteworthy are the following:

a) Review of the Board of Directors Diversity and Member Selection Policy and verification of compliance therewith.
b) Reports relating to the proposed appointment of new members of senior management.
c) Proposed appointments and re-elections of directors and for internal functions.
d) Competencies matrix, talent management and development of executives.

REMUNERATION COMMITTEE

Name	Position	Current
MR JUAN MANUEL GONZÁLEZ SERNA	Chair	Independent
MR MANUEL MOREU MUNAIZ	Member	Independent
MR IÑIGO VÍCTOR DE ORIOL IBARRA	Member	Other external

% of proprietary directors	0.00

% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Remuneration Committee is an internal informational and consultative body.

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.

A majority of the members of the Remuneration Committee must be classified as independent. The Board also appoints the chair thereof from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The Board of Directors shall endeavour to ensure that the members of the 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.

The members of the Remuneration Committee 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.

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.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Remuneration Committee.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents). Particularly noteworthy are the following:

a) Proposed *Director Remuneration Policy* and review of conformance of the contracts of the executive directors to the new Policy.
b) Comparative analysis of the remuneration of executive directors.
c) Components of the remuneration mix.
d) Parameters linked to variable remuneration.
e) Cessation of office of former Business CEO.
f) Director Remuneration Report.

SUSTAINABLE DEVELOPMENT COMMITTEE

Name	Position	Current
MS SARA DE LA RICA GOIRICELAYA	Chair	Independent
MS NICOLA MARY BREWER	Member	Independent
MS ISABEL GARCÍA TEJERINA	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee 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.

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.

A majority of the members of the Sustainable Development Committee must be classified as independent. The Board of Directors shall appoint a chair of the Committee from among the members forming part thereof, as well as its secretary, who need not be a director.

The members of the Sustainable Development Committee 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.

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.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Sustainable Development Committee.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents). Particularly noteworthy are the following:

a) Monitoring of the elements affecting corporate reputation.
b) Manual of procedures for reputational crisis events.

c) Tools for measuring corporate social responsibility, as well as setting of ESG goals in all businesses and corporate areas.
d) Monitoring of activities in the areas of employment, satisfaction, diversity, integrity, non-discrimination, equality, reconciliation, accessibility and mobility.
e) Monitoring of work on the circular economy and climate governance.
f) Review of the level of implementation of the Sustainable Development Plan 2020-2022.
g) Development of a Stakeholder Engagement Model.

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 2021		Year 2020		Year 2019		Year 2018	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00	1	20.00	2	50.00	2	40.00
Audit and Risk Supervision Committee	2	66.66	1	33.33	2	50.00	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	1	33.33	1	33.33
Sustainable Development Committee	3	100.00	3	100.00	2	66.67	1	33.33

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 are governed by the Regulations of the Board of Directors. Each of the consultative committees also has its own regulations, available at www.iberdrola.com, where one can also find the Activities Report of the Board of Directors and of the Committees thereof.

During the process of ongoing revisions to the Governance and Sustainability System, apart from technical improvements, amendments to the Regulations of the Appointments Committee and the Regulations of the Audit and Risk Supervision Committee have been made in order for the latter committee to be the one reporting on related-party transactions. Amendments have also been made to the Regulations of the Sustainable Development Committee in order to expand its powers, especially including the power to report on the climate action plan and to monitor the plan by reviewing the level of achievement thereof.

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 director 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 ten per cent 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.

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 will 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 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, 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 Audit and Risk Supervision 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 group.

The approval of the aforementioned Related-Party Transactions, particularly those relating to electricity and gas services, shall not require a prior report of the Audit and Risk Supervision Committee. The Board of Directors has established a regular internal reporting and control procedure in relation thereto, in which the Audit and Risk Supervision 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 Audit and Risk Supervision 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 series of operations. In relation to the series of transactions, the Audit and Risk Supervision 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 series 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	Nature of the relationship	Type of operation and other information required for its evaluation	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 the majority of independents

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	Nature of the operation and other information necessary for its evaluation	Amount (thousands of euros)	Approving body	Identity of the shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against the majority of independents
MR XABIER SAGREDO ORMAZA	Iberdrola Clientes, S.A. (Sociedad Unipersonal), an indirectly wholly-owned company.	Mr Xabier Sagredo Ormaza, a director of Iberdrola, S.A., is chairman of the Board of Bilbao Bizkaia Kutxa Fundación Bancaria	Sponsorship agreement to promote activities of general interest within the framework of the BBK-Klima project	422	Board of Directors	Mr Xabier Sagredo Ormaza	YES

Observations
The amount will be paid over the term of the contract (until 31 December 2025) as follows: (i) €204.1 thousand in 2021; and (ii) €54.6 thousand in the years 2022 through 2025.

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	Amount (thousands of euros)

	evaluation	

Observations
Transactions 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)

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 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.

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 group, it shall be deemed that the director lacks, or has lost, the competence required to hold office.

Conflicts of interest with officers are subject to the same rules of communication, abstention and transparency.

Transactions with significant shareholders 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 ☐ **No X**

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 group's Risk Committee and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon 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 group as a whole.

d) The measurement and control of risks following homogeneous procedures and standards common to the entire 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 Division.

The foregoing is undertaken in accordance with 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 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 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 apply to all companies that make up the group, over which the Company has effective control, within the limits established by the laws applicable to the regulated activities carried out by the group in the various countries in which it operates.

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 risk policies of the 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 develop all of its capabilities in order for the significant risks of the 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, 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.
- Ensure that the internal control policies and systems are effectively applied.
- As regards the activities of the Risk Management and Internal Assurance Division, which is functionally controlled by the Committee: i) supervise the activities and ensure the effectiveness thereof, and ii) approve the direction and the annual management plan of the Division and its budget.
- Evaluate the various risk tolerance levels established in the risk policies in order to, if appropriate, propose the adjustment thereof.
- Promoting a risk-avoidance culture.
- Endeavour to ensure that the group's internal control and risk management system identifies at least: i) the different types of financial and non-financial risks, ii) the establishment and review of the risk levels that the Company deems acceptable, iii) the measures planned in order to mitigate the impact of identified risks in the event they occur, and iv) the information and internal control systems used to monitor and manage the risks.
- At least annually, call a meeting with each of the heads of the businesses of the group 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 group'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 on the internal control and risk management systems.

The management decision-making bodies of the head of business companies of each country or region 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 of the group.

5. GROUP RISK COMMITTEE

This is a technical body that is chaired by the Risk Management and Internal Assurance Director and that performs executive duties in the customary management of risks and provides advice to the governance bodies of the group.

- 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 group is subject to various risks inherent in the different countries, industries and markets in which it does business and in the activities it carries out, which may prevent it from achieving its objectives and successfully implementing its strategies.

In the "Principal risks and uncertainties" section of the Management Report of the consolidated Annual Financial Report for financial year 2021, there is a detailed description of the principal risks of the group.

Pursuant to the definitions established by the General Risk Control and Management Policy, risks at the 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 through the monitoring tools. These additional categories include:

- The classification of risks into structural, current and emerging, the latter of which are understood as possible new threats with an uncertain impact and undefined probability, and which are growing.
- The inclusion of secondary risk factors, including environmental, sustainability and governance (environmental, social and governance, or "ESG"), with potential reputational impacts, including those relating to climate change, fraud or corruption, corporate governance, regulatory compliance, tax, labour and diversity, impacts on local communities, safety and health of people, cybersecurity, and third party risk factors.

