



Integrated Report

February 2023





Iberdrola's public information

Iberdrola provides its Stakeholders with all relevant information regarding the performance of the company in a systematic and accessible manner.

Annual information

- [Annual Financial Report](#)

Prepared according to International Financial Reporting Standards (IFRS) and audited.

- [Statement of Non-Financial Information](#)

Prepared according to the Global Reporting Initiative (GRI) guidelines and SASB standards, and externally assured.

- [Integrated Report](#)

Prepared following the recommendations of the International Integrated Reporting Council (IIRC).

- [Annual Corporate Governance Report](#)

Prepared according to the form provided by the National Securities Market Commission of Spain.

- [Annual Directors Remuneration Report](#)

Prepared according to the form provided by the National Securities Market Commission of Spain.

- [Annual Activities Report of the Board of Directors and of the Committees thereof](#)

Prepared following the recommendations of the Good Governance Code of Listed Companies and best international practices.

Integrated Reporting and ESG Information

Prepared to facilitate Stakeholders' consultation of Iberdrola's ESG performance.

Additional information

Economic / financial

- [Quarterly Results Report](#)
- [Presentation of results](#)
- [IBE Watch Fact Sheet](#)
- [Quarterly Shareholder Bulletin](#)
- [Capital Markets Day](#)

Social

- [Sustainability](#)
- [Talent and Culture](#)
- [Social Commitment](#)
- [Human Rights](#)
- [Diversity and Inclusion Report](#)
- [SHAPES](#)

Environmental

- [Corporate Environmental Footprint Report](#)
- [Biodiversity Report](#)
- [Greenhouse Gas Report](#)
- [Innovation](#)

Corporate Governance

- [About Us](#)
- [Corporate Governance](#)
- [Shareholders and investors](#)
- [Report on Tax Transparency of the Iberdrola group](#)



Access the annual reports for financial year 2022 and supplementary documentation regarding the Iberdrola group by scanning the corresponding QR code using your smart phone or tablet.



Letter from the chairman



Ignacio S. Galán
Chairman of Iberdrola

We are at a crucial moment for the energy sector. Dependence on fossil fuels, which has been generating structural problems for decades (pollution, dependence on third countries, loss of competitiveness, etc.), has been one of the main triggers in 2022 of a geopolitical and energy crisis in Europe without precedent in the last 75 years.

It is time to break this trend once and for all and commit to a sustainable, efficient and safe energy model. As we have been demonstrating over the last two decades, this model is fully viable and has positive impacts on the environment, energy security, the economy and employment.

Accelerating the electrification of our energy systems through investments in clean generation, grid and storage infrastructure will enable new industrialisation opportunities, increase our independence, strengthen the fight against climate change over time, and reduce our vulnerability to new crises.

The International Energy Agency forecasts that electricity demand will double by 2040, driven by transport, air conditioning of buildings, and industry. Responding to this growth will require a 5- to 6-fold increase in clean energy production and a nearly 4-fold increase in current investment in transmission and distribution networks. This will allow for the integration of more renewables, the mass deployment of sustainable mobility, and the creation of cleaner, more efficient and smarter cities.

Record investments

The commitment of electricity *utilities* to this acceleration of investment will be crucial to achieving these objectives. In recognition of this reality, at our Capital Markets Day last November, we presented record investment plans of €47,000 million for the 2023-2025 period and confirmed that we expect this trend to continue through to 2030.



In the next three years we will accelerate our growth, promoting the main vectors of the energy transition: electricity grids, the backbone of the energy system, to which we will allocate €27,000 million; and renewable energy, with more than €17,000 million in investments.

These investments will boost our presence in the United States, Europe and Latin America, increasing our presence with new investments in Germany, France and Australia.

As a result of this strategy, we estimate that net profit will be in the range of €5,200 to 5,400 million in 2025, with average annual growth of 8-10%. And we will continue to increase the dividend in line with our results, which, based on our estimates, will bring the dividend to a range of between €0.55 and €0.58 per share in 2025, compared with €0.449 paid last year. This will entail the allocation of approximately €11,000 million to shareholder remuneration over the period.

Social commitment

Just as with our financial dividend, we are committed to further strengthening our social dividend, for which reason we have included specific activities relating to environmental, social and corporate governance factors in our plan.

Our ambitious decarbonisation strategy will enable us to reach net zero emissions at our generation plants and in our own consumption by 2030, and in all of our activities by 2040. And we will continue to generate positive impacts on biodiversity, fostering balance in ecosystems and species and generating a net zero or positive impact by the end of the decade.

Our growth will provide a new stimulus to job creation, with the promotion of talent, diversity and inclusion as fundamental pillars. We thus plan to generate 12,000 new hires in the next three years alone, and to sustain more than 500,000 jobs across our supply chain by 2030 through our purchases, which last year alone reached €17,800 million.

In this area of our social commitment, we will also promote new initiatives through our Foundations, to which we allocate €20 million per year, close to 0.5% of our profits, increasing the number of beneficiaries to more than 10 million people per year worldwide by the end of the decade. And we will continue to promote our International Volunteering Programme, in which nearly 17,000 people participate.

We will continue to be guided by our Governance and Sustainability System in all of these activities, maintaining our leadership in the application of international best practices in corporate governance, ethics and transparency.

This report provides a detailed overview of the group's outlook based on various operational, management and financial parameters, in order to give an overall view of our performance.

Iberdrola has spent decades focusing its activity on building a secure energy system and a source of sustainable development. Now, more than ever, we must accelerate to achieve it, which is the best recipe for meeting the challenges of today and for facing those that may come in the future.

Ignacio S. Galán
Chairman of Iberdrola

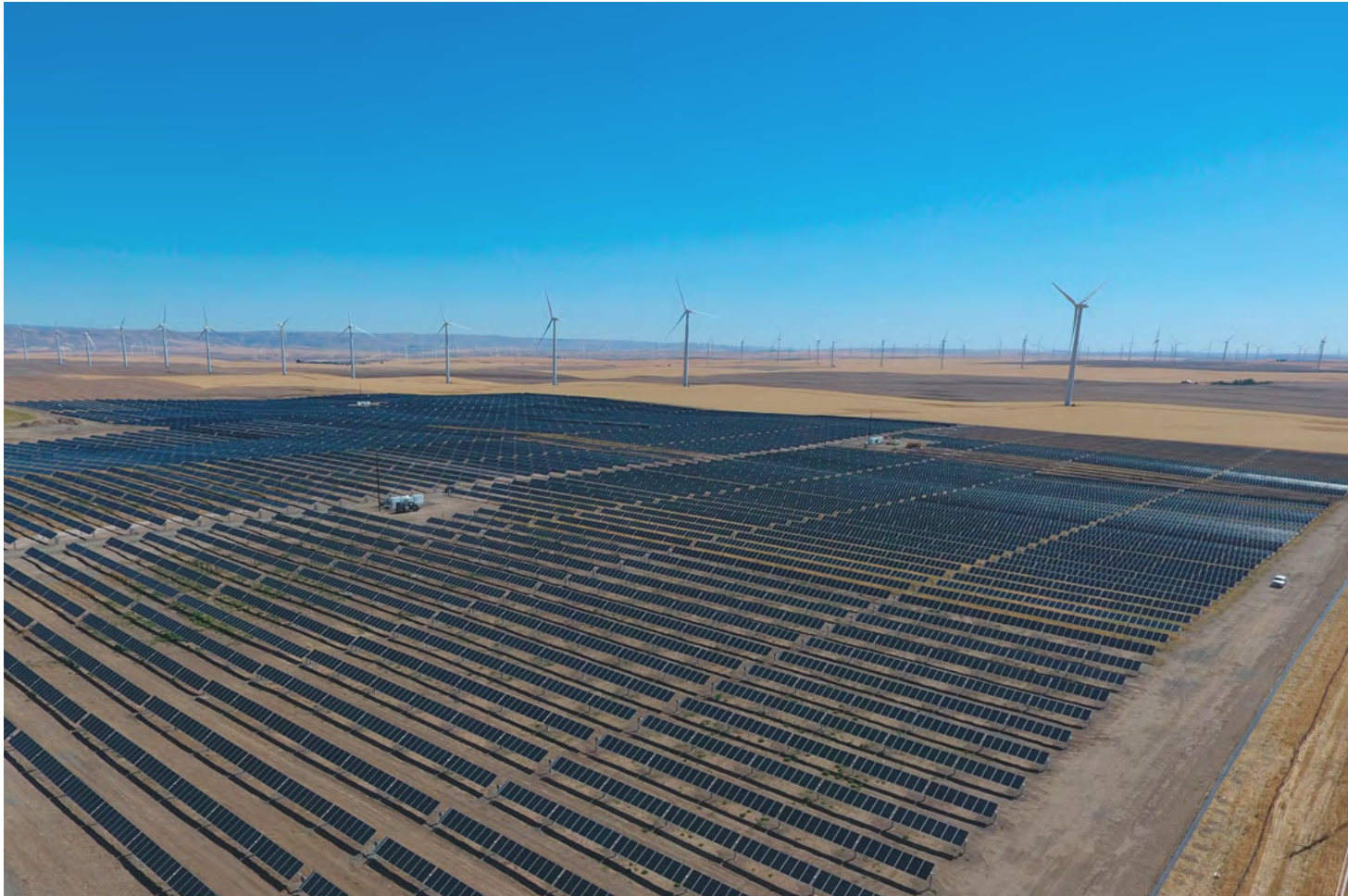


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- The company Iberdrola, S.A., parent company of the Iberdrola group, is referred to as "Iberdrola", the "Company" or the "company" in this report. Iberdrola (as parent company) and the group of subsidiaries over which Iberdrola, S.A. has the power of control or joint control are also referred to as the "Iberdrola group" or the "group".
- The figures included in this translation follow the customary English convention, with figures in thousands separated by a comma (,) and decimals indicated by a full stop (.).
- €M: millions of euros; \$M: millions of dollars; £M: millions of pounds sterling; R\$ Brazilian reais.
- IFRS-11 is not being applied in the operational indicators (installed capacity, production, etc.).

The utility of the future





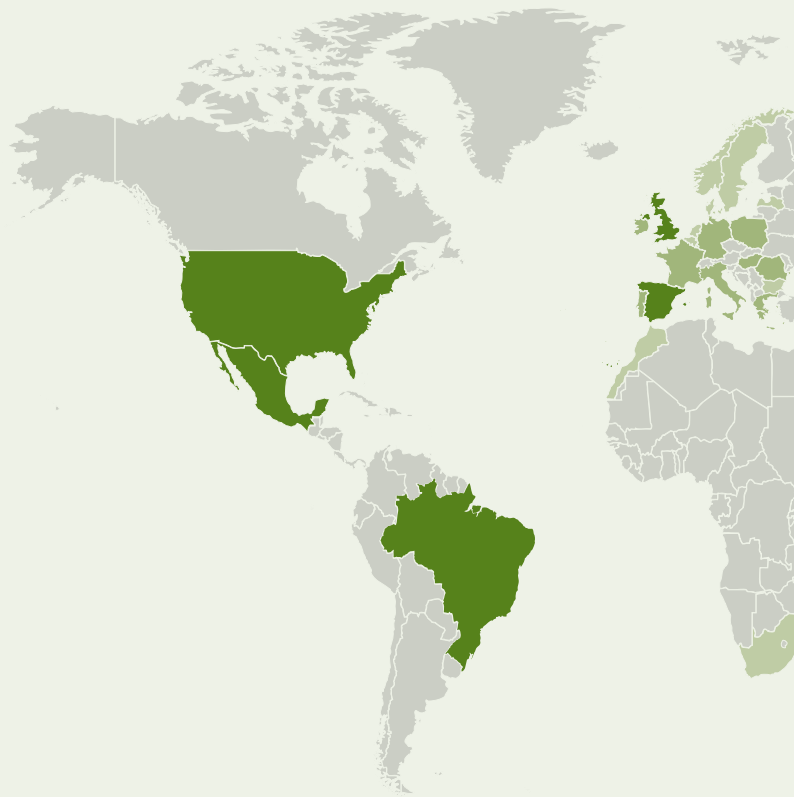
THE UTILITY OF THE FUTURE

After more than 170 years of history, the Iberdrola group today is a **global energy leader, the world's leading wind energy producer**, and one of the **largest electricity companies by market capitalisation⁽¹⁾**. Iberdrola has accelerated the energy transition by two decades in order to combat climate change and provide a sustainable and competitive business model that creates value in the places where the company operates. The group supplies energy to almost 100 million people in dozens of countries, employs more than 40,000 people and has assets in excess of €150,000 million¹.

IBERDROLA IN

235,506 GWh
of distributed electricity

1,264,641 Km
of power lines



JANUARY 2022

Iberdrola is awarded 7,000 MW of offshore wind power in Scotland in the largest tender by Crown Estate Scotland to date, involving a total investment of €22,500 million.

Iberdrola signs its largest green loan in the amount of €1,000 million with the guarantee of the Export Credit Agency, for the purchase of turbines for onshore and offshore wind farms for projects in Spain, Poland, Greece, Germany and the United Kingdom.

Iberdrola acquires its largest onshore wind farm in the world, with 1,000 MW, in Australia.

Iberdrola inaugurates its Puertollano green hydrogen plant, the largest industrial plant of this type in Europe, which will produce up to 3,000 tonnes of renewable hydrogen per year.

Iberdrola is recognised as the best European company in the dissemination of ESG information by the League of American Communications Professionals (LACP), with the Platinum award.

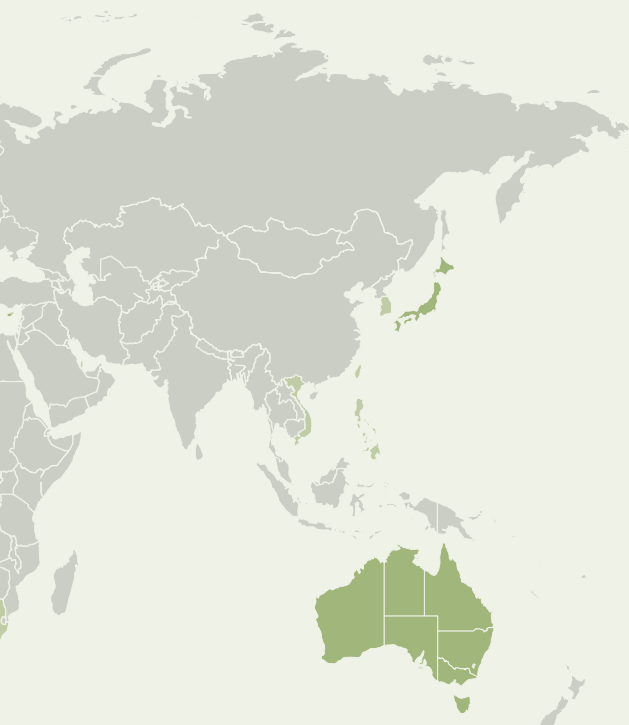
(1) At year-end 2022.



THE WORLD

60,761 MW
of installed capacity

163,031 GWh
of net production



Our capital

The group's capitals are the source of value creation for the company, which engage in its activities through their appropriate management.

Social dividend as an increase in the value of our capital

The strategy defined by the company transforms these capitals to create value for all its Stakeholders. The social dividend created by Iberdrola's strategy and business model translates into an increase in the value of its capitals, which in turn feed back into the value creation cycle, thus effectively linking the operations of the company's businesses and capitals.

Key performance indicators 2022 ⁽¹⁾



€10,730 million gross investment
€4,339 million million net profit



€17,796 million of purchases from suppliers
1,958 MW in renewables startup



€363 million of investment in Innovation



40,721 employees
68 hours of training per employee



88 g CO₂/kWh emissions
80 % emission-free installed capacity



€52 million of contributions to society
36 million consumers

DECEMBER 2022

Iberdrola obtains its largest networks project in the world: it will build a 1,700-kilometre power line in Brazil.

Iberdrola inaugurates the Tâmega Gigabattery in Portugal, the largest clean energy project in the country's history, following an investment of more than €1,500 million.

Iberdrola starts up Francisco Pizarro, the largest photovoltaic plant in Europe, with an installed capacity of 590 MW and an investment of €300 million.

Iberdrola presents the most ambitious Climate Action plan of the COP27, which highlights the goal of emission neutrality in electricity generation by 2030 and net zero emissions by 2040.

Iberdrola invests more than €1,100 million in a green hydrogen and green methanol plant in Bell Bay, Australia, together with hydrogen developer ABEL Energy.

1. Iberdrola today

- 1.1. Purpose and values
- 1.2. Main activities
- 1.3. Company performance
- 1.4. Key figures
- 1.5. International presence
- 1.6. Key milestones 2022
- 1.7. Comparative results and recognitions





1.1. Purpose and values

Iberdrola's corporate purpose, which is in line with the Sustainable Development Goals of the 2030 Agenda of the United Nations, mirrors the main social trends and addresses the major economic, social and environmental challenges, reflecting the expectations of Stakeholders and defining Iberdrola's role as an agent of social change and transformation in the energy sector. It is expressed as follows:

To continue building together each day a healthier, more accessible energy model, based on electricity.

This purpose, which is in line with the creation of shared value, social dividend and corporate social responsibility, expresses:

- The Iberdrola group's commitment to the well-being of people and the preservation of the planet.
- The Iberdrola group's commitment to a real and comprehensive energy transition, based on the decarbonisation and electrification of the energy sector and of the economy as a whole, which contributes to the Sustainable Development Goals (SDGs) — particularly the fight against climate change — and generates new opportunities for economic and social development.
- The conviction that a more electricity-based energy model – which abandons the use of fossil fuels and mainstreams the use of renewable energy sources, efficient energy storage, smart grids and the digital transformation – is also healthier for the population, whose well-being depends on the environmental quality of their surroundings.
- The aspiration for the new energy model to also be more accessible to all, and to favour inclusiveness, equality, equity and social development.
- The intent to promote this new model in collaboration with all agents involved and with society as a whole to ensure the availability of local energies that contribute to security of supply.

To attain this Purpose, the Iberdrola group has condensed its corporate values into the following three concepts:

- **Sustainable energy:** the group seeks to always be a model of inspiration, creating economic, social and environmental value in all of its surroundings, and with the future in mind.
- **Integrating force:** the group works with strength and responsibility, combining talents, for a Purpose that is to be achieved by all and for all.
- **Driving force:** the Iberdrola group brings about small and large changes in order to make people's lives easier, always seeking to improve, and to do so efficiently and with high self-imposed standards.

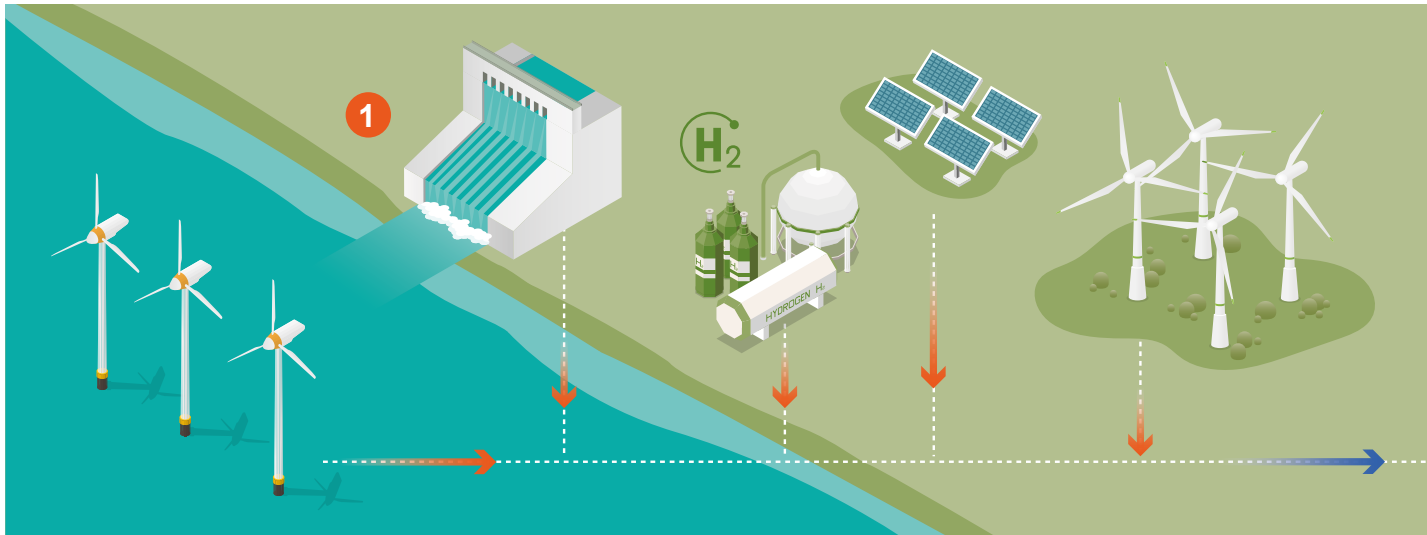




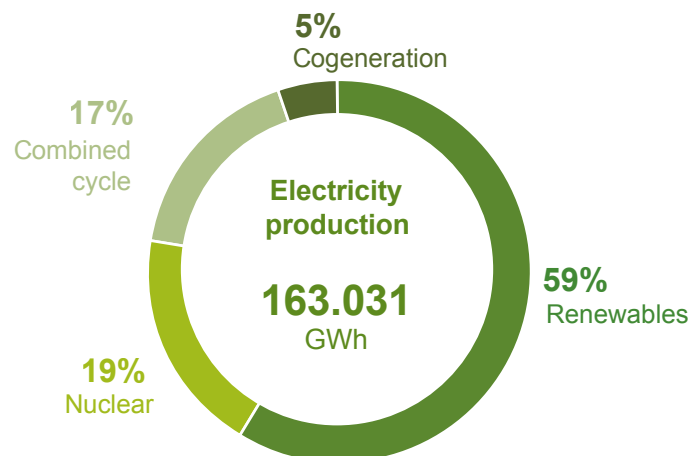
1.2. Main activities

1 Leaders in clean energy

- Electricity generation from renewable sources -onshore and offshore wind, photovoltaic and hydroelectric.
- New technologies such as green hydrogen -generated from clean energy sources.
- Large-scale storage, through reversible hydropower, and in other generation assets.
- Construction, operation and maintenance of all our generation facilities.



Electricity production ⁽¹⁾



(1) Percentages are over owned production, which amounts 125.540 GWh.



2 Commitment to smart grids

Transmission and distribution of electricity.

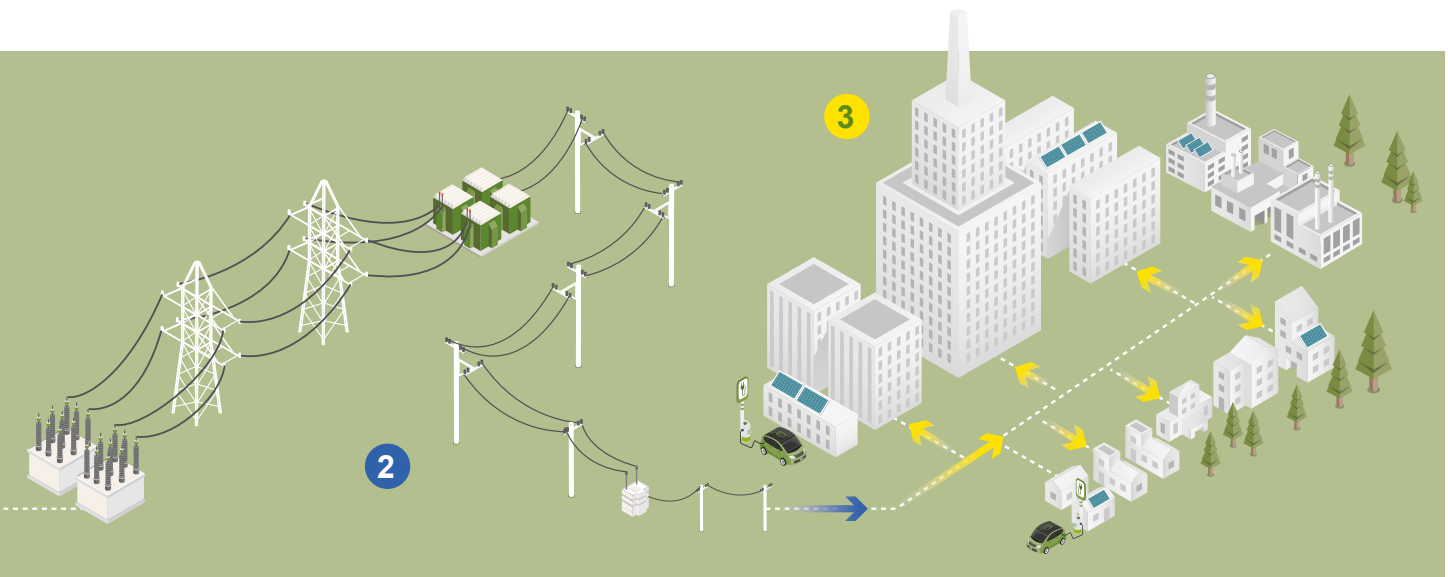
Construction, operation and maintenance of lines, substations, transformer stations and other infrastructures to bring electricity from production centres to the end user and to integrate distributed generation.

3 Solutions and service for our customers

End-user supply of electricity and gas.

Energy products and services for our customers: with intelligent and innovative (Smart) solutions in the following areas:

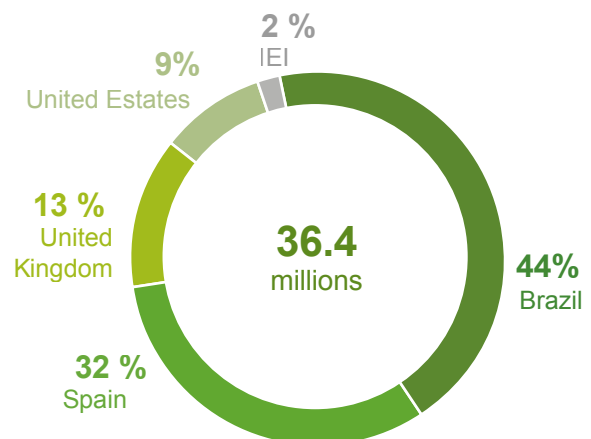
- **Residential:** with services such as energy storage, heat pump, self-consumption, electric mobility, solar, etc.
- **Industrial:** offering comprehensive management of energy installations and supplies, such as Green H2, industrial heat, etc.



Electric networks ⁽²⁾

4,595 High-to medium voltage transformer substation	1,644,628 Medium-to low voltage distribution transformers
19,536 km of transmission overhead lines	1,392 km of transmission underground lines
1,041,936 km of distribution overhead lines	201,777 km of distribution underground lines

Consumers ⁽²⁾



(2) At 31 December 2022.