Furthermore, Iberdrola has a Compliance System made up of a set of substantive rules, formal procedures and significant 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 group, 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 proceeding that commenced in April 2017 when the Public Prosecutor filed a claim against Iberdrola Generación España, S.A.U., bringing before the courts an adverse government ruling by the National Markets and Competition Commission (*Comisión Nacional de los Mercados y de la Competencia*) ("CNMC"), which was appealed to the contentious-administrative courts, relating to the price of bids for the Duero, Sil and Tajo hydroelectric management units between 30 November 2013 and 23 December 2013.
- The hiring of entities linked to the former police commissioner José Manuel Villarejo Pérez, a matter disclosed in section C.1.37.
- The commencement of an oral criminal trial ordered by Preliminary Examining Court No. 4 of Valladolid for the alleged Wind Farm Payoff Scheme (*Trama Eolica*) in Castile-León, which orders Iberdrola Renovables de Castilla y León 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 group is subject, see:

- The "Risks" subsection of the "Climate Action" section of the Statement of Non-Financial Information-Sustainability Report 2021.
- Section 5.3 "Risks" of the Integrated Report February 2022.

The activities of the group during financial year 2022 and subsequent years will be particularly affected by the following main risk factors:

- The aforementioned ESG risks.
- Changes in the interest rate and exchange rate of the principal countries in which the group does business, as well as inflation.
- Changes in international gas prices and emission allowances (or equivalent mechanisms) and their impact on electricity prices.
- 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.
- Financial and reputational risk arising from a potential increase in cybersecurity attacks or incidents. There are regular appearances before the Audit and Risk Supervision Committee of executive officers competent to report on this issue.
- Changes in industry regulations, particularly in Spain and Mexico.

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 level that is acceptable for the group 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 its 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 group:

- Risk Policy for the Networks Businesses of the Iberdrola group
- Risk Policy for the Renewable Energy Businesses of the Iberdrola group

– Risk Policy for the Liberalised 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 the corporate website.

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 has a risk tolerance level (acceptable risk level) established at the corporate level, which is annually approved by the Board of Directors and its Executive Committee. The group's Risk Committee, the Operating Committee, the Audit and Risk Supervision Committee, the businesses, the corporate functions and the Risk Management 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 during 2021 were affected by various risks that materialised in the countries and markets in which it operates. 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 by the group, the overall impact on the group's consolidated financial statements has been limited.

Risks that have materialised include the following:

In Spain The various measures of intervention in the Spanish electricity market approved by the Government, following a progressive and high rise in prices in the international gas and CO2 markets, including, amongst others:

– Royal Decree-Law 17/2021 of 14 September, and Royal Decree-Law 23/2021 of 26 October partially mitigating the effect of the former, which have had an insignificant impact on the Group's consolidated Annual Financial Statements for 2021.

IBERDROLA

– Proposed law on CO_2 price reduction, currently in the parliamentary process.

In the United States (Avangrid): The suspension of construction of the new transmission line (NEW ENGLAND CLEAN ENERGY CONNECT "NECEC") following the referendum in Maine, and the non-approval by the New Mexico state regulator of the merger between PNM Resources and Avangrid. Both decisions have been appealed to the Supreme Courts of Maine and New Mexico, respectively.

In the United Kingdom:

– The extraordinary impact on the group's profit and loss account of the increase in UK corporate tax in the total amount of €453 million.

– Lower wind resource (28% lower than expected) in a high price scenario.

In Mexico: The proposed constitutional, currently under debate, which aims to repeal the current legal framework for the country's electricity industry set out in the Electricity Industry Act (*Ley de la Industria Eléctrica*) and the Public Electricity Service Act (*Ley del Servicio Público de la Energía Eléctrica*) of 1992.

Other risks that have materialised:

– The write-down of Neoenergia's stake in the Belomonte hydroelectric plant, after classifying it as held for sale, with an impairment of R$483.

– The provision made in accounts receivable from our discontinued Engineering business of US$41 million, associated with the enforced guarantee of the Salem Project, after receiving confirmation that probable recoverability is only US$89 million of the US$130 million disbursed.

Positive developments include the following:

The Supreme Court ruling declaring the hydroelectric fee to be illegal, with a positive impact on EBITDA of €951 million, due to lower taxes for the period 2013-2020, plus €155 million in interest, to which should be added the €284 million fee that would have accrued in 2021.

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 group, which includes the main risk positions, the report on compliance with policies and limits approved, and the update of the key risks map.

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 group's Quarterly Risk Report submitted by the group's Risk director.

– It coordinates and reviews the Risk Report submitted on a regular basis (at least half-yearly) by the audit and compliance committees of the business subholding companies of the group.

– On at least a half-yearly basis, it prepares a Risk Report for the Board of Directors.

F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1 The entity's control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (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 ("ICFR") system. The Boards of Directors of each of the country subholding companies and of the 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 ICFR system. 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, "ARSC") is responsible for supervising the effectiveness of the internal control of the Company and of its group, as well as the risk management systems thereof. Article 31.6.f also provides that the duties of the ARSC 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 ARSC is supported by the Risk Management and Internal Assurance Area and the Internal Audit Area in the performance of its powers with respect to the internal control and risk management systems. Any audit 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 Area, which is functionally subordinate to the ARSC (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 ICFR system, assuring Senior Management and the Board of Directors, through the ARSC, 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 Human Resources, General Services and Corporate Security 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 Human Resources, General Services and Corporate Security Division, as well as by the Finance, Control and Resources Area.

The main responsibility for preparing financial information lies with the corporate 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.

The Iberdrola group 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 in accordance with the plan approved annually for this purpose by the Compliance Unit of Iberdrola (the "**Unit**"), which provides for various initiatives in the area of training (both on-line and in-person) and communication, addressed to the various groups of professionals based on their exposure to Compliance risks.

The Code of Ethics, which includes informational transparency among its general ethical principles and principles on relations with Iberdrola's stakeholders, expressly states the following in Article B.6.:

"1. The group shall provide true, proper, useful and reliable information regarding its 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.

2. The financial information of the group, and particularly the annual financial statements, shall reflect in all material respects a true and fair view of its assets, financial position and results as provided by law. For such purposes, no directors, professional or supplier shall conceal or distort the information set forth in the accounting records and reports of the group, which shall be complete, accurate and truthful.

3. A lack of honesty in the communication of information, whether within the group (to professionals, subsidiaries, departments, internal bodies, management decision-making bodies, etc.) or externally (to auditors, shareholders and investors, regulatory entities, the media, etc.) is a breach of this Code of Ethics. This includes delivering incorrect information, organising it in an incorrect manner or seeking to confuse those who receive it.”

The Unit, which is a collective permanent and internal body linked to the Sustainable Development Committee of Iberdrola, controls the effective operation of the Company’s Compliance System, with powers in the area of compliance. The duties of the Unit include ensuring the application of the Code of Ethics and of the other rules of the group 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 group’s Compliance System 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 Iberdrola group. The report is submitted to the Sustainable Development Committee, which issues its opinion and forwards it to the Board of Directors.

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 Human Resources, General Services and Corporate Security 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 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 group expressly accept the rules of conduct established therein that are applicable thereto.