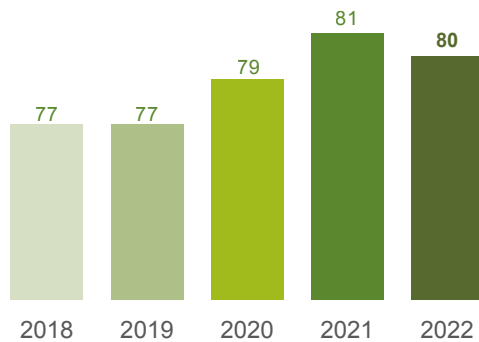


1.3. Company performance

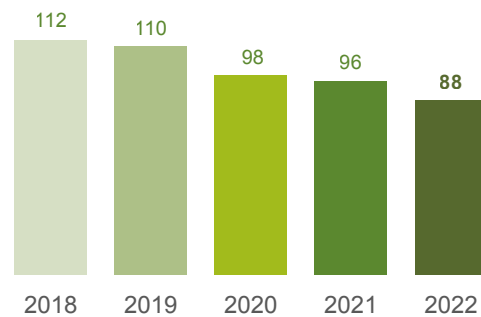




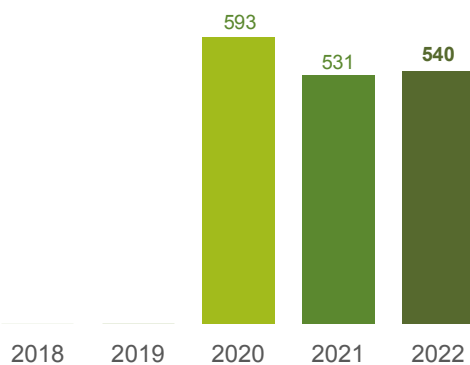
Own emission-free installed capacity (%)



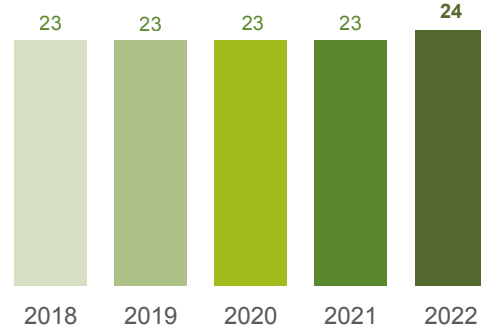
Specific CO₂ emissions (t/GWh)
Emissions specific to CO₂ (t/GWh)



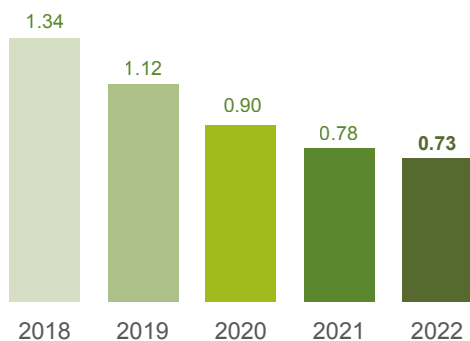
Water use /overall production (m³ / GWh) ^{(1) (2)}



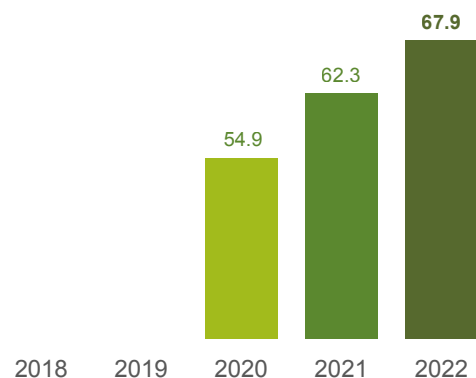
Gender diversity (% women in workforce)



Rate of recordable work-related injuries (own personnel) ⁽³⁾



Hours of training per average personnel ⁽⁴⁾



(1) Iberdrola has changed its methodology to calculate water consumption, including two aspects that had not been considered until now: contributions of rainwater runoff and contribution of water to customer processes.

(2) 2020 data has been recalculated due to availability of updated information, and to recalculate in accordance with the methodology implemented this year.

(3) Rate of recordable work-related injuries = Number of recordable work-related injuries (except first aid) / Number of hours worked x [200,000]

(4) Data recalculated with respect to the figures published in 2020 and 2021, based on the standard of average personnel.



1.4. Key figures

Financial Performance (€M)

	2018	2019	2020	2021	2022	Δ Annual average 2018-2022 (%)
Revenues	35,076	36,438	33,145	39,114	53,949	11.4
Consolidated gross margin	15,435	16,263	16,145	17,062	20,199	7.0
Consolidated EBITDA	9,349	10,104	10,038	12,006	13,228	9.1
Amortisation, depreciation, provisions and other	(3,910)	(4,227)	(4,474)	(4,663)	(5,244)	(7.6)
Operating profit (EBIT)	5,439	5,877	5,564	7,343	7,984	10.1
Financial results	(1,156)	(1,300)	(991)	(1,003)	(1,838)	(12.3)
Results from companies consolidated by the equity method	56	(51)	461	(74)	75	7.6
Pre-tax profit (EBT)	4,348	4,729	5,034	6,266	6,221	9.4
Corporate income tax	(959)	(914)	(1,083)	(1,914)	(1,161)	(4.9)
Minority interests	(323)	(348)	(341)	(467)	(721)	(22.2)
Net profit	3,014	3,466	3,611	3,885	4,339	9.5
Total assets	113,038	123,025	122,518	141,752	154,667	8.2
Shareholders' equity	43,977	47,195	47,219	56,126	58,114	7.2
Gross investments	6,173	8,158	9,246	9,940	10,730	14.8
Funds from Operations (FFO) adjusted	7,328	8,060	8,292	8,993	11,123	11.0
Adjusted net Bank borrowings	34,149	37,769	35,142	39,119	43,749	6.4

Financial ratios

	2018	2019	2020	2021	2022	Δ Annual average 2018-2022 (%)
EBITDA margin (EBITDA / revenues) (%)	26.7	27.7	30.3	30.7	24.5	(2.1)
Net profit margin (Net profit / Revenues) (%)	8.6	9.4	10.9	9.9	8.0	(1.8)
NOE / Gross margin (%)	26.9	26.6	26.5	24.8	25.8	(1.0)
Adjusted Net financial debt / EBITDA (multiple)	3.65	3.74	3.50	3.20	3.30	(2.5)
Adjusted financial leveraging (%)	43.7	44.7	42.3	41.0	42.8	(0.5)
Funds from Operations (FFO) / Adjusted net financial debt (NFD) (%)	21.5	21.5	23.6	23.0	25.4	4.3
Retained cash flow (RCF / NFD) (%)	20.2	20.0	21.4	20.6	22.8	3.1
Return on equity (ROE) (%)	8.4	9.2	9.7	9.8	10.2	5.0

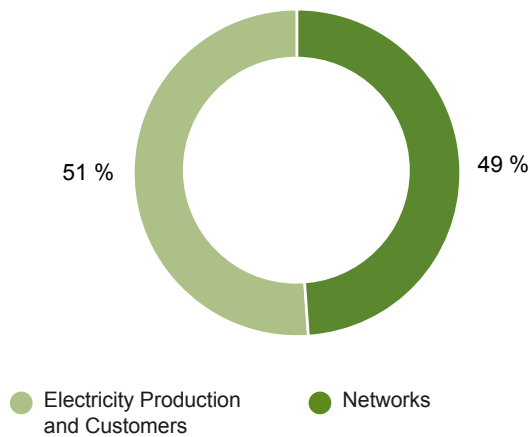
Stock market performance

	2018	2019	2020	2021	2022	Δ Annual average 2018-2022 (%)
Stock market capitalisation at year-end (€M)	44,898	58,404	74,296	66,271	69,538	11.6
Number of shares at year-end (millions)	6,398	6,362	6,350	6,366	6,362	(0.1)
Share price at year-end (€)	7.02	9.18	11.70	10.41	10.93	11.7
Earnings per share (EPS)	0.475	0.534	0.551	0.584	0.652	8.2
Dividend per share (DPS) ⁽¹⁾	0.326	0.351	0.405	0.422	0.449	8.3
Dividend yield (%)	4.64	3.82	3.46	4.05	4.11	(3.0)
Total dividend (including cash payments) (€M)	2,077	2,247	2,517	2,664	2,825	8.0
Payout ratio (%)	68.9	66.0	73.9	75.3	67.7	(0.4)
Share price / net earnings per share (PER)	14.94	17.32	21.18	17.82	16.77	2.9

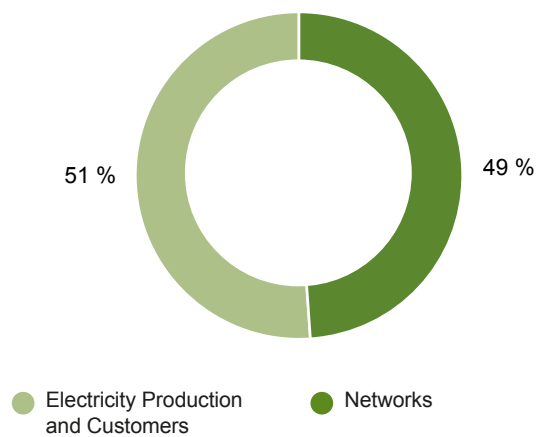
(1) Dividend paid during the financial year



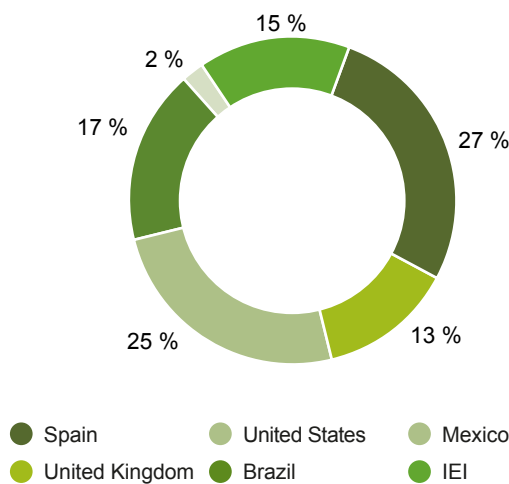
Gross margin by business⁽¹⁾



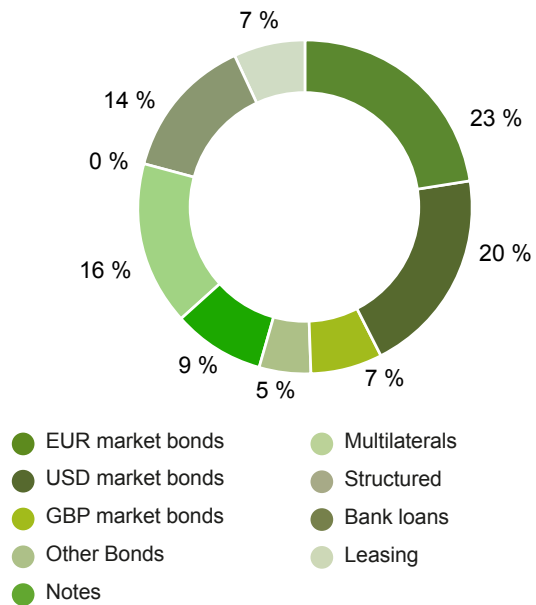
EBITDA by business ⁽¹⁾



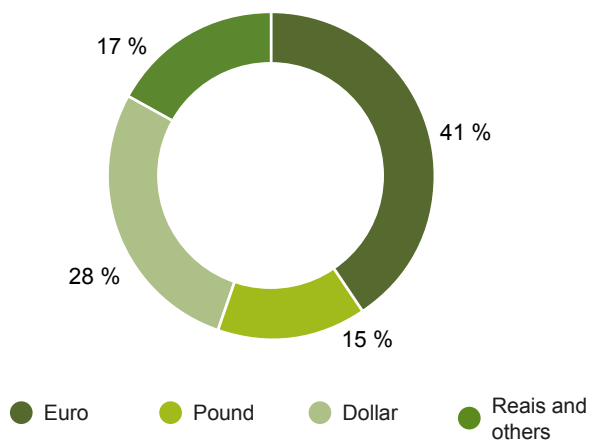
Gross investment by geography



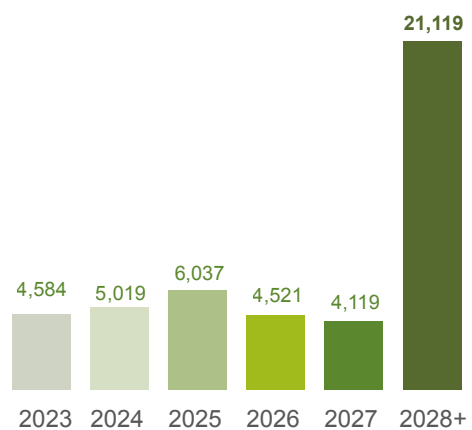
Gross financial debt by product type



Structure of adjusted net debt broken down by currency



Maturity of financial debt (€M)



(1) Percentages do not include information relating to "Other businesses" and "corporate and adjustments".



Operating performance

	2018	2019	2020	2021	2022	Δ Annual average 2018-2022 (%)
Total Installed capacity (MW) ⁽¹⁾	46,694	52,082	55,111	58,320	60,761	6.8
Net Own Capacity	42,058	45,702	47,965	51,174	53,616	6.3
Third-party Capacity	4,636	6,380	7,146	7,146	7,146	11.4
Net production (GWh) ⁽¹⁾	145,605	151,758	162,842	164,266	163,031	2.9
Net Own Output	115,134	114,250	123,463	129,331	125,540	2.2
Net Third-party Output	30,471	37,508	39,378	34,935	37,491	5.3
Electric power distributed (GWh)	233,409	233,541	224,971	237,752	235,506	0.2
Km of lines	1,173,672	1,191,288	1,206,783	1,240,137	1,264,641	1.9

Environmental performance

	2018	2019	2020	2021	2022	Δ Annual average 2018-2022 (%)
Emission-free installed capacity (%) ⁽¹⁾	77	77	79	81	80	1.0
Emission-free output (%) ⁽²⁾	75	72	75	75	78	1.0
Specific CO ₂ emissions (t/GWh)	112	110	98	96	88	(5.9)
Fossil fuel (tep/GWh) ⁽³⁾	174	173	169	216	180	0.9
Energy savings of green products and services (GJ)	43,742,176	49,048,936	222,249,154	266,134,260	245,700,568	53.9
Energy produced under certified environmental management systems (%)	80	83	78	80	80	0.0
Water use/overall production (m ³ /GWh) ⁽⁴⁾	N/Av.	N/Av.	593 ⁽⁵⁾	531	540	--
Direct emissions of CO ₂ - Scope 1 (kt)	13,328	13,584	13,136	13,207	11,927	(2.7)
Direct emissions of CO ₂ - Scope 2 (kt)	2,544	2,082	1,883	2,162	1,879	(7.3)
Other indirect emissions. Scope 3 (kt) ⁽⁶⁾⁽⁷⁾	N/Av.	N/Av.	47,646	44,615	42,014	--
CO ₂ avoided due to efficiency initiatives	24,334	18,543	31,300	27,720	30,741	6.0
SO ₂ emissions (t/GWh)	0.023	0.011	0.008	0.007	0.006	(28.5)
NOx emissions (kg/MWh)	N/Av.	0.363	0.375	0.365	0.354	--

(1) Data for Production and Installed Capacity include the power stations in which Iberdrola has a stake, based on its percentage interest.

(2) Calculated on own production.

(3) Conversion factor used: 1GJ= 0,023888889 Tep.

(4) Iberdrola has changed its methodology to calculate water consumption, including two aspects that had not been considered until now: contribution rainwater runoff and contribution of water to customer processes. The failure to consider these two aspects was affecting the figures for the Almaraz nuclear plant, reducing its reported water consumption, and cogeneration, increasing water consumption. These changes have been applied to 2022 and those for 2021 and 2020 have been recalculated.

(5) 2020 data has been recalculated due to availability of updated information, and to recalculate in accordance with the methodology implemented this year.

(6) The reported value in the United States has been adjusted in the calculation to reflect total electric power distributed to end customers to the detriment of the electricity sold. The data for 2021 and 2020 have been recalculated to improve comparability.

(7) The reported value in the United States has been adjusted in the calculation to reflect the gas actually distributed to end customers to the detriment of the gas sold. The data for 2021 and 2020 have been recalculated to improve comparability.



Social performance

	2018	2019	2020	2021	2022	Δ Annual average 2018-2022 (%)
Consumers (millions) ⁽¹⁾	33.6	33.9	34.4	36.1	36.4	2.0
Electric power	29.5	29.8	30.1	31.7	32.1	2.1
Spain	10.1	10.1	10.0	10.0	10.4	0.7
United Kingdom	3.0	2.8	2.8	2.8	2.8	(1.7)
United States	2.3	2.3	2.3	2.3	2.3	0.0
Brazil	13.8	14.0	14.3	15.7	16.0	3.8
IEI	0.3	0.6	0.7	0.8	0.5	13.6
Gas	4.1	4.1	4.3	4.4	4.3	1.2
Spain	1.0	1.0	1.1	1.2	1.2	4.7
United Kingdom	2.0	1.9	1.9	1.9	1.9	(1.3)
United States	1.0	1.0	1.0	1.0	1.0	0.0
IEI	0.1	0.2	0.3	0.3	0.1	0.0
Number of employees	34,078	35,374	37,127	39,955	40,721	4.6
Permanent contracts (%)	99.0	99.1	99.6	99.5	99.6	0.2
Workers with collective bargaining agreement (%)	78.9	78.7	77.9	78.5	77.6	(0.4)
Employee turnover (%)	10.7	6.6	6.1	7.4	9.7	(2.4)
Diversity (men/women)	77/23	77/23	77/23	77/23	76/24	--
Rate of work-related injuries (own personnel) ⁽²⁾	1.34	1.12	0.90	0.78	0.73	(14.1)
Hours of training (millions of hours)	1.6	1.8	2.0	2.4	2.7	14.0
Hours of training by average personnel (h) ⁽³⁾	N/Av.	N/Av.	54.9	62.3	67.9	--
Funds for social development (€M)	243.1	93.6	125.8	109.2	139.9	(12.9)
Contributions to society (€M)	53.5	53.5	83.8	58.1	51.9	(0.8)
Rural electrification programmes (€M)	189.6	40.1	42.0	51.1	88.0	(97.4)
Investments in R&D (€M)	266.5	280.0	292.5	337.5	362.7	8.0
General procurement (€M billed) ⁽⁴⁾	7,753	8,717	8,494	9,424	11,533	10.4
Procurement from local suppliers (%)	85	89	89	88	87	0.6

(1) Consumers: for electric power, total number of customers is used where there are areas of electricity distribution and retailing, supply points are used for the other areas. For gas: total number of gas customers is used, except for the United States, where total number of supply points is used. Customers of the IEI electricity and gas segment depend on Iberdrola Clientes Internacional S.A., a subsidiary of the country subholding company Iberdrola España, S.A.

(2) Rate of recordable work-related injuries = Number of recordable work-related injuries (except first aid) / Number of hours worked x [200,000]

(3) Data recalculated with respect to the figures published in 2020 and 2021, based on the standard of average personnel.

(4) Amount awarded in 2022: 17,796 €M



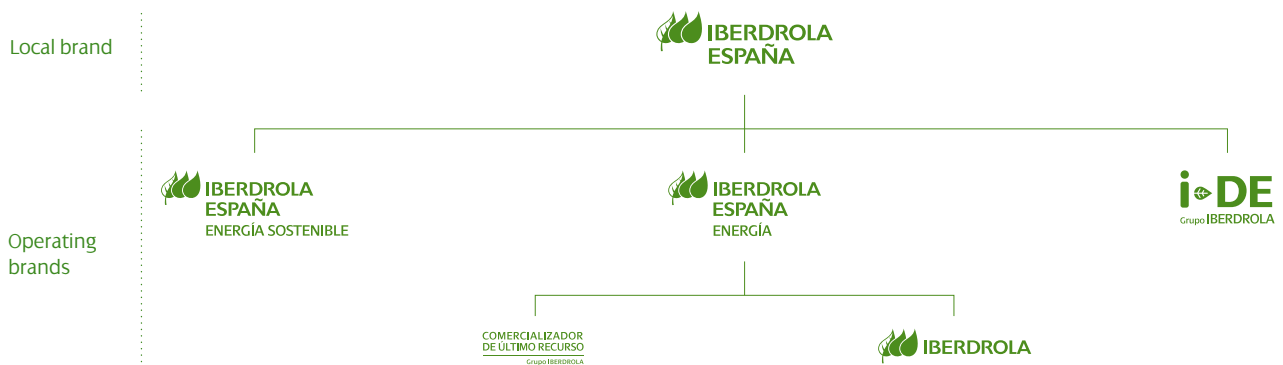
1.5. International presence

Iberdrola in Spain



Arañuelo solar plant, Cáceres, Spain

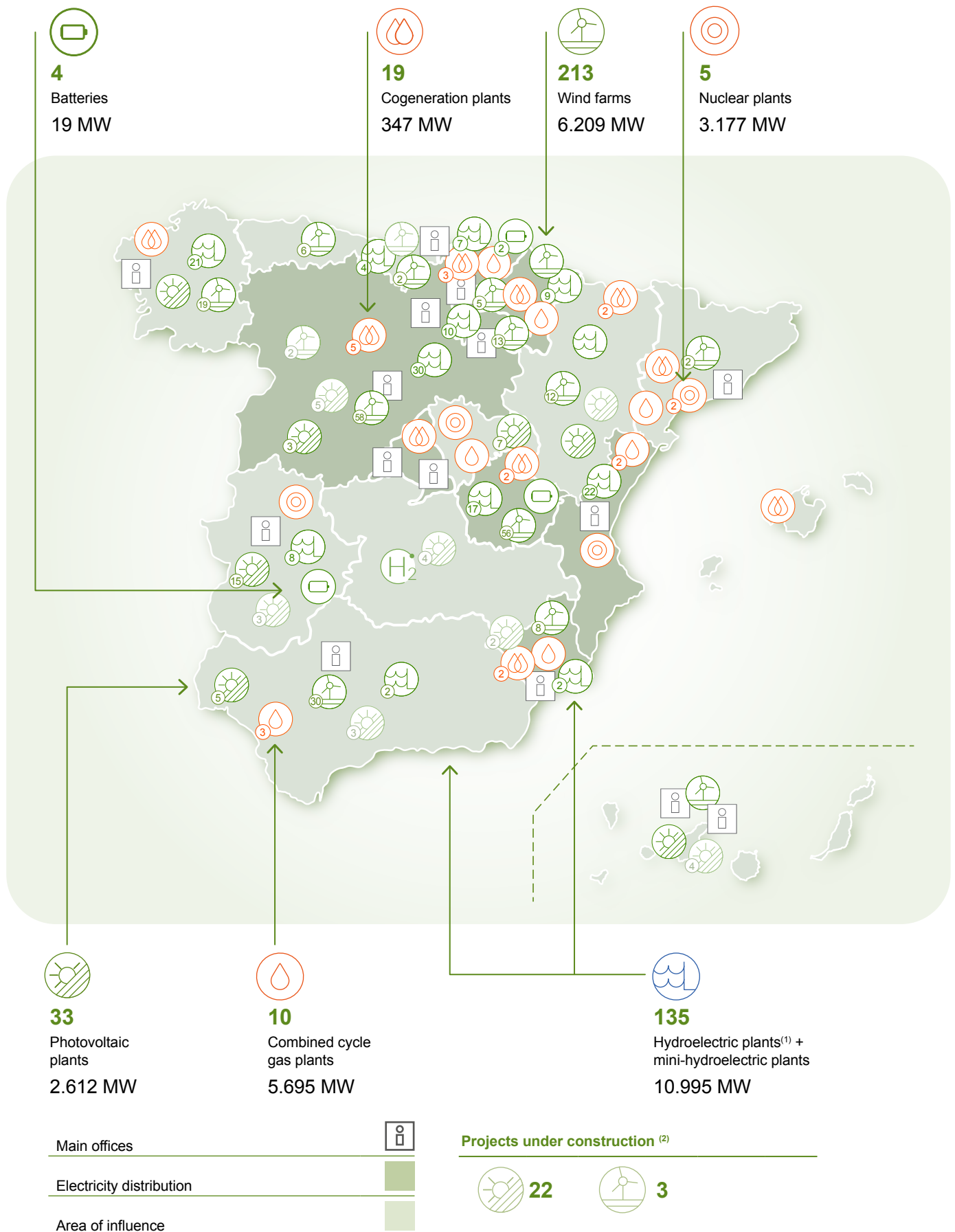
Primary brands



Key figures 2022

29,013 MW Installed capacity	19,796 MW Renewable installed capacity	56,698 GWh Net production
270,991 Km / Power lines	89,622 GWh Distributed energy	11.6 Millions of consumers ⁽¹⁾
9,702 Employees	2,908 €M Gross investments	2,585 €M Direct tax contribution

(1) Total number of liberalised market electricity and gas customers.



(1) The data on hydroelectric power plants include the Daivões, Gouveas and Alto Tâmega power plants in Portugal, although they visually appear on the Iberdrola Energía Internacional map.

(2) 18 Includes both projects under construction and projects with a positive decision to start construction (positive FID).

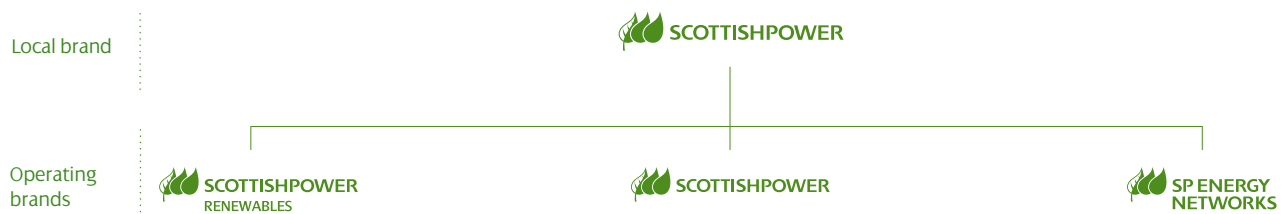


Iberdrola in the United Kingdom



East Anglia ONE offshore wind farm, United Kingdom

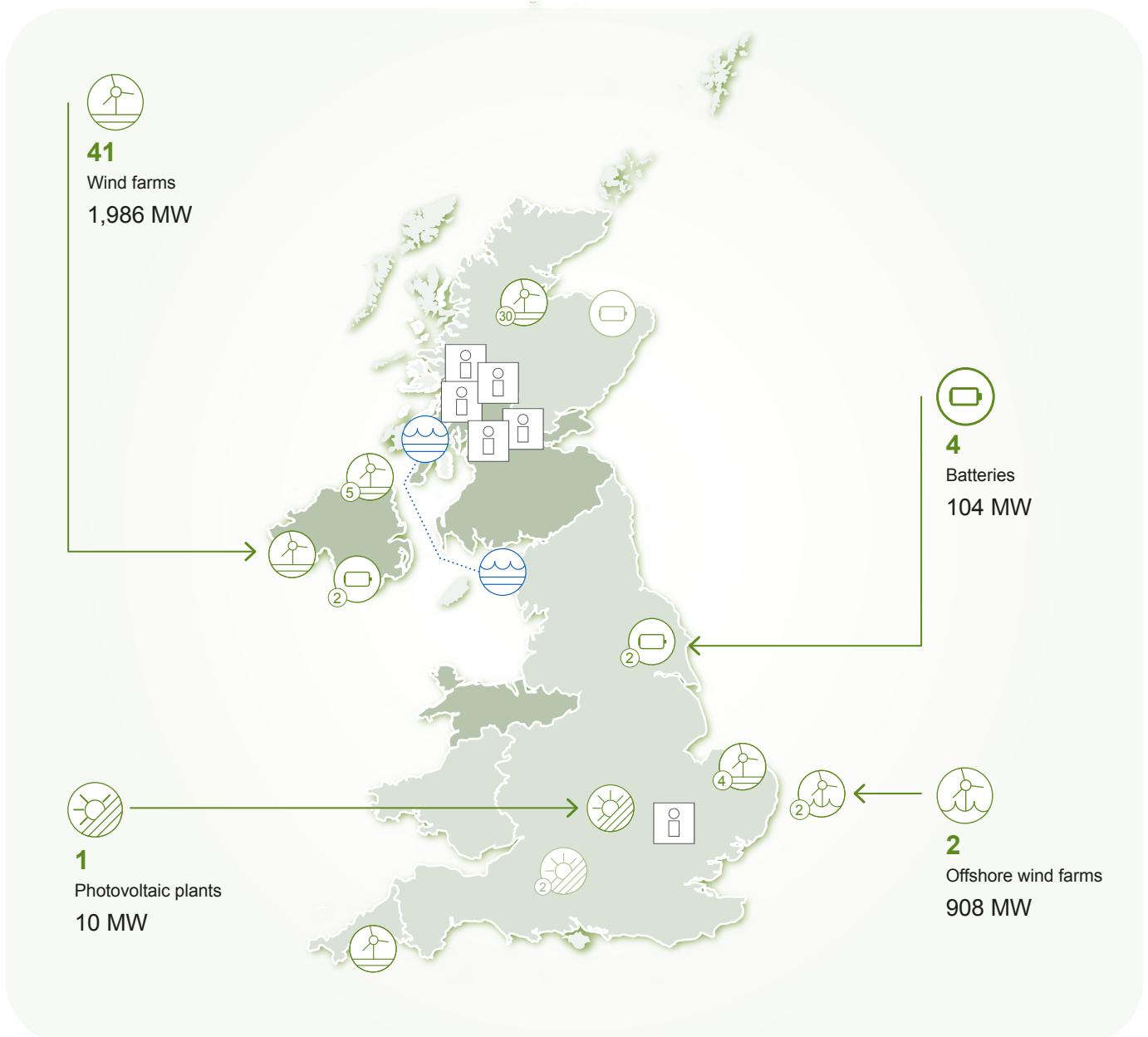
Primary brands



Key figures 2022

3,008 MW Installed capacity	3,008 MW Renewable installed capacity	7,823 GWh Net production
111,075 Km / Power lines	31,020 GWh Distributed energy	4.7 Millions of consumers ⁽¹⁾
5,755 Employees	1,448 €M Gross investments	674 €M Direct tax contribution

(1) Total number of liberalised market electricity and gas customers.