Pursuant to Article F.5.2, professionals who hereafter join or become part of the group and suppliers contracting with companies of the group shall also expressly accept the rules of conduct to which they are subject as set forth in sections D (for professionals of the group) 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 the professionals of the group; (ii) the mailbox available to shareholders and investors; and (iii) the suppliers' mailbox, accessible from the Employee Portal, from the OLS "On Line Shareholders" 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 legal provisions or of the rules of conduct laid down in the Code of Ethics or for asking questions regarding any issue with respect to compliance.

Identification of the complaining party or whistle-blower is not required to send a complaint through these mailboxes (complaints may be anonymous), and if one does so Iberdrola guarantees absolute confidentiality with respect to both the information provided and the personal data of the reporting party. The group naturally states its commitment to not retaliate against any professional making a complaint, unless there is bad faith on the party 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 ICFR system, covering at least accounting standards, auditing, internal control and risk management.

Training is key in Iberdrola's human resources policy and is an essential element for adapting new professionals to Iberdrola and the proper performance of their jobs, as well as to keep the group's employees updated regarding any changes that occur within the group itself as well as the environment within which it does 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 de 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 ICFR system, 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 group 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.

They 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 group in these areas, various meetings among the professionals of these areas from the different countries and country subholding companies are organised on an annual basis. Specifically, in 2021 there were, among other events, the annual III International Internal Audit Planning Days and the "XIV Global Control Committee", which analyses the most significant issues affecting the function, like new accounting rules.

As in 2020, a large portion of the activities and actions mentioned above have been carried out mainly virtually, due to the situation caused by COVID-19.

In addition, although not considered specific training activities, the Accounting Practice Division, which reports directly to the director of Administration and Control, who is responsible for defining and updating the accounting policies, publishes a quarterly bulletin that is broadly distributed within the group regarding new accounting developments with respect to International Financial Reporting Standards ("IFRS"), which includes updates on standards (standards that have entered into effect, drafts issued, standards issued, standards approved by the European Union, new standards and expected drafts, 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 ICFR system, documenting both the objectives and performance thereof as well as its results.

The methodology, developed and updated by the Risk Management and Internal Assurance Area, 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 ICFR system.

The Risk Management and Internal Assurance Area 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 within the 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 Area. 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 the status of the markets.

The above risks, together with the controls that mitigate 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 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 of a similar nature that, due to their complexity, might diminish the transparency of the group. In any event, the making of such decisions requires a prior report of the ARSC, as provided in its Regulations.

Pursuant to specific internal procedures in effect (conforming to the current 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 the group or of the country subholding company or head of business company or subsidiary thereof that intends to create or acquire a company of this nature. In the event that such transactions are carried out by listed country subholding companies of the group or by subsidiaries thereof, it shall be within the purview of the audit and compliance committee or similar body of such listed country subholding company.

- 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 identification of such other types for the categorisation of financial information risks.

- The governing body within the company that supervises the process.

The governing body that supervises the process is the ARSC, which is supported by the Risk Management and Internal Assurance Area 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 ICFR, 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.

On 19 April 2021, Iberdrola's Board of Directors updated the Iberdrola group Financial Information Preparation Policy that applies to all companies of the group, and which further develops the process for preparing the consolidated financial information and clearly defines the powers vested in the ARSC and the audit and compliance committees of the other companies of the 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.

The 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.

The policy provides which 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 are 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 each 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 Iberdrola's Board of Directors, as appropriate, after a report from its ARSC.

Furthermore, the process or structure of certification of the financial information managed and coordinated by the Risk Management and Internal Assurance Area, which 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 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 for consolidation at the group level) and the effectiveness of the internal control system established to reasonably guarantee such reliability. Finally, the chairman & CEO, as the top responsible executive, and the General Finance, Control and Resources Director (CFO), who is responsible for the preparation of the financial information, certify to the Board of Directors the reliability of the consolidated annual financial statements and the Half-Yearly Financial Report.

The ARSC, with the support of the Risk Management and Internal Assurance Area 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 ICFR system 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 ICFR system 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 obtained for 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 ARSC, 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 international financial reporting standards.

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 Iberdrola group has 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, management of service levels, management of third-party services, security of the systems and access thereto, incident management, transaction management, continuity of operations and the segregation of functions.

These guidelines and procedures (which in some cases are different based on geographic area or type of solution, and are in a process of progressive homogenisation) are applied to all IT systems that support the relevant processes of generation of financial information, and to the infrastructure required for the operation thereof.

The Iberdrola group also has an Information Technologies (IT) 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 and aligned with 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 in the area of financial systems, adopting the appropriate measures if any incident is detected.

On an annual basis, the heads of the IT systems of the Iberdrola group certify the effectiveness of the internal controls established regarding the financial reporting systems. This certification covers the relevant financial systems based on the scope of the external financial audit and the considerations of systems organisation, internal assurance, internal audit and the relevant business organisations within the group.

For financial year 2021, the total number of systems covered by the IT controls system was 44, 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 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 Iberdrola group does 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 director, 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.

It publishes a bulletin on a quarterly basis that is broadly distributed within the group regarding new accounting developments deriving from the IFRS, which includes updates on standards (standards that have entered into effect, drafts issued, standards issued, standards approved by the European Union, new standards and expected drafts, 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 of the group 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 group's accounting policies, as well as the date of entry into force of each of the standards. When a new provision, or new interpretations thereof, are identified having an effect on the accounting policies of the group, it is included in the handbook, and also communicated to the parties responsible for preparing the financial information of the group through the quarterly bulletins mentioned above, and the application supporting the handbook is also updated.

The updated version of the handbook is available in an application on the internal network of the group. 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 ICFR.

The mechanism for capturing and preparing the information supporting the main financial statements 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, that is currently deployed throughout the group.

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 ICFR 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 ICFR. Additionally, describe the scope of ICFR 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 ARSC is supported by the Risk Management and Internal Assurance Area and the Internal Audit Area in the performance of its powers with respect to the internal control and risk management systems.

The ARSC's supervision of the ICFR system 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 Area and the Internal Audit Area; and
iii. regular meetings with the external auditor, the Administration and Control Division, the Risk Management and Internal Assurance Area, 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 Area performs functions that include, among others, monitoring, supporting, coordinating and homogenising the implementation of the ICFR system, establishing the methodology, criteria and reporting method, as well as the operational monitoring of controls and the regular assessment of the effectiveness of the ICFR system.

The parties responsible for preparing the financial information of each country subholding company, each head of business company and each corporate area must engage in an annual process, coordinated by the Risk Management and Internal Assurance Area, 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 group acts (changes in organisation, systems, processes, products, regulation, etc.), changes in the risks identified and prioritised and/or new risks identified should be included. 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 group's heads of Control and of the various country subholding companies, the heads of the main corporate areas, the Risk Management and Internal Assurance Area and the Internal Audit Area. Conclusions are made at this meeting regarding the effectiveness of the internal control system within each of the different areas of responsibility, and globally for the entire group.

Thereafter, the most significant conclusions regarding the review are submitted to the ARSC 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 ARSC, 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 ARSC, 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 group's internal control system, 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, 31 cycles were reviewed during financial year 2021. These are cycles corresponding to the companies Iberdrola México, S.A. de C.V., Scottish Power Ltd., Iberdrola España, S.A.U., Neoenergia S.A and Iberdrola Energía Internacional S.A.U., 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 ARSC 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 agents.

Thus, the ARSC holds meetings, both at the half-year and yearly close, with the external auditor, the Risk Management and Internal Assurance Area, the Internal Audit Area and the officers 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), Iberdrola's ARSC 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 (ICFR) system 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 Company's senior management, that within a context of growth and internationalisation as was already forecast for the 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 Iberdrola and of the companies making up the group.

The ICFR system 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 Area in which those responsible for financial information in the different areas of the Company 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 ICFR system 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 chairman & CEO and the General Finance, Control and Resources 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 group.

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 Area, has the following stages or steps: (i) analysis and selection of significant financial information; (ii) the grouping thereof within cycles or large processes in which it is generated; (iii) the identification, evaluation and prioritisation of the risks of error in financial information within the selected cycles; (iv) the design and operation of controls to mitigate or manage the selected risks; and (v) the monitoring and update of the foregoing steps to continuously adapt the model to the circumstances of the business activity.

One of the main characteristics of the design of the model is that it attempts to ensure the quality of the financial information during each month of the year, and is not only limited to the periods corresponding to the annual or half-yearly close. This characteristic is strengthened with the use of a specific software application internally developed by the 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 ICFR system, 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 ICFR system, 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 Area, which is also tasked with administering the software application and with coordinating the development of the ICFR system within the various businesses and corporate areas of the group, as well as maintaining the homogeneity of the ICFR system throughout the group. Based on this review, the Risk Management and Internal Assurance Area issues its opinion on the effectiveness of the ICFR system, which is communicated during the annual meeting of the Internal Assurance Committee and to the ARSC.

Furthermore, the Internal Audit Area, which is responsible for the independent supervision of internal control in support of the ARSC, undertakes an independent review of the design and operation of the ICFR system, identifying deficiencies and preparing recommendations for improvement. This review is performed 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 ARSC, which, if applicable, makes them its own and forwards them to the Board of Directors.

Based on materiality standards, the current scope of the ICFR system covers the entire Iberdrola group. More than 1,600 people from the group use the software application, both to document the evidence showing the implementation of more than 3,000 controls —which mitigate or manage more than 1,300 risks of error in the financial information deemed priority— and to monitor, analyse, adjust and evaluate the ICFR system.

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 of the group.

F.7 External auditor's report

Report:

F.7.1. Whether the ICFR 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 ICFR system 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 ICFR system 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 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 ☐

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 ☐ Explain X 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 was the case of the former Business CEO.

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 chairman & CEO joined Iberdrola, he received the treatment in effect for such officers, in order to achieve an effective and sufficient level of loyalty. As chairman & CEO, 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. There were only 13 left at the close of financial year 2021.

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 la 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 2021, the Company's tax director appeared before Iberdrola's Audit and Risk Supervision Committee on 22 January and 19 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.

The annex contains a description of the attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2021. Proxies granted with specific voting instructions are considered to be attendances.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 22/02/2022.

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

Yes ☐ No X

Annex to ACGR 2021:

SECTION C.1.26

Below is the data on attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2021. Proxies granted with specific voting instructions are considered to be attendances.

Directors	Board	Committees				
		EC	ARSC	AC	RC	SDC
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	8/8	15/15				
MR JUAN MANUEL GONZÁLEZ SERNA	8/8	15/15			12/12	
MR IÑIGO VÍCTOR DE ORIOL IBARRA	8/8				12/12	
MS SAMANTHA BARBER	7/7	13/13				9/9
MS MARÍA HELENA ANTOLÍN RAYBAUD	8/8			10/10		
MR JOSÉ WALFREDO FERNÁNDEZ	6/6		9/9			
MR MANUEL MOREU MUNAIZ	8/8	15/15			12/12	
MR XABIER SAGREDO ORMAZA	8/8		12/12			
MR FRANCISCO MARTÍNEZ CÓRCOLES	8/8					
MR ANTHONY L. GARDNER	8/8	2/2		10/10		
MS SARA DE LA RICA GOIRICELAYA	8/8					10/10
MS NICOLA MARY BREWER	8/8					10/10
MS REGINA HELENA JORGE NUNES	8/8		12/12			
MR ÁNGEL JESÚS ACEBES PANIAGUA	8/8	15/15		10/10		

MS MARÍA ÁNGELES ALCALÁ DÍAZ	1/1		2/2			
MS ISABEL GARCÍA TEJERINA						

Notes:

Ms Isabel García Tejerina was appointed as a director on an interim basis (co-option procedure) on 16 December 2021. No meetings of the Board of Directors or the consultative committees have been held since the appointment thereof.

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.1.32

Non-audit services provided during financial year 2021 mainly had the following scope:

- To the Company: limited review of the half-yearly financial statements in the amount of €1,186,075; preparation of a procedures report on the liquidity situation for the offshore wind farm in Wikinger in the amount of €8,397; comfort letters: in connection with the issue of a hybrid bond during the month of January 2021 in the amount of €80,000; for the issue of a hybrid bond during the month of November 2021 in the amount of €70,000; and for the update of an issue in the amount of €70,000; and review under the ISAE 3000 standard on non-financial engagements in the amount of €99,462.
- Performance for i-DE Redes Eléctricas Inteligentes, S.A.U. of: regulatory audit of operating facilities, in the amount of €173,447; regulatory audit of commissioned facilities, in the amount

of €121,150; and regulatory audit relating to the forms required by the CNMC, in the amount of €115,423.

- Provision to Conquense Distribución Eléctrica, S.A.U. and Anselmo León Distribución, S.A.U. of the following services: regulatory audits on the inventory of operating facilities; regulatory audits on commissioned facilities; and regulatory audits on the forms required by CNMC *Circular 4/2015*, in the total amount of €27,000 for each of the two companies.
- Preparation of a report on agreed-upon procedures regarding corporate services invoiced to the subsidiaries of Iberdrola Renovables Energía, S.A.U., in the amount of €8,000.
- Preparation of several comfort letters: for the update of a bond issue programme for Iberdrola Finanzas, S.A.U. in the amount of €20,000; within the framework of the issue of a hybrid bond for Iberdrola International, B.V. in the amount of €35,000; and for the update of an issue for Iberdrola Finanzas in the amount of €20,000.
- Verification of tax information for C. Rokas Industrial Commercial Company, S.A., in the amount of €94,590.
- Preparation for Iberdrola Clienti Italia, S.R.L. of: audit report on the financial statements for financial year 2020, prepared in accordance with the standard established by the Italian regulator, in the amount of €44,265; and audit of the general system charges, in accordance with the standard of the Italian regulator, in the amount of €65,000.
- Capital reduction and increase reports required by French law for Iberdrola Renovables France, S.A.S. and its subsidiary Ailes Marines, S.A.S., in the amount of €9,500.
- Preparation of a report on agreed-upon procedures regarding the certification of non-payment of tolls for the company Iberdrola Energie France, S.A.S. in the amount of €16,180.
- Report on the compliance plan submitted to the Australian securities regulator for Infigen Energy, Trust in the amount of A$8,522.
- Report for Infigen Energy Markets PTY, Ltd. and Infigen Energy RE, Ltd. for the Australian financial services regulator on financial statements and internal control in the amount of A$8,522.
- Reports relating to compliance with regulatory requirements for the companies Lake Bonney Wind Power PTY, Ltd, Lake Bonney BESS PTY, Ltd. and Bodangora Wind Farm PTY, Ltd. in the amount of A$15,644.
- Report on procedures regarding corporate services invoiced to the subsidiaries of Iberdrola Renovables Internacional, S.A.U., in the amount of €13,195.
- Verification of certain tax information for the financial year 2020 for the company Iberdrola México, S.A. de C.V. and its subsidiaries in the amount of Mex$3,400,000.
- Regulatory audit of SP Manweb, Plc., SP Transmission, Plc. and SP Distribution, Plc. in the amount of £16,604.
- Regulatory audit reports on Client Assets Sourcebook for the regulator, for Scottish Power Energy Management (Agency), Ltd., in the amount of £12,000.
- Audit of the consolidated segmented regulatory statements of Scottish Power UK, Plc. in the amount of £24,250.
- Preparation of an attestation in connection with the issuance of a green bond completed in April 2021 for Avangrid, Inc. ("**Avangrid**") in the amount of US$65,000.
- Annual subscription to the auditor's databases for Avangrid, a service provided free of charge.
- Software implementation services and data processing technologies to Avangrid in the amount of US$300,000.
- Regulatory audit of Avangrid to comply with the standards of the US regulator in the amount of US$250,000.
- Comfort letter and consent letter prepared for Avangrid: within the framework of a debt issue in the amount of US$144,000; within the framework of the debt issue by New York State Electric & Gas Corporation, including, if applicable, a limited review of interim financial statements, in the amount of US$185,000; and in connection with the related registration statement and offering form within the framework of a bond issue in the amount of US$350,000.