Main offices



Electricity distribution



Area of influence



Projects under construction



2



1

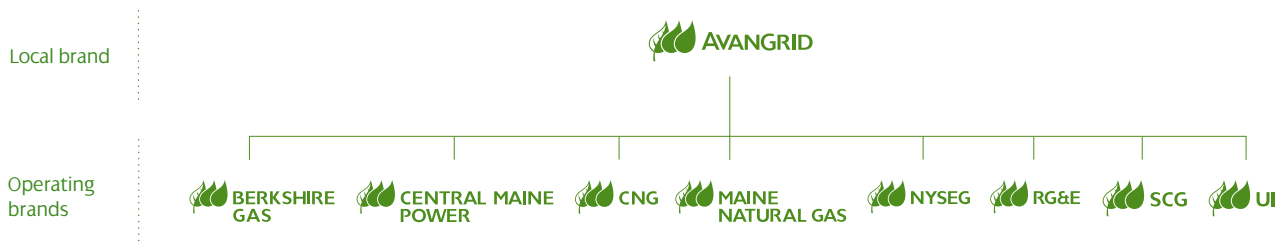


Iberdrola in the United States



Buffalo Ridge II Wind Farm - South Dakota, USA

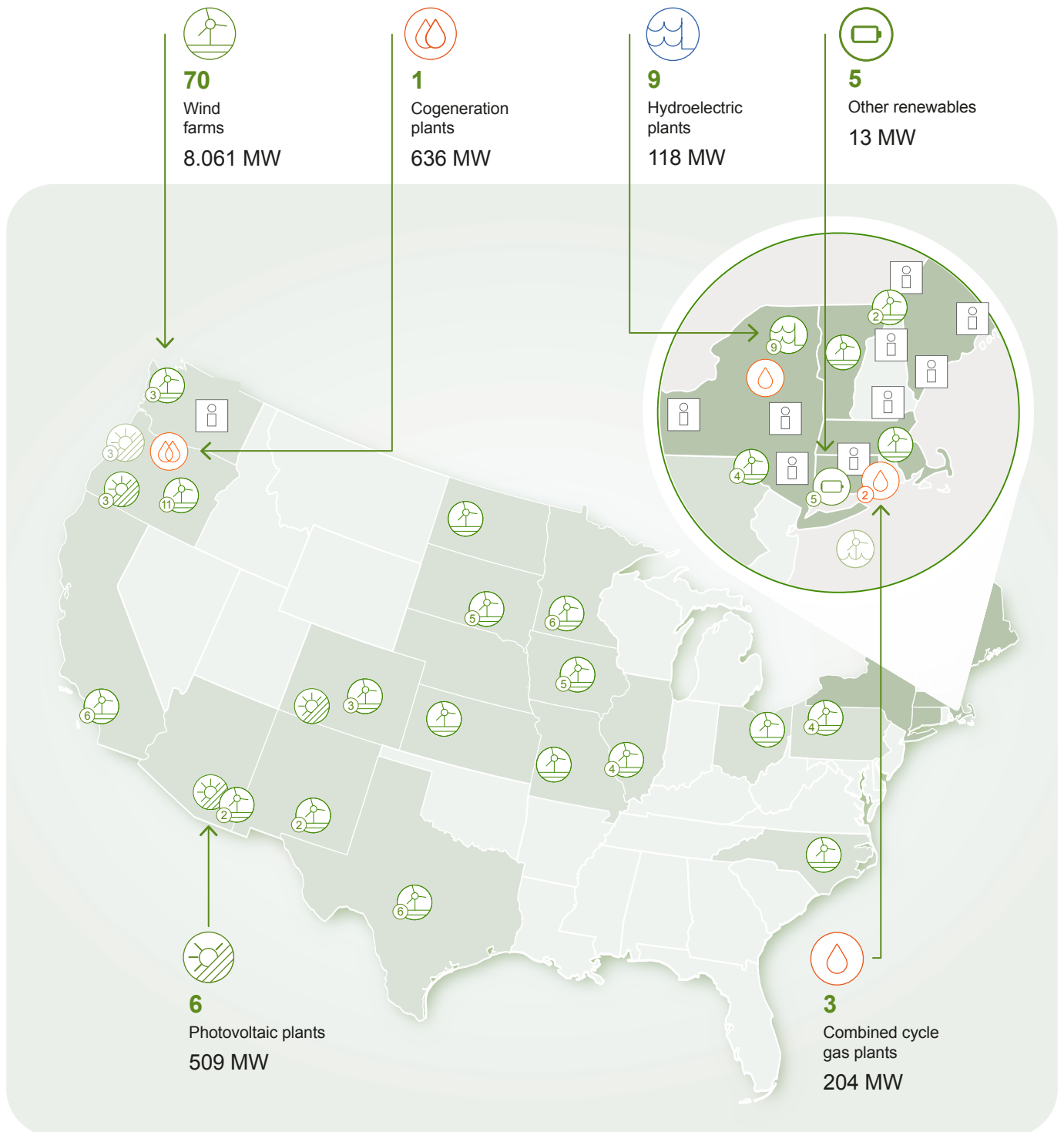
Primary brands



Key figures 2022

9,542 MW Installed capacity	8,702 MW Renewable installed capacity	22,711 GWh Net production
171,464 Km / Power lines	38,757 GWh Distributed energy	3.3 Millions of consumers ⁽¹⁾
7,579 Employees	2,648 €M Gross investments	1,233 €M Direct tax contribution

(1) Total number of electricity and gas supply points.



Main offices



Electricity distribution



Area of influence



Projects under construction



4



1

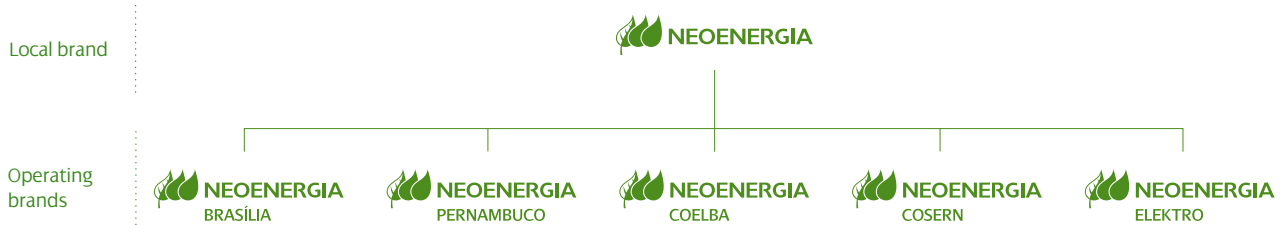


Iberdrola in Brazil



Teles Pires hydroelectric plant, Pará and Mato Grosso, Brazil

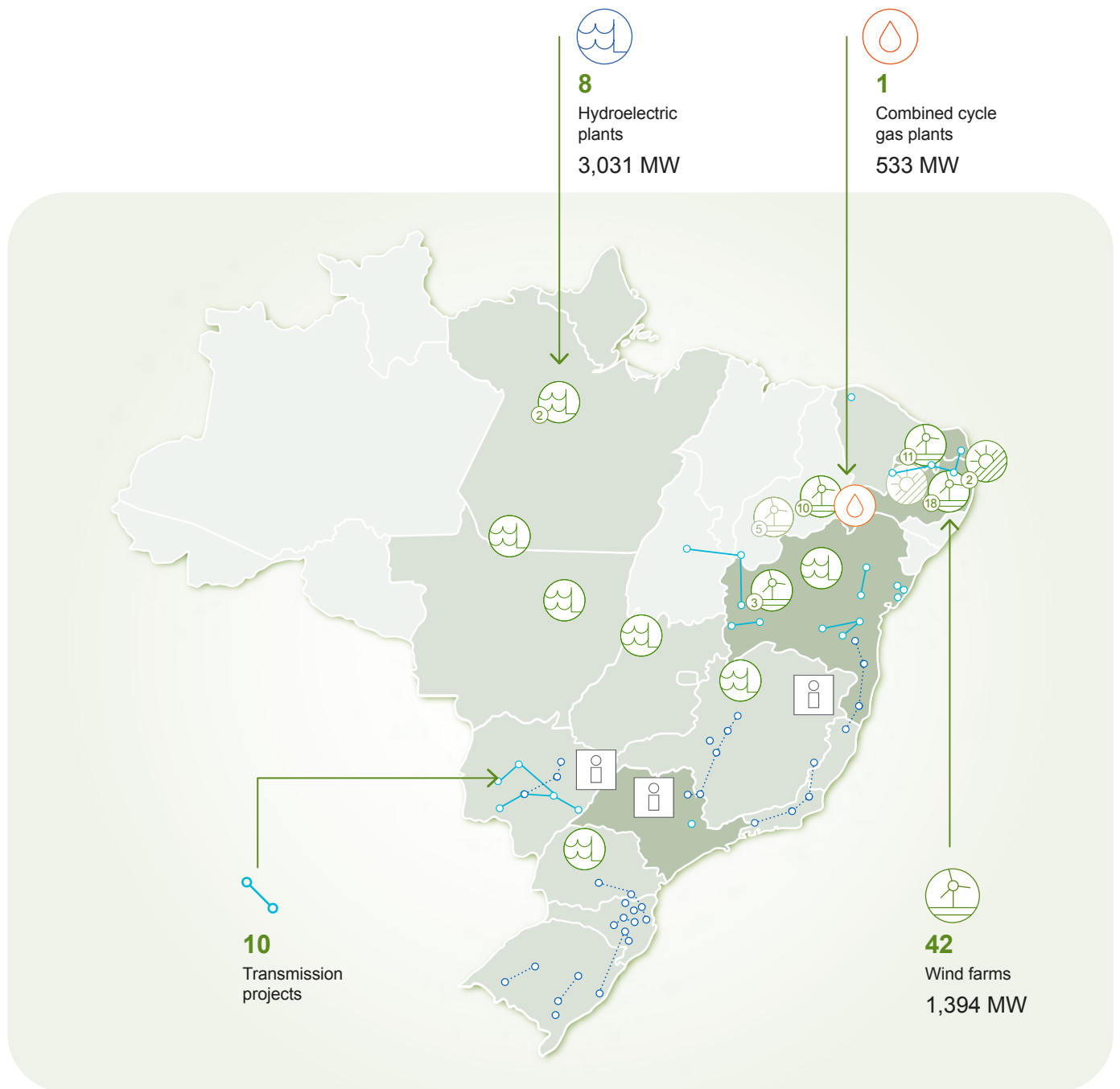
Primary brands



Key figures 2022

5,100 MW Installed capacity	4,568 MW Renewable installed capacity	14,751 GWh Net production
711,111 Km / Power lines	76,107 GWh Distributed energy	16.0 Millions of consumers ⁽¹⁾
15,406 Employees	1,858 €M Gross investments	2,270 €M Direct tax contribution

(1) Total number of electricity supply points.