- Verification of internal controls for the process of migration from the Identity Management System to the Identity IQ system at UIL Holding Corporation, in the amount of US$19,300.
- Provision of the following services to Neoenergia and its subsidiaries: preparation of an annual regulatory report for financial year 2021 in the amount of R$168,011; preparation of an equity control report for financial year 2021 in the amount of R$100,595; preparation of a dividend cash flow report for financial year 2021 in the amount of R$22,590; reports relating to various financial ratios to support financial agreements in the amount of R$66,357; verification report on the Sustainability Report for the period 2020-2022 in the amount of R$61,319; equity control audit for financial year 2020 in the amount of R$87,153; cash flow procedures in connection with dividend distribution in the amount of R$16,033; regulatory audit for financial year 2020 in the amount of €162,796; reports on financial ratios in the amount of R$46,948; and quarterly reviews for 2020 and 2021 in the amount of R$660,879.
- Issuance of special report for Iberdrola RE, S.A. in compliance with the instructions of the Luxembourg securities market regulator, in the amount of €1,700.

Apart from what has already been described in the previous sections on its independence, the following should be noted with respect to the further development of the functions of the committee:

- In order to approve the provision of non-audit services by KPMG, an assessment is made as to whether the audit firm is best suited to provide such services. 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: a letter from KPMG addressed to the chair of the committee in order to request approval for the provision of the service in question and for the auditor to confirm that the provision of this service would not disqualify it or threaten its independence; and a presentation by the Internal Audit Area describing the main characteristics and terms and conditions of the service, and confirming whether the provision thereof by the auditor has 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 actions, as it considered them to be unquestionably related to the audit of accounts: (i) the preparation of comfort letter 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 should henceforth only 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 2021

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 31/12/2021

TAX IDENTIFICATION CODE (C.I.F.) A-48010615

Company name: IBERDROLA, S.A.

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

NOTE: The English text of the headings of this Annual Director Remuneration Report have been extracted directly from the English-language template provided by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

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.

Pursuant to Article 48.1 of the By-Laws, the overall limit to the amounts allocated by Iberdrola, S.A. ("Iberdrola" or the "Company") to the directors each year as remuneration, including, in the case of executive directors, remuneration payable for performing executive duties, as well as the funding of a reserve to meet the liabilities assumed by the Company in connection with pensions, payment of life and casualty insurance premiums, payment of severance to former and current directors, and the operating expenses of the Board of Directors and of its committees, is a maximum of 2% of the consolidated group's profit for the financial year, after allocations to cover the legal and other mandatory reserves and after declaring a dividend to the shareholders of not less than 4% of the share capital. In 2021, said amount came to €17,000 thousand (in financial year 2020, it also came to €17,000 thousand).

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

The Director Remuneration Policy must be submitted by the Board of Directors, after a proposal from the Remuneration Committee, for the approval of the shareholders at the General Shareholders' Meeting. The current Policy was approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021. The good corporate governance practices of international issuers and investors have been taken into account in the preparation thereof.

Although the amendments made by Section 529 *novodecies* of the Spanish Companies Act (*Ley de Sociedades de Capital*) regarding the director remuneration policy came into force after the shareholders' approval of the current Policy, the text of the Policy, the general lines of which are similar to the one previously in force and approved by the shareholders at the General Shareholders' Meeting held on 13 April 2018, conforms to the requirements of said section.

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

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

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

The Remuneration Committee has been advised by Sagardoy Abogados on certain aspects of the current Director Remuneration Policy.

No temporary exceptions to the current Director Remuneration Policy are expected during the current financial year.

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.

The final structure of the "remuneration mix" of executive directors is strongly affected by variable components, and particularly by the evaluation of the performance of said directors by the Board of Directors, upon a proposal of the Remuneration Committee, as well as the evaluation of the change 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.

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

Multi-annual variable remuneration 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 and will be paid in years 2023 to 2025 by means of a deferred delivery of shares. The second delivery of shares corresponding to the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting held on 31 March 2017 took place during the first quarter of 2021. The third delivery will take place in the first quarter of 2022. Section D of the Annual Director Remuneration Report for financial year 2020 reports on the Company's performance regarding the objectives for the 2017-2019 Strategic Bonus.

In any event, and as a mere approximation, 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) 30% fixed remuneration, 30% annual variable remuneration and 40% multi-annual variable remuneration for the chairman & CEO; and (b) 40% fixed remuneration, 30% annual variable remuneration and 30% multi-annual variable remuneration for the Business CEO (who ceased to be an executive officer effective 1 November 2021). Both estimates have been made taking into account a potential swing of +/-5 percentage points.

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

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.

For financial year 2022, the Board of Directors, upon a proposal of the Remuneration

Committee, has unanimously resolved to maintain the fixed remuneration and the amounts set as attendance fees. These amounts have been frozen since 2008.

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

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

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

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

The Board of Directors has resolved to maintain the fixed remuneration for the performance of executive duties of the chairman & CEO for financial year 2022 at €2,250 thousand.

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. For 2022, the Board of Directors has resolved to maintain the maximum limit on the annual variable remuneration of the chairman & CEO at the same level as in 2021 (€3,250 thousand).

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

- Economic/financial objectives; 50% specific weight:
  - exceed net profit for the preceding financial year.
  - increase shareholder remuneration similar to growth in net profit.
  - maintain financial strength in the FFO/Net Debt ratio at year-end 2021.

- Sustainable development goals; 50% specific weight:
  - continuous increase of female presence in positions of responsibility.
  - presence on international indices.
  - exceed ratio of training hours received per employee over that of comparable companies.

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

The Board of Directors shall evaluate performance in relation to the aforementioned parameters based on a proposal to be made thereto by the Remuneration Committee, which may be advised by an independent expert which will take into account the individual performance of the chairman & CEO. In any event, payment of said annual variable remuneration is made once the annual accounts have been prepared by the Board of Directors and subsequently audited. Within its margin of discretion, the evaluation by the Board of Directors shall also consider the overall economic/financial and operational performance of the Company.