Main offices



Electricity distribution



Area of influence



Projects under construction



1



5



8

Transmission projects



Iberdrola in Mexico



La Venta III wind farm, Santo Domingo Ingenia, Oaxaca, Mexico

Primary brands



Key figures 2022

4,051 MW Own installed capacity	1,232 MW Own renewable installed capacity	18,447 GWh Net own production
7,146 MW Third-party installed capacity	103 MW Third-party installed renewable capacity	37,491 GWh Net third-party production
1,305 Employees	257 €M Gross investments	267 €M Direct tax contribution



Main offices



Area of influence



Area with projects under construction





Iberdrola Energía Internacional (IEI) ⁽¹⁾



Construction of the Saint Brieuc offshore wind farm, France

Primary brands

Local brand

 **IBERDROLA
INTERNACIONAL**

Operating
brands

 **IBERDROLA
INTERNACIONAL
RENOVABLES**

 **IBERDROLA**

Key figures 2022

2,900 MW
Installed capacity

2,657 MW
Renewable installed capacity

0.6
Millions of consumers

5,111 GWh
Net production

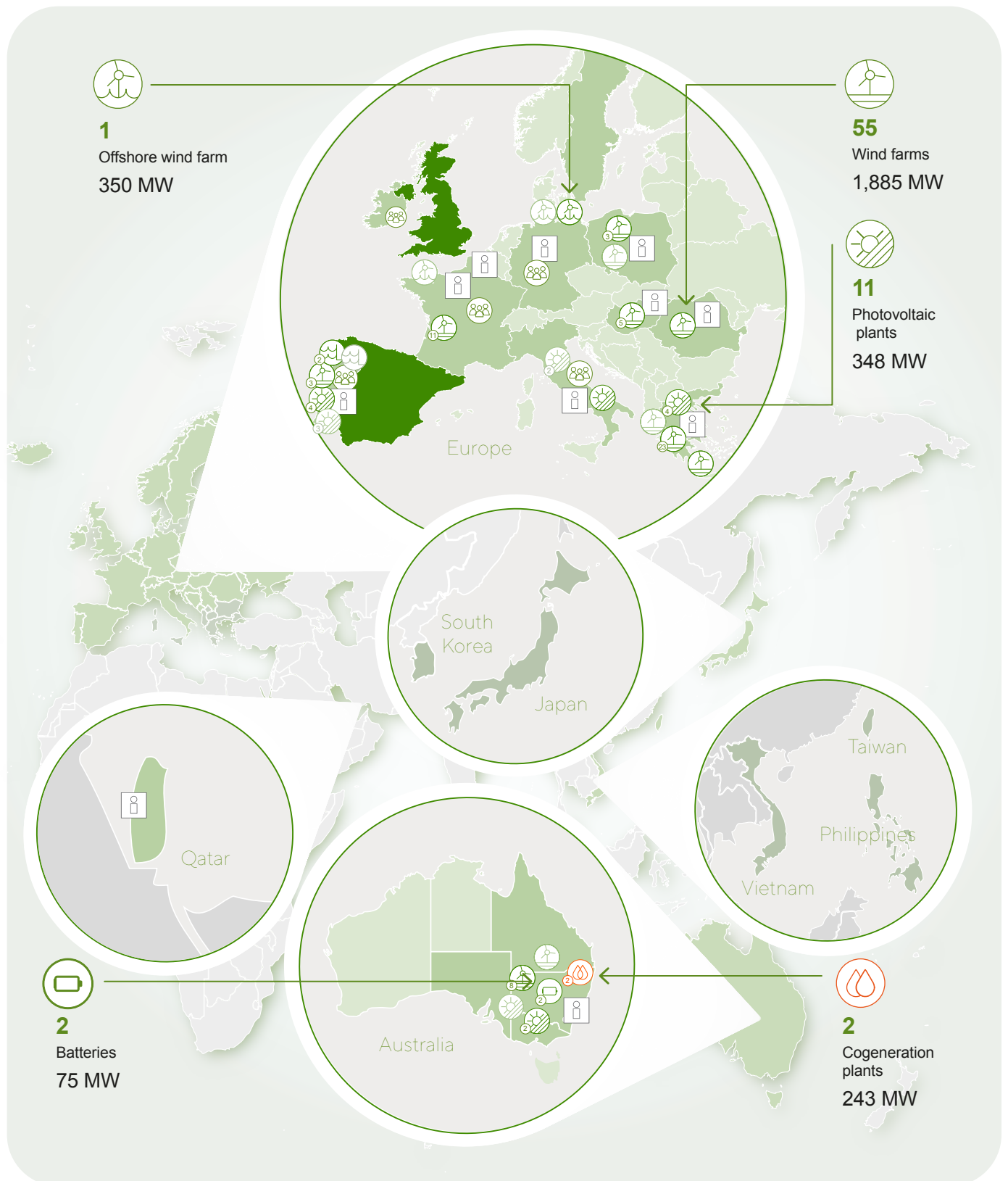
5,053 GWh
Net renewable production

974
Employees

1,611
€M Gross investments

429 €M
Direct tax contribution

(1) Represented on this page is the activity of the group in the Rest of World (compared to all of the preceding information), which is mainly carried out by Iberdrola Energía Internacional (IEI). Thus electricity and gas customers of this segment depend on Iberdrola Clientes Internacional S.A., a subsidiary of the country subholding company Iberdrola España, S.A.



Main offices



Area of influence



Retail business areas



Projects under construction



6



3



2



1

(*) The data on the Daivões, Gouveas and Alto Tâmega hydroelectric power plants in Portugal are included in Iberdrola España, although they visually appear on this map



Installed capacity and production by country and technology

Installed capacity (MW) ^{(1),(2)}

	Spain		United Kingdom		United States		Brazil		Mexico				IEI		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	Own		Third-party		2022	2021	2022	2021
									2022	2021	2022	2021				
Renewables	19,796	19,210	3,008	3,008	8,702	8,309	4,568	4,014	1,232	1,232	103	103	2,657	2,262	40,066	38,138
Onshore wind	6,209	6,124	1,986	1,986	8,061	7,945	1,394	984	590	590	103	103	1,885	1,749	20,228	19,479
Offshore wind	0	0	908	908	0	0	0	0	0	0			350	350	1,258	1,258
Hydroelectric	10,700	10,700	0	0	118	118	3,031	3,031	0	0			0	0	13,849	13,849
Mini-hydro	255	285	0	0	0	0	0	0	0	0			0	0	255	285
Solar and others	2,631	2,100	114	114	522	246	143	0	642	642			423	164	4,475	3,266
Nuclear	3,177	3,177	0	0	0	0	0	0	0	0			0	0	3,177	3,177
Gas Combined cycle	5,695	5,695	0	0	204	204	533	533	2,617	2,103	7,043	7,043	243	243	16,334	15,820
Cogeneration	347	347	0	0	636	636	0	0	202	202			0	0	1,185	1,185
Coal	0	0	0	0	0	0	0	0	0	0			0	0	0	0
Total	29,013	28,427	3,008	3,008	9,542	9,149	5,100	4,547	4,051	3,537	7,146	7,146	2,900	2,505	60,761	58,320

Net electricity production (GWh)

	Spain		United Kingdom		United States		Brazil		Mexico				IEI		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	Own		Third-party		2022	2021	2022	2021
									2022	2021	2022	2021				
Renewables	23,826	28,420	7,823	6,717	20,188	19,400	14,737	11,935	2,899	2,716	222	231	5,053	4,531	74,747	73,950
Onshore wind	11,744	11,937	4,424	3,284	19,612	18,943	3,843	2,313	1,662	1,528	222	231	3,910	3,339	45,417	41,574
Offshore wind	0	0	3,392	3,433	0	0	0	0	0	0			1,105	1,184	4,497	4,617
Hydroelectric	9,511	14,620	0	0	188	132	10,803	9,622	0	0			0	0	20,502	24,374
Mini-hydro	420	630	0	0	0	0	0	0	0	0			0	0	420	630
Solar and others	2,150	1,233	7	0	388	325	91	0	1,237	1,188			38	8	3,910	2,754
Nuclear	23,886	23,193	0	0	0	0	0	0	0	0			0	0	23,886	23,193
Gas Combined cycle ⁽³⁾	7,082	7,023	0	0	7	7	14	3,194	14,145	15,001	37,269	34,704	58	34	58,574	59,963
Cogeneration	1,904	2,331	0	0	2,516	3,184	0	0	1,403	1,644			0	0	5,823	7,159
Coal	0	0	0	0	0	0	0	0	0	0			0	0	0	0
Total	56,698	60,968	7,823	6,717	22,711	22,591	14,751	15,129	18,447	19,361	37,491	34,935	5,111	4,565	163,031	164,266

(1) Data for Production and Installed Capacity include the power stations in which Iberdrola has a stake, based on its percentage interest.

(2) Totals may vary due to rounding of decimals.

(3) Includes capacity of Peaking United States and IEI.



1.6. Key milestones 2022

Month	Milestone	
JANUARY	Iberdrola is awarded 7,000 MW of offshore wind power in Scotland in the largest tender by Crown Estate Scotland to date, involving a total investment of €22,500 million.	
	Iberdrola expands its offshore wind business in Asia with an option to enter the Philippines with five projects having a combined capacity of up to 3.5 GW.	
	Iberdrola installs AkzoNobel's solar self-consumption systems in Spain and Germany, which will prevent the emission of more than 16,000 tonnes of CO ₂ into the atmosphere over the next 25 years.	
	Iberdrola has once again been chosen as one of the most sustainable companies according to the new edition of the Global 100, once again ranking among the top 25 companies in the world in terms of sustainability criteria, according to the index compiled annually by Corporate Knights.	
	Iberdrola, included in the Bloomberg Gender Equality Index for the fifth consecutive year in 2021.	
	Neoenergia commissions the Jalapão transmission line, its largest power line, covering almost 730 kilometres, in Brazil. This construction has allowed Neoenergia to employ more than 2,000 people.	
	ScottishPower cements its position as the largest solar energy developer in the British market following the agreement to acquire 17 projects at an advanced stage of development. They have a combined capacity of 800 MW, and will involve an investment of approximately £500 million.	
FEBRUARY	Iberdrola and the CAF (Construcciones y Auxiliar de Ferrocarriles) group have formed an alliance to promote the use of green hydrogen in the railway sector and in passenger transport.	
	Iberdrola recognised as a Supplier Engagement Leader by CDP. The entity, which has been working for more than twenty years on the transparency and performance of climate practices, has highlighted the Company's work in engaging its suppliers with respect to climate change, its efforts to measure and reduce this risk in its supply chain, and its commitment to the fight against climate change.	
	Iberdrola inaugurates the largest ultra-fast charging hub for electric vehicles in southern Europe, with charging stations capable of recharging cars in less than 5 minutes. The project, in partnership with Porsche, plans to promote a total of 35 ultra-fast stations.	
MARCH	Iberdrola reopens the Euromarket with a 10-year €1,000 million green bond issue.	
	Iberdrola and Avangrid are included in the World's Most Ethical Companies list compiled by the Ethisphere Institute, a leader in the definition of international standards, for the ninth and fourth time, respectively.	
	Iberdrola selected by Transparency International as the most transparent company on the Ibex 35.	

Month	Milestone	
APRIL	The European Investment Bank (EIB) and the Instituto de Crédito Oficial (ICO) sign the first joint financing for the large-scale development of green hydrogen with Iberdrola.	
	The British regulator Ofgem has given the consortium formed by ScottishPower Networks and National Grid Electricity Transmission (NGET) provisional approval to build the 2 GW power transmission line linking Scotland to the north-east of England.	
	Iberdrola moves forward with its renewables plans in Greece and starts construction of the 50.4 MW Askio III wind farm.	
	Iberdrola begins construction of the 476 MW Baltic Eagle offshore wind farm, part of the largest offshore wind farm complex in the Baltic Sea, which will have a capacity of more than 1,100 MW following an investment of €3,500 million.	
	Iberdrola signs its largest green loan in the amount of €1,000 million with the guarantee of the Export Credit Agency, for the purchase of turbines for onshore and offshore wind farms for projects in Spain, Poland, Greece, Germany and the United Kingdom.	
	Iberdrola acquires its largest onshore wind farm in the world, with 1,000 MW, located in North Queensland, Australia.	
	Iberdrola and Volkswagen present a strategic agreement to contribute to making the electric vehicle value chain sustainable at the automaker's future gigafactory in Valencia. This agreement will entail €500 million in renewable energy investments, avoiding the emission of 200,000 tonnes of CO ₂ into the atmosphere each year.	
MAY	In the United Kingdom, Iberdrola is testing the world's first ultra-efficient high-pressure electrolyser to reduce green hydrogen production costs.	
	The ICO Next Tech Fund, Iberdrola and Nortia Capital team up with Seaya to launch Andromeda, the first major technology fund to accelerate energy transition and sustainability.	
	Iberdrola inaugurates the Puertollano green hydrogen plant, the largest industrial plant of this type in Europe, with an investment of €150 million, which will produce up to 3,000 tonnes of renewable hydrogen per year.	
	Iberdrola moves forward in its commitment to Poland and begins construction of the Korytnica II wind farm. This installation will increase onshore wind capacity in this country, one of the group's growth markets, to 163 MW.	
	At the World Economic Forum in Davos, Iberdrola announces that it will invest €3,000 million in green hydrogen to accelerate the "European Green Deal".	
JUNE	Iberdrola and FCC launch EnergyLOOP to lead the recycling of wind turbine blades on an industrial scale, investing a total of €10 million at its first facility.	
	Neoenergia joined the Latibex on 7 June, becoming part of the international market for Latin American securities operated by BME, and the 19th listed company.	
	Iberdrola places the Mikronoros wind farm into operation and exceeds 300 MW in Greece.	
	Iberdrola, the first Spanish company to hold its General Shareholders' Meeting in the Metaverse.	
	In Ireland, Iberdrola starts up its first commercial-scale battery system in the world, with a 50-MW facility having a capacity of 25 MWh. The project, the first of its kind to operate in Ireland, required an investment of €28 million.	



Month	Milestone	
JULY	Iberdrola is awarded its largest networks project in the world: it will build a 1,700-kilometre power line in Brazil. This will involve an investment of €1,000 million and will create more than 11,000 jobs during its construction.	
	Iberdrola starts up its first photovoltaic plant in Italy, Montalto di Castro, in the central region of Lazio, with 23 MW. The company continues to strengthen its project portfolio in Italy and aims to triple it by 2025.	
	Iberdrola signs a new sustainable credit facility in the amount of €2,500 million with 24 banks, and linked to the company's water footprint.	
	Neoenergia signs a €100 million green loan with the World Bank, with a price linked to the achievement of certain ESG targets (increasing the number of women electricians and reducing carbon emissions).	
	Iberdrola and PepsiCo sign a long-term Power Purchase Agreement (PPA) pursuant to which the utility will supply 100% renewable electricity to 11 sites of the beverage and food multinational in Spain and Portugal.	
	Iberdrola inaugurates the Tâmega Gigabattery in Portugal, the largest clean energy project in the country's history, with 1,158 MW, following an investment of more than €1,500 million.	
AUGUST	Iberdrola and BP reach an agreement to accelerate the deployment of refuelling infrastructure and the production of green hydrogen with a joint investment of €1,000 million at 11,000 rapid recharging points.	
	Iberdrola proposes to design offshore wind farms that protect nature and contribute to improving the diversity of ocean life.	
	Iberdrola and RIU Hotels & Resorts sign a long-term contract for the supply of 100% green electricity to the hotel company's facilities (hotels and its headquarters) in Spain, with annual consumption of approximately 70 GWh.	
	Iberdrola starts up Francisco Pizarro, the largest photovoltaic plant in Europe, with an installed capacity of 590 MW and an investment of €300 million, which has generated 1,500 jobs during its construction.	
	Iberdrola begins construction of the 1,400 MW East Anglia Three offshore wind farm in the United Kingdom, which will form part of a 3,300 MW macro-complex: East Anglia Hub.	
	Iberdrola starts up Algeruz II, its first photovoltaic plant in Portugal, with an installed capacity of 27 MW and an investment of close to €18 million.	
SEPTEMBER	Iberdrola and the Red Cross sign the first national agreement to establish coordination mechanisms to prevent the suspension of electricity and gas supply to the vulnerable.	
	In Germany, Iberdrola has signed an agreement with Energy Infrastructure Partners (EIP) for the sale of 49% of the Wikingen offshore wind farm, for €700 million.	
	Iberdrola and Foresa advance in their alliance to lead the production of green methanol in Spain, saving 58,000 tonnes of CO ₂ in the first 10 years of the project's operation.	
	Iberdrola and Solvay partner in the development of a photovoltaic project to supply green electricity to Solvay's plants in Tavaux and Saint Fons (France). The facility, which will be built and operated by Iberdrola Renouvelables France, will produce almost 75 GWh per year, making it one of the largest in Europe.	
	Iberdrola starts up Spain's first intelligent agrovoltic plant in Toledo. This innovative project, with a capacity of 40 kW, will make it possible to adjust the position of the photovoltaic modules to the needs of the vineyards.	
	Iberdrola is recognised as the best European company in the dissemination of ESG information by the League of American Communications Professionals (LACP), with the Platinum award.	