In addition, 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: a maximum of 300, including executive directors.
- Parameters: (i) substantial increase in net profit; (ii) comparative increase in total shareholder return; (iii) improvement in financial strength; and (iv) parameters related to the Sustainable Development Goals (average intensity of CO_2 emissions, suppliers subject to sustainable development policies and standards, and salary gap between women and men).
- Maximum number of shares to be delivered: 14,000,000, equal to 0.22% of the share capital at the time of approval of the resolution.
- Maximum number of shares to be delivered to all of the executive directors: 2,500,000 shares (a maximum of 1,900,000 shares in the case of the chairman & CEO and 300,000 shares in the case of the then-Business CEO).
- Duration: evaluation period 2020-2022 and payment period 2023-2025, in three equal instalments each year.
- Annual verification by the Remuneration Committee, prior to each of the payments, that the circumstances leading to the accrual thereof remain in effect. The first

payment will be made after the annual accounts have been prepared by the Board of Directors, audited, and approved by the shareholders at the General Shareholders' Meeting. In any event, the 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 second delivery of shares corresponding to the payment of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting held on 31 March 2017 took place during financial year 2021 upon the terms described in section D of the Annual Director Remuneration Report for financial year 2020. The third and final delivery will take place during the first quarter of financial year 2022.

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.

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.

Contracts with new executive directors and with the members of senior management include, as from 2011, maximum severance pay equal to two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This was the system applicable to the Business CEO, who was appointed as a director by the shareholders at the General Shareholders' Meeting held on 31 March 2017, and who ceased to be an executive officer effective 1 November 2021.

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

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

Furthermore, the contract with the chairman & CEO 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.

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.

None.

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 2022 the chairman & CEO will receive an amount similar to the amount set forth in section C of this Report for his positions as chairman of the boards of directors of Neoenergia, S.A. and Avangrid, Inc.

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

a) A new policy or an amendment to a policy already approved by the General Meeting.

b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.

c) Proposals that the Board of Directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and for which it is proposed that they be applicable to the current year.

The Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021 has been in force since the financial year of its approval and will be in force during financial years 2022, 2023 and 2024. The text thereof has been adjusted to conform to the amendments made by Section 529 *novodecies* of the Spanish Companies Act (*Ley de Sociedades de Capital*), which came into force after the approval of this Policy by the shareholders at the General Shareholders' Meeting.
The changes made, although not significant, include the following: (i) the energy transition is a benchmark for the remuneration of executive directors; (ii) the fixed remuneration of directors as such is specified; (iii) the annual variable remuneration is limited as a maximum percentage of the fixed remuneration of executive directors; and

(iv) new benchmark parameters for variable remuneration are included.

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

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

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

Iberdrola maintains continuous contact with both its individual and institutional shareholders. The Activities Report of the Board of Directors and of the Committees thereof (https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents) contains a section dedicated to the Shareholder Engagement Report that reports on the intense activity carried out in this regard and on the issues dealt with at these meetings. As a result, more detail is provided in section B.3 of this Report on the financial and non-financial parameters to which the annual variable remuneration is linked, as well as the executive directors' level of performance with respect to these parameters during financial year 2021.

For its part, the Annual Director Remuneration Report for 2020 received the support of a broad majority in the consultative vote at the General Shareholders' Meeting held on 18 June 2021. This also happened with the current Director Remuneration Policy submitted to a binding vote at the same Meeting.

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.

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

The Remuneration Committee, which met on 12 occasions during financial year 2021, is comprised of the following as at the date of this report:

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

In all of their decision-making processes, the Remuneration Committee 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 2021.

A benchmark analysis of the remuneration paid by the Company compared to the remuneration paid to executive directors by other comparable companies has also been performed internally. A summary thereof is included in section D of this Report.

The proposal determining the individual remuneration of each executive director was submitted by the Remuneration Committee to the Board of Directors at its meeting of 21 February 2022.

B.1.2 Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year.

There have been no deviations from the established procedure.

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 has been applied.

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 3 years. In addition, the payment of this remuneration is implemented through the delivery of shares over the next 3 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 2021 fully conforms to the current Director Remuneration Policy. In this regard: (i) it does not exceed the overall limit established by Article 48.1 of the By-Laws; (ii) it has been formulated and approved by the competent decision-making bodies following the prescribed procedure; (iii) it respects the remuneration principles and structure provided by the Director Remuneration Policy; and (iv) the annual fixed remuneration to be paid to the directors does not exceed the limits set forth in the Policy.

The annual variable remuneration accrued by the executive directors for the performance of their executive duties during financial year 2021 has taken into account as a reference the parameters and objectives identified in the Annual Director Remuneration Report approved by the shareholders on a consultative basis at the General Shareholders' Meeting held on 18 June 2021. Furthermore, this remuneration is consistent with the parameters, indicators and objectives presented at the Capital Markets Day held on 5 November 2020, which forecast a Company that is financially profitable in the long term, respectful of and committed to the environment, and engaged with its various Stakeholders, to which it contributes with the social dividend envisaged in Article 7 of the By-Laws as the sustainable contribution of value to such Stakeholders.

The Board of Directors, at the proposal of the Remuneration Committee, considers that the results for financial year 2021 have exceeded the budget and that the objectives have been fully achieved. Furthermore, they have been achieved in extremely complex and adverse circumstances (pandemic, regulatory uncertainty, tax adjustment in the United Kingdom, etc.). Therefore, the annual variable remuneration of the chairman & CEO has amounted to 100% of the maximum amount contemplated in the Annual Director Remuneration Report for financial year 2020. The annual variable remuneration of the former Business CEO has amounted to 100% of the maximum forecast in the aforementioned Report. Section B.11 describes the terms for the cessation of Francisco Martínez Córcoles as executive director.

A summary of the performance of each of the executive directors compared to their benchmark parameters is set forth below.

Chairman & CEO:

- Economic/financial objectives; 50% specific weight:
  - Net profit for the financial year 2021 amounted to €3,885 million, 107.6% of the target.
  - Shareholder remuneration amounted to €0.422 per share, an increase in line with net profit. The dividend has grown by 35.3% since 2017, which entails average annual growth of 7.8%. Pay-out has amounted to 75.2%, above the maximum of the established range.
  - In terms of financial strength, the year-end FFO/net debt ratio was 23.9%, 0.4% higher than the previous year, and in any case above the target.
- Sustainable development goals; 50% specific weight:
  - Women represent 33.7% of positions of responsability, 0.7% more than the previous year. The percentage of women in senior management (27.27%) is noteworthy.
  - Iberdrola maintains its presence on the world's leading sustainability indices (DJSI, FTSE4Good, World's Most Ethical Companies). It is also included on other indices: Global 100, CDP Climate Change, ISS ESG

(Prime), MSCI Global Sustainability Index (AAA), Bloomberg Gender Equality Index, etc.

– The number of training hours provided in 2021 amounts to 58.6 hours/employee, far higher than comparable companies according to FUNDAE (State Foundation for Employment Training), far exceeding full compliance with the objective.

Business CEO:

- Economic/financial objectives; 50% specific weight:
  – Net profit of the Businesses amounted to €3,947 million, 100.8% of the target. Taking into account unexpected impacts (reversal of the hydroelectric fee, adjustment of tax rates in the UK, COVID effect, etc.), the figure would amount to €3,893 million, 0.4% higher than budgeted for the year.
- Growth objectives; 50% specific weight:
  – The value of the new regulated assets placed into operation reached €2,911 thousand, 104.2% of full achievement of the objective.
  – New installed capacity in the year amounted to 3,483 MW, which brings us closer to the 2025 target of 60 GW.
  – The number of contracts exceeded 28.06 million, an achievement level of 106%.
  – The accident rate has reached 97% of the objective.