Month	Milestone	
OCTOBER	Iberdrola, through its PERSEO start-up programme, is seeking solutions to protect its power lines from climate change and reduce failures in distribution networks in forest environments.	
	Iberdrola launches an information campaign for its customers to reduce consumption and save on their bills, with a total of 90 million messages with personalised savings advice for its more than 11 million electricity and gas customers in Spain.	
	Iberdrola and Semptra Infrastructure sign an agreement to develop hydrogen and green ammonia projects in the United States as effective decarbonisation solutions.	
	The International Volunteering Week brings together more than 7,000 participants from Iberdrola, 40% more than the previous year, and during which more than 90 initiatives related to the fight against climate change, the promotion of diversity, inclusion, and social emergence have been developed.	
	Iberdrola's Global Smart Grids Innovation Hub in Bilbao celebrates its first anniversary with more than 80 partnering entities at this global centre for smart grids.	
	In Australia, Iberdrola starts operation of its first hybrid wind and solar plant in the world with a total combined capacity of 317 MW and an investment of A\$500 million.	
NOVEMBER	Iberdrola has reached an agreement with BBVA to offer sustainable energy solutions to individuals and companies in Spain that enable them to save on their bills and improve their energy efficiency.	
	Iberdrola presents its Strategic Plan 2023-2025 announcing investments of €47,000 million during the period, to boost the energy transition, employment and net zero emissions.	
	CaixaBank and BNP Paribas have signed a €500 million syndicated green loan with Iberdrola, backed by Cesce. It will be used to finance renewable wind and photovoltaic projects, as well as battery and transmission grid projects in the United Kingdom, Ireland, Portugal and Poland.	
	Iberdrola presents the most ambitious Climate Action Plan of the COP27, which highlights the goal of emission neutrality in electricity generation by 2030 and net zero emissions by 2040.	
	Iberdrola becomes the first company with AENOR's Sustainable Procurement Strategy certificate based on the ISO 20400:2017 standard.	
	Iberdrola has issued €1,500 million of green bonds in two tranches with maturities of 6 and 10 years to a majority of ESG investors, allowing it to continue diversifying its investor base and expanding demand.	
DECEMBER	Iberdrola, the only European utility included in all 23 editions of the Dow Jones Sustainability Index.	
	Iberdrola presents its plan for a positive impact on the ecosystems and species where it operates by 2030 at the World Biodiversity Summit in Canada. The plan will contribute to better environmental conditions than previously existed by the end of the decade.	
	Iberdrola maintains the highest score on CDP, the world's most prestigious climate change index, being included in the A List 2022. The index measures the completeness of disclosure, awareness and management of environmental risks and best practices associated with the environment.	
	Iberdrola invests more than €1,100 million in a green hydrogen and green methanol plant in Bell Bay, Australia, together with hydrogen developer ABEL Energy. The first phase will produce 200,000 tonnes of green methanol per year, rising to 300,000 tonnes in the second phase.	
	Iberdrola and UNICEF present an innovative and socially impactful alliance aimed at contributing to the socio-labour inclusion of young people and promoting the creation of training and employment opportunities, both in Spain and internationally.	

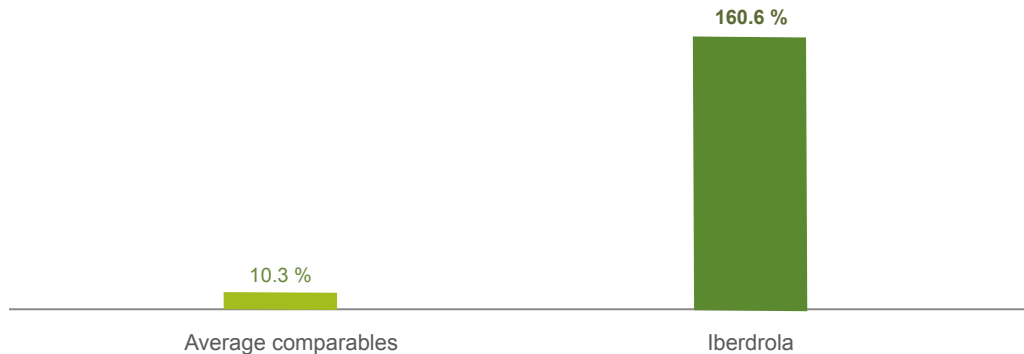


1.7. Comparative results and recognitions

Comparative results

Growth in market capitalisation

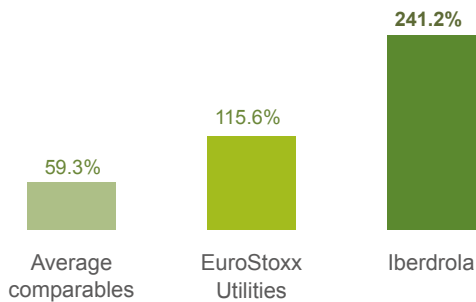
Growth in market capitalisation 2012-2022



Ten years ago, Iberdrola, S.A. held sixth place among comparable companies in terms of capitalisation.⁽¹⁾ It now is the leader among those in which the government does not hold an interest.

Share price

Share price 2012-2022

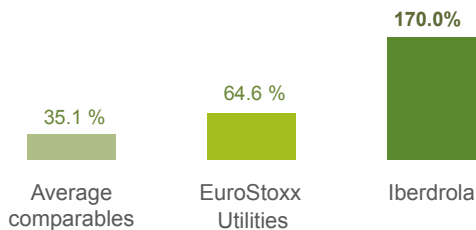


Iberdrola's performance

Iberdrola has increased its assets by more than 60% and its revenues by approximately 58% over the last 10 years. It has also improved its EBITDA by more than 71% and its Net Profit by more than 53%, and shareholder remuneration has increased by more than 32%, improving its financial strength.

Iberdrola	31-dec.-12	31-dec.-22
Assets (€M)	96,816	154,667
Revenues (€M)	34,201	53,949
EBITDA (€M)	7,727	13,228
Net Profit (€M)	2,841	4,339
Dividends (€/share) ⁽²⁾	0.341	0.449
Net Debt / EBITDA	3.924	3.300

Comparative performance of total shareholder return 2012-2022



(1) Comparable companies analysed: Engie, EDF, E.On, Enel, RWE.

(2) Dividend paid during the financial year



Recognitions

Presence on indices and ratings

The only European utility included for the past 23 years, it is considered one of the most sustainable electric utilities in the world. DJSI World & DJSI Europe

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Selected in 2022

Global 100

Selected for the index since 2009



A LIST rating in the CDP Climate Change Index 2022



Chosen as CDP Supplier Engagement Leader



Selected AAA



Selected in several Euronext Vigeo Eiris indices



Classified as "Silver Class" in the electricity sector



Merco ESG Spain 2022: among the 15 best-positioned companies



Only Spanish company included. Selected for the ninth consecutive year as one of the most ethical companies in the world



Fortune Global 500: Selected



Included in the STOXX Global ESG Leaders index and in the most important indices

STOXX Global ESG Leaders Indices

Ranked first in the Climate Policy Engagement Ranking



Only Spanish utility selected in all years. Selected in recognition of its equal opportunity and gender policies.



Classified as Prime



Selected in Forbes 2022 GLOBAL 2000: WORLD'S LARGEST PUBLIC COMPANIES

Forbes 2022
Global 2000 World Largest Public companies

Included in the leading indices



In the top 5 of the EI Green Utilities Report 2022 ranking



Gold EcoVadis Medal, Iberdrola as one of the best performing companies



Among the 500 most valuable brands globally



Among the highest-rated utilities



Among the world's most influential utilities

WBA Electric Utilities Benchmark

Included in the index



2022 disclosure score above the average



Ranked first in 2022



Leading Spanish company in the ranking due to its investment in clean energies

Carbon Clear 200 You Sow & Corporate Knights



External recognitions



Ignacio S. Galán. Chairman of Iberdrola

To the group's companies:

- Iberdrola recognised as a Supplier Engagement Leader (CDP): 2022
- Iberdrola selected as the most transparent company on the Ixex 35 (Transparency International): 2022
- Iberdrola, the best European company in the dissemination of ESG (League of American Communications Professionals (LACP)): 2022
- First company with certified Sustainable Procurement Strategy (AENOR): 2022
- Recognition of the corporate development area at the CAPCorp Impulsa 2022 awards.
- Avangrid companies receive the Edison Electric Institute (EEI) Emergency Response Award for their work in restoring electricity service after Hurricane Ida: 2022
- Avangrid, recognised as one of the top 100 companies in mobility and people equity by Just Capital: 2022
- ScottishPower Renewables' Environment team at East Anglia One, awarded in the Environment category of the Energy Institute Awards: 2022
- Ethics and Values in Industry 2022 Award to Iberdrola Mexico, from the Confederation of Industrial Chambers of the United Mexican States (*Confederación de Cámaras Industriales de los Estados Unidos Mexicanos*) (CONCAMIN) for the fourth consecutive year: 2022.
- Global Performance Excellence Award (GPEA) 2022 to Iberdrola Mexico, in the highest category of "World Class", for its business management (Asia-Pacific Organization for Excellence): 2022

- Neoenergia receives the CONAREC 2022 award, aimed at companies, suppliers and service providers that stand out in the customer service and customer relations segment, given by the National Congress of Business-Customer Relations (*Congreso Nacional de Relaciones Empresa-Cliente*): 2022
- For the second consecutive year, Neoenergia wins the Transparency Trophy, awarded by the National Association of Finance, Administration and Accounting Managers (*Associação Nacional dos Executivos de Finanças, Administração e Contabilidade*) (ANEFAC): 2022

To the chairman:

- One of the 100 CEOs included in the Brand Finance Brand Guardianship Index 2021 (2021).
- Management Leadership Award (Spanish Quality Association): 2020.
- Alfonso de Salas Award for Economic Personality of the Year (EI Economista): 2020.
- Award for professional career (Forinvest): 2020.
- One of the 30 most influential leaders in the fight against climate change (Bloomberg): 2019.
- One of the five best-performing CEOs in the world and top CEO in the *utilities* sector (Harvard Business Review): 2019.
- Best European Utility CEO (Institutional Investor Research): 2017, for the eleventh time.
- Commander of the Most Excellent Order of the British Empire: 2014.
- Honorary Doctorate from the Universities of Salamanca (2011), Strathclyde (2013) and Edinburgh (2011).

2. Business model and strategy

2.1. Operational context

2.2. Regulatory environment

2.3. Business model

2.4. Outlook 2023-2025

2.5. Networks Business

2.6. Electricity Production and Customers Business

2.7. ESG+F Targets





2.1. Operational context

The current economic context is characterised by the post-pandemic period, the invasion of Ukraine, the highest inflation levels in more than 30 years in Europe and the United States, rapidly rising interest rates, and volatile commodity prices.

This environment has highlighted the external dependence resulting from the current energy model and has led the world into an unprecedented energy crisis, especially in Europe, which only reaffirms the need to accelerate the electrification of the economy.

The international agency Bloomberg New Energy Finance already forecasts that electricity demand will double by 2040, driven by all sectors: from transport, where consumption will multiply 40-60 times over the next 20 years, to buildings, where the quest for greater energy efficiency, heat pumps and electric heating networks will almost double electricity consumption this year, reaching 60% of the industry total.

Meeting this demand will require a multiplication of the production of electricity from renewable sources. According to the International Energy Agency and Iberdrola's own model and outlook, it is estimated that between 2021 and 2030 there will be a 3-fold increase in photovoltaic capacity, a doubling of onshore wind capacity, and a 6-fold increase in offshore wind capacity. This will mean a 50% increase in the world's electricity consumption from renewable sources in eight years and, in some countries like Spain, this figure could reach as high as 75%.

Facing this environment requires the commitment of not only the private sector and consumers, but also that of regulators and public institutions, who should seek stable and predictable frameworks, with clear rules that allow for acceleration of the required investments in clean energy and attractive regulation in the networks business, in order to respond to the growing need for transmission and distribution infrastructure.

The challenge of climate change

Climate change is one of the most significant and urgent challenges confronting humanity. The increase in the concentration of Greenhouse

Gases (GHGs) in the atmosphere continues to increase the temperature of the planet, with 2022 being a year in which the average global temperature has increased by 1.15°C above pre-industrial levels. Tackling this serious threat requires the commitment, coordination and cooperation of society as a whole.

The adoption of the Paris Agreement at the Conference of the Parties (COP) on Climate Change 21 (COP21) in December 2015 was a key milestone in the global climate agenda.