Other aspects of the Company's performance in 2021 is described below:

- EBITDA grew by 20% to over €12,000 million.
- 7,800 MW under construction, of which 2,600 MW are off-shore.
- The remuneration basis of regulated assets has grown by €2,000 million to €33,000 million.
- 50% of operating margin is protected against inflation and supplies for 2022 are secured with fixed prices.
- New hires of 5,100 professionals into the group, 47% of them young people under the age of 30.

As regards the multi-annual variable remuneration received in financial year 2021, Section D of the Annual Remuneration Report for financial year 2020 reports on the Company's performance compared to the objectives for the 2017-2019 Strategic Bonus, the second delivery of shares from which was effected in the first quarter of 2021.

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	4,224,969,018	65.83

	Number	% of votes cast
Votes against	688,889,858	16.31
Votes in favour	3,453,657,867	81.74
Blank ballots	877,385	0.02
Abstentions	81,543,908	1.93

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 2021 by each of the executive directors are determined in the Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021.

The fixed remuneration comes to €2,250 thousand in the case of the chairman & CEO and to €833 thousand in the case of the Business CEO (who ceased to hold office as an executive officer effective 1 November 2021). The annualised amounts have not changed compared to the past year.

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

In particular:

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

b) In the case of share options and other financial instruments, the general characteristics of each plan must include information on the conditions both for acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period.

c) Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).

d) Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

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

Explain the long-term variable components of the remuneration systems
The evaluation period for purposes of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting held on 31 March 2017 finished on 31 December 2019. The Board of Directors, upon a proposal from the Remuneration Committee, considered that the objectives to which said multi-annual variable remuneration was linked had been fully achieved, for which reason the maximum number of shares contemplated should be allocated to each of the executive directors. The Remuneration Committee relied on the advice of PwC Asesores for these purposes. Section D of the Director Remuneration Report for financial year 2020 reports on the Company's performance in relation to the parameters and objectives set out in the shareholders' resolution. The second of the three deliveries of shares was made on 1 March 2021, after the Remuneration Committee issued a report confirming that the grounds for this deferred variable remuneration still applied. In this respect, it should be noted that the increase in multi-annual variable remuneration is mainly due to the increase in the price of the shares delivered compared to the price in previous years. Along these lines, the capitalisation of the Company has increased by 68.3% to €66,781 thousand during the period 1/1/17-1/3/21. In short, this item of remuneration is consistent with its purpose: to align the interests of executive directors with those of the shareholders, taking into consideration the long-term results of the Company. The Director Remuneration Policy provides that they 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.

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

This has not occurred.

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

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

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

Pursuant to the provisions of section 4.3 of the Director Remuneration Policy regarding the non-competition commitment of external non-proprietary directors, Mr José Walfredo Fernández, who resigned as director on 6 August 2021, received a severance payment equal to 90% of the fixed amount he would have received for the remainder of his term. 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.

Mr Francisco Martínez Córcoles ceased to hold office as an executive officer effective 1 November 2021. He continues as a member of the Board of Directors with the status of other external. On the occasion of his departure, he was recognised for his long professional career (36 years at Iberdrola), his decisive contribution to the operational excellence of the Company and to the creation of a world energy leader with a high rate of return to its shareholders that has generated value sustainably for all of its Stakeholders. His merits have earned him the status of "good leaver" by the Board of Directors. In this regard, in addition to fixed remuneration until the effective date of his cessation in office as an executive officer, the Remuneration Committee has proposed to recognise his right to receive 100% of the annual variable remuneration corresponding to his performance in 2021, the third delivery of shares from the 2017-2019 Strategic Bonus, and the remuneration corresponding to the 2020-2022 Strategic Bonus. The cessation of office of Mr Francisco Martínez Córcoles did not give rise to any severance payment or financial compensation for the non-competition undertaking.

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

No supplementary remuneration has accrued.

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

None.

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

Remuneration in kind for all members of the Board of Directors is not significant and has not exceeded €150 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.

None.

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

C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Period of accrual in year 2022
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Executive Chairman	From 01/01/2021 until 31/12/2021
MR IÑIGO VÍCTOR DE ORIOL IBARRA	Other External Director	From 01/01/2021 until 31/12/2021
MS SAMANTHA BARBER	Other External Director	From 01/01/2021 until 26/10/2021
MS MARÍA HELENA ANTOLÍN RAYBAUD	Independent Director	From 01/01/2021 until 31/12/2021
MR JOSÉ WALFREDO FERNÁNDEZ	Independent Director	From 01/01/2021 until 06/08/2021
MR MANUEL MOREU MUNAIZ	Independent Director	From 01/01/2021 until 31/12/2021
MR XABIER SAGREDO ORMAZA	Independent Director	From 01/01/2021 until 31/12/2021
MR JUAN MANUEL GONZÁLEZ SERNA	Independent Director	From 01/01/2021 until 31/12/2021
MR FRANCISCO MARTÍNEZ CÓRCOLES	Other External Director	From 01/01/2021 until 31/12/2021
MR ANTHONY L. GARDNER	Independent Director	From 01/01/2021 until 31/12/2021
MS SARA DE LA RICA GOIRICELAYA	Independent Director	From 01/01/2021 until 31/12/2021
MS NICOLA MARY BREWER	Independent Director	From 01/01/2021 until 31/12/2021
MS REGINA HELENA JORGE NUNES	Independent Director	From 01/01/2021 until 31/12/2021
MR ÁNGEL JESÚS ACEBES PANIAGUA	Independent Director	From 01/01/2021 until 31/12/2021
MS MARÍA ÁNGELES ALCALÁ DÍAZ	Independent Director	From 26/10/2021 until 31/12/2021
MS ISABEL GARCÍA TEJERINA	Independent Director	From 16/12/2021 until 31/12/2021

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 2021	Total in year 2020
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	567	92		2,250	3,250			107	6,266	6,242
MR IÑIGO VÍCTOR DE ORIOL IBARRA	165	40	88					4	297	314
MS SAMANTHA BARBER	135	58	72					1	266	446
MS MARÍA HELENA ANTOLÍN RAYBAUD	165	56	275					6	502	496
MR JOSÉ WALFREDO FERNÁNDEZ	99	30	52				374	1	556	294
MR MANUEL MOREU MUNAIZ	165	70	88					3	326	325
MR XABIER SAGREDO ORMAZA	165	64	275					4	508	505
MR JUAN MANUEL GONZÁLEZ SERNA	165	110	275					2	552	536
MR FRANCISCO MARTÍNEZ CÓRCOLES	165	16		833	1,000			160	2,174	2,216
MR ANTHONY L. GARDNER	165	42	122					2	331	288
MS SARA DE LA RICA GOIRICELAYA	165	56	275					3	499	385
MS NICOLA MARY BREWER	165	36	88					1	290	212
MS REGINA HELENA JORGE NUNES	165	40	88					1	294	216
MR ÁNGEL JESÚS ACEBES PANIAGUA	165	66	88					4	323	61
MS MARÍA ÁNGELES ALCALÁ DÍAZ	30	6	16						52	
MS ISABEL GARCÍA TEJERINA	7		4						11	

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 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2021	
		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				633,333	€10.44	6,614			633,334
	20-22 Strategic Bonus		1,900,000					0				1,900,000
MR FRANCISCO MARTÍNEZ CÓRCOLES	17-19 Strategic Bonus		300,000				100,000	€10.25	1,025			100,000
	20-22 Strategic Bonus		300,000					0				300,000

Observations
The chairman & CEO received the second delivery of shares (633,333 in 2021) corresponding to the payment of the 2017-2019 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 31 March 2017. Each of the deliveries of said shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect. The number of shares delivered is the same as last year. The increase in the remuneration thereof is the result of the increase in the share price. Pursuant to the provisions of the 2020-2022 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the evaluation of performance during the 2020-2022 period, to be paid, if appropriate, in three equal parts in 2023, 2024 and 2025. For his part, the Business CEO (who ceased to hold office as an executive officer effective 1 November 2021) received the second delivery of shares (100,000 in 2021) corresponding to the payment of the 2017-2019 Strategic Bonus. Each of the deliveries of said shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect. The number of shares delivered is the same as last year. The increase in the remuneration thereof is the result of the increase in the share price. Pursuant to the provisions of the 2020-2022 Strategic Bonus, the director Mr Francisco Martínez Córcoles may receive up to a maximum of 300,000 shares, to be paid, if appropriate, in three equal parts in 2023, 2024 and 2025.

iii) Long-term savings schemes

iv) Details of other items

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

i) Remuneration accruing in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total in year 2021	Total in year 2020
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	325								325	307
MS MARÍA ÁNGELES ALCALÁ DÍAZ	67								67	20
MS ISABEL GARCÍA TEJERINA	114								114	22

Observations
Mr José Ignacio Sánchez Galán is chairman of the Board of Directors of Neoenergía, S.A. and Avangrid, Inc. Ms María Ángeles Alcalá Díaz has been a director of Iberdrola España, S.A. Ms Isabel García Tejerina has been a director of Neoenergía, SA.

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 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2021	
		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											

iii) Long-term savings schemes

iv) Details of other items

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 2021 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 2021 group**	**Total in year 2021 company + group**
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	6,266	6,614			12,880	325				325	13,205
MR IÑIGO VÍCTOR DE ORIOL IBARRA	297				297						297
MS SAMANTHA BARBER	266				266						266
MS MARÍA HELENA ANTOLÍN RAYBAUD	502				502						502
MR JOSÉ WALFREDO FERNÁNDEZ	556				556						556
MR MANUEL MOREU MUNAIZ	326				326						326
MR XABIER SAGREDO ORMAZA	508				508						508
MR JUAN MANUEL GONZÁLEZ SERNA	552				552						552
MR FRANCISCO MARTÍNEZ CÓRCOLES	2,174	1,025			3,199						3,199
MR ANTHONY L. GARDNER	331				331						331
MS SARA DE LA RICA GOIRICELAYA	499				499						499
MS NICOLA MARY BREWER	290				290						290

MS REGINA HELENA JORGE NUNES	294				294						294
MR ÁNGEL JESÚS ACEBES PANIAGUA	323				323						323
MS MARÍA ÁNGELES ALCALÁ DÍAZ	52				52	67				67	119
MS ISABEL GARCÍA TEJERINA	11				11	114				114	125
Total:	**13,247**	**7,639**			**20,886**	**506**				**506**	**21,392**

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 2021	% change 2021/2020	Year 2020	% change 2020/2019	Year 2019	% change 2019/2018	Year 2018	% change 2018/2017	Year 2017
Executive directors									
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	13,205	8.23	12,201	16.96	10,432	9.22	9,551	0.81	9,474
External directors									
MR IÑIGO VÍCTOR DE ORIOL IBARRA	297	-5.41	314	1.29	310	4.73	296	-1.00	299
MS SAMANTHA BARBER	266	-40.36	446	-14.89	524	1.55	516	0.39	514
MS MARÍA HELENA ANTOLÍN RAYBAUD	502	1.21	496	-0.60	499	2.67	486	-0.21	487
MR JOSÉ WALFREDO FERNÁNDEZ	556	89.12	294	0.00	294	0.00	294	0.68	292
MR MANUEL MOREU MUNAIZ	326	0.31	325	3.17	315	-0.63	317	0.63	315
MR XABIER SAGREDO ORMAZA	508	0.59	505	6.54	474	60.68	295	0.68	293
MR JUAN MANUEL GONZÁLEZ SERNA	552	2.99	536	10.29	486	25.58	387	41.24	274
MR FRANCISCO MARTÍNEZ CÓRCOLES	3,199	3.36	3,095	-1.37	3,138	6.95	2,934	9.64	2,676

MR ANTHONY L. GARDNER	331	14.93	288	1.41	284	43.43	198	-	0
MS SARA DE LA RICA GOIRICELAYA	499	29.61	385	76.61	218	-	0	-	0
MS NICOLA MARY BREWER	290	36.79	212	-	0	-	0	-	0
MS REGINA HELENA JORGE NUNES	294	36.11	216	-	0	-	0	-	0
MR ÁNGEL JESÚS ACEBES PANIAGUA	323	429.51	61	-16.44	73	-76.75	314	0.32	313
MS MARÍA ÁNGELES ALCALÁ DÍAZ	119	-	0	-	0	-	0	-	0
MS ISABEL GARCÍA TEJERINA	125	-	0	-	0	-	0	-	0
Consolidated results of the company	3,885	7.59	3,611	4.18	3,466	15.00	3,014	7.49	2,804
Average employee remuneration	77	-1.28	78	-4.88	82	3.80	79	-17.71	96

Observations
The fixed remuneration of external directors has remained unchanged during the reporting period. The changes appearing in the table are due to the following reasons: (i) the director has not been in office during the entire year; (ii) at some point during the year the director has assumed, or ceased to assume, the chairmanship of a consultative committee; and (iii) the amount of attendance fees has changed due to a different number of meetings of the Board of Directors or of the relevant committee. As regards the remuneration of the executive directors, the main reason for the changes is the increase in multi-annual variable remuneration due to the increase in the share price (and, to a lesser extent, also in the number of shares delivered), as explained in section B.7 of this Report. The average employee remuneration figure includes: wages and salaries, social security, pensions, social expenses and extraordinary items. Average employee remuneration is not materially affected by changes in the share price. Average remuneration of employees is affected by internalisation of basic Network services in Brazil that were previously outsourced, as well as by the growth of the company's industrial activity in Latin America, which has led to a reduction in the overall average remuneration of employees.

D OTHER INFORMATION OF INTEREST

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

BENCHMARK

In February 2022 the Remuneration Committee received an internal benchmark analysis of 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).
   - Turnover in the last financial year of at least 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 have been 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).
   - 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

IBERDROLA's positioning is in the decile of 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 22 February 2022.

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

Yes ☐ **No X**

Annual
Financial Report

Statement of responsibility

IBERDROLA

Year 2021

ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY 2021

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, 2021, issued by the Board of Directors at its meeting held on February 22, 2022, 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 22, 2022

Mr José Ignacio Sánchez Galán
Chair & 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

Mr Francisco Martínez Córcoles
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

Certificate drafted by the secretary of the Board of Directors to put on record that the directors Ms Nicola Mary Brewer and Mr Xabier Sagredo Ormaza do not sign by reason of their attendance to the meeting using remote communication systems, with the First vice-chair and Lead independent director, Mr Juan Manuel González Serna, signing in lieu of the director Ms Nicola Mary Brewer, and the director Ms María Ángeles Alcalá Díaz signing in lieu of the director Mr Xabier Sagredo Ormaza, both following the express instructions issued for such purposes by the referred directors.

Julián Martínez-Simancas Sánchez