Despite the efforts and progress made since then, the overall trend in GHG emissions is far from the annual rate of reduction that is required. Between 2010 and 2019, global GHG emissions have increased by 12% and according to the Intergovernmental Panel on Climate Change (IPCC) in its latest report, for the world to limit the temperature increase to a maximum of 1.5°C by the end of this century, a 43% reduction in emissions is required by 2030 compared to 2019 (45% by 2030 compared to 2010 according to the IPCC SR1.5 special report published in 2018). This makes it more necessary than ever to support an ambitious and accelerated decarbonisation approach in the review of targets and to increase efforts by society as a whole.

The power sector and heat generation are currently responsible for around 40% of the emissions from the energy sector, which in turn is responsible for almost three quarters of GHG emissions. The transition to a decarbonised energy model involves improving energy efficiency and replacing fossil fuels with renewable energy. The electricity sector, through renewable energy generation and end-use electrification, is a key lever for decarbonisation.

The opportunities created by the electricity sector in the energy transition are clear in the scenarios of decarbonisation. The International Energy Agency's (IEA) 2022 World Energy Outlook (WEO) update of the 2050 net zero emissions scenario shows how electricity based on 90% renewables would provide more than half of total final consumption by 2050. Specifically, the power sector would reach net zero globally by 2040 and by 2035 in advanced economies, becoming the new backbone of the global energy system by 2050.



2.2. Regulatory environment

The most significant measures implemented by the various countries and markets in which the company is present are included:



European Union

The “Fit for 55” legislative package, which aims to define 2030 targets compatible with climate neutrality by 2050, continued throughout 2022. However, the response to the energy price crisis stemming from the war in Ukraine and international gas price developments has capitalised the public debate.

Response to the consequences of the Ukraine crisis by EU bodies:

- In March 2022 the European Commission (EC) published a **first Communication analysing possible tools and conditions for emergency intervention** by governments in the energy markets and in support of consumers, taking into account the exceptional circumstances. At the time, the Commission also posited the need to increase the EU's energy independence.
- These proposals were complemented by a **temporary and specific regime for state aid** in the context of the current crisis and a proposal for a reform of rules on security of gas supply to set minimum stocks for gas storage, which was finally adopted in June.
- The EC also proposed the **REPower EU Plan, to accelerate the energy transition**, and to join forces within the Union to achieve a more resilient and integrated electricity system. The plan has four main lines of action: (a) saving energy, (b) diversifying gas supplies, (c) replacing fossil fuels with renewable energy, and (d) identifying the investments and funds needed to make the plan viable. Member States must include a strengthening of their commitment in the update of their energy and climate plans to be adopted by June 2024. The Plan proposes to increase the main 2030 target for renewables to 45% of the total energy mix and to increase the 2030 efficiency target, from 9% to 13%. This Plan involves the widespread deployment of Solar PV for buildings in the coming years, as well as heat pumps. It also encourages the deployment of hydrogen in industry and includes proposals to accelerate the processing of permits for renewable energy projects.
- In July 2022 the EC proposed a plan for a potential ban of Russian gas supplies through savings in gas consumption, as well as **changes to the Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia**. It prepared proposed **Regulation on coordinated demand-reduction measures for gas, which entered into force weeks later**. The reduction in demand will be voluntary (15%) in each State between 1/8/22 and 31/3/23, but may be binding in the event of an alert.
- In October 2022 the Regulation establishing the conditions for **emergency intervention to address high energy prices** by the Member States entered into force. This Regulation **gives a great deal of flexibility to States to set their own measures** and benchmarks. The main elements of the measure include:
 - **Coordinated reduction of electricity demand:** 10% voluntary monthly reduction of gross consumption, and 5% binding reduction of consumption at peak hours.
 - **Price cap for infra-marginal technologies:** Maximum of €180/MWh, applicable until 30/6/23, on revenues from wind, solar, nuclear, hydro and other markets.
 - **Mandatory, solidarity-based contribution for the oil, gas, coal and refining sector:** to be temporary, of at least 33% and applicable on profits in 2022 and/or 2023 that are more than 20% higher than the average profit made during the 2018-2021 period.
 - **Consumer support measures:** Allow States to introduce feed-in tariffs not only for domestic electricity consumers and micro-enterprises, but also for SMEs.
- The European framework for responding to the energy crisis was completed in December 2022 with the adoption of three Regulations:
 - **Temporary European cap mechanism on gas prices for forward contracts** that would be triggered if the thresholds of €180/MWh on the gas market (TTF) are exceeded for three consecutive days and in addition, the one-month forward contract on the TTF market exceeds the international prices for liquefied gas by €35. The mechanism will become effective as from 15/2/23 and will be updated in November of the same year. It will not be activated in emergencies.
 - **Voluntary mechanism for joint purchasing** by Member States.
 - **Reduction of permit processing times for small photovoltaics, self-consumption and heat pumps**, and consideration of new applications for renewable development as being of overriding public interest.

Sustainability

- The regulation on climate change mitigation and adaptation taxonomy has been completed in 2022, specifying the conditions for the inclusion of nuclear and gas-fired generation in these two taxonomies. This act strengthens the separate reporting of these two activities in order to clearly differentiate the activities included (nuclear and fossil energy activities) from the other activities (renewables, grids, renewable hydrogen, etc.).
- A new Corporate Sustainability Reporting Directive (CSRD) is published, which sets out more detailed requirements than the previous regulation and ensures that large listed companies and SMEs must publish information on sustainability issues.



Spain

2022 has been marked by volatility and high gas prices, which has affected electricity prices, mainly for household accounts at the regulated tariff.

Voluntary Price for Small Consumers (PVPC). The government has taken various temporary measures to mitigate this effect:

- Reductions in taxes (VAT and excise tax) and charges on access tariffs, suspension of the electricity generation tax, until December 2023.
- Limit of €67/MWh on the price of electricity in bilateral contracts (RDL 6/2022 and RD 18/2022), also until December 2023.
- “Iberian Mechanism” (the “gas cap” of RDL 10/2022), which limits the price offered by thermal plants in order to reduce the cost of energy for customers without a bilateral contract, and establishes a charge on consumers to finance the measure. In effect until 31 May 2023, the government has requested an extension, expected to be until 31 December 2023.
- Expansion of the scope and the discount of the subsidised electricity rate (bono social) for vulnerable consumers until 31 December 2023 (RDL 18/2022).

There have also been cost reduction and social protection measures in other energy sub-sectors: tax reductions for natural gas consumers, limiting the increase in the last resort tariff for natural gas, subsidising the cost of transport fuels, measures to reduce energy demand, etc.

The most significant regulations approved outside the price crisis include:

- The reactivation of the water charge (*canon hidráulico*) in 2022 after the reversal by the Supreme Court.
- **Streamlining procedures for renewable energy projects:** RDL 6/2022 streamlines and simplifies administrative procedures of state competence for renewable projects of up to 75 MW wind and 150 MW photovoltaic, in areas of low environmental impact. It also prioritises environmental assessment for projects located in areas of low sensitivity, regardless of capacity, and includes major measures related to access and connection.



United Kingdom

- In April 2022 the British government published an ambitious **Energy Security Strategy aimed at putting the United Kingdom on a pathway to a decarbonised electricity system by 2035**, while maintaining security of supply. As part of this strategy, the **government increased its 2030 target for offshore wind deployment from 40 GW to 50 GW** and committed to accelerating the deployment of renewable generation generally.
- In November 2022 the British government announced the introduction of the infra-marginal **Electricity Generation Levy (EGL)**, applying to nuclear and renewable generation from 1 January 2023 until 31 March 2028. It is a 45% levy on revenues generated above an annual benchmark of £75/MWh indexed to inflation (CPI). This Levy rate does not apply to energy sold under a Contract for Difference (CfD) with the *Low Carbon Contracts Company Ltd (LCCC)* but does apply to energy sold in the market.
- The **Energy Price Guarantee schemes** for domestic customers and the **Energy Bill Relief Scheme** for non-domestic customers apply from October 2022 until March 2023. In both cases, the government makes a **financial contribution to suppliers** to reduce the annual energy bill per typical household by up to £2,500 (annualised) and to reduce the energy component of non-household customers' bills by up to £211/MWh for electricity and £75/MWh for gas.
- During the 2022/23 winter months British households also receive an **additional discount** on electricity bills of £400 in total under the “**Energy Rebate**” scheme.



United States and Canada

- During his second term, President Biden continued his efforts to increase **federal investment in clean energy** and critical infrastructure through new legislative and regulatory measures.
- Congress passed the US\$700,000 million Inflation Reduction Act in August 2022.
- The government also took steps during the year to implement the **Infrastructure Investment and Jobs Act 2021**, such as promoting funding opportunities for regional clean hydrogen hubs and investments in innovation and grid resilience.
- The White House also advanced its **climate change and emissions reduction agenda**, making it easier to lease offshore wind turbines and introducing a **proposal** to require public *utilities* to **report on climate risks**.



México

Various changes to energy policy have been presented during 2022, some of them contrary to private investment, which are described below:

- **Reform of the Electricity Industry Law (LIE).** This was published in March 2021 and aims to prioritise CFE energy over private energy and limit the development of new projects. It has a negative impact on renewable energy and distorts free competition.
Those affected filed legal appeals, most of which are still pending. Iberdrola filed an *amparo* demand, obtaining injunctive relief suspending its application. The stay granted to Iberdrola has remained in force and the court proceedings are expected to resume shortly.
- **Constitutional Reform initiative on electricity.** On 30 September 2021 the President of Mexico sent to Congress an initiative to amend the Constitution regarding electricity. The initiative was rejected in April 2022, having failed to reach the required majority in Congress.
- **Consultations under the Mexico-US-Canada Agreement (T-MEC) on Mexico's energy policy.** In July 2022, the United States and Canada announced consultations with the Mexican government under the T-MEC regarding possible violations of energy commitments in electricity, oil and natural gas. Consultations are continuing and the result is expected to be known in 2023.
- **Mexico announces new climate commitments.** Within the framework of COP 27, Mexico committed itself to reducing its CO₂ emissions by 35% by 2030. This commitment entails the inclusion of 40 GW of renewable energy in order to achieve this goal.



Brazil

- The **Law establishing the legal framework for Mini and Micro Distributed Generation (MMDG)** was published in January. Units that already have MMDG and those that applied for connection until 6 January 2023 will continue with the benefit until December 2045. A transitional rule is established for those who adhere later, with progressive partial charges each year until 2029, when the full amount of the tariff components with which the distributors are remunerated will be charged. The remuneration of distributors during the transitional period will be supplemented by subsidies from the Energy Development Account (*Conta de Desenvolvimento Energético*) (CDE).
- Also in January, a **Decree** was published that deals with the assignment of the use of physical space and the **utilisation of natural resources for offshore energy generation**. This will be exploited by means of a use assignment agreement, which may be for consideration (plant operation) or cost-free (technological R&D activities). An Ordinance was published in October to establish the procedures for onerous transfers and ANEEL is delegated the power to sign the use assignment agreement. A Unified Portal for the Management of the Use of Offshore Areas for Generation and Energy was created.
- An **Ordinance** was published in September 2022 stating that, as of 1 January 2024, **high-voltage consumers** may choose to **purchase electricity from any supplier in the National Interconnected System (SIN)**. For those with a load below 500 kW, the obligation of representation by a retail agent before the Chamber of Electric Energy Commercialisation (*Câmara de Comercialização de Energia Elétrica*) (CCEE) was established.



2.3. Business model

A successful and well-established business

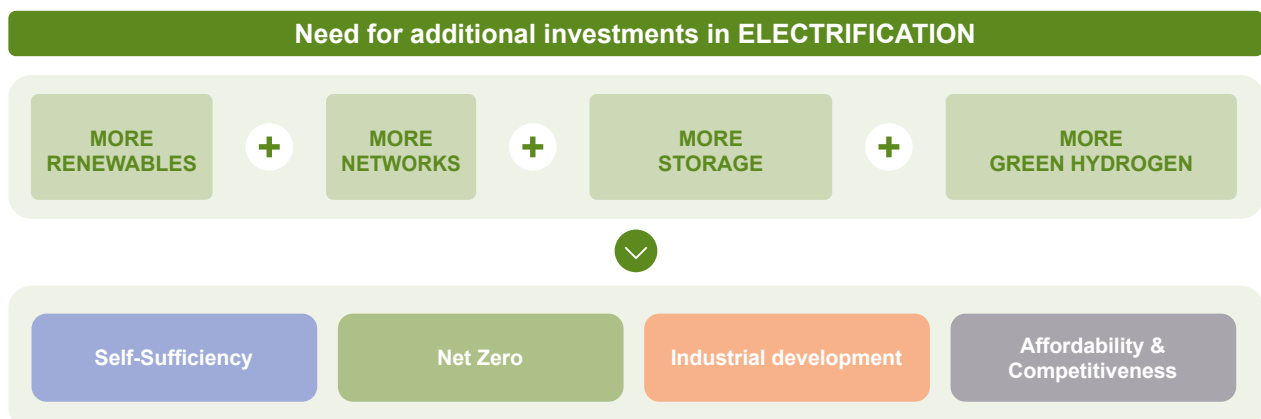
Iberdrola firmly believes that the transition to a carbon neutral economy by 2050 is technologically possible, economically viable and socially necessary. The energy transition to a low-emissions economy is a great opportunity to create independence and wealth, generate employment and improve the state of the planet and people's health. The group is therefore committed to leading the way, a path it embarked on more than 20 years ago with a firm commitment to renewable energies and that has led it to invest more than €140,000 million since then. And it will continue with an ambitious investment plan of €47,000 million between 2023 and 2025, focused on increasing its installed renewable, onshore and offshore wind, photovoltaic, battery and hydroelectric capacity, plus electricity grids. This plan aspires to achieve carbon neutrality for Scopes 1 and 2 by 2030, offsetting any residual emissions after 2030. The ultimate aspiration of this commitment is to achieve Net Zero emissions by 2040. Iberdrola is therefore making a decisive contribution to the development of an autonomous, safe, clean and competitive energy model, supporting industry and employment in the communities where it operates.

Iberdrola as an exemplary business model

Iberdrola stands out as the leading renewable energy producer among European and US energy companies, reaching a capacity of more than 40 GW in installed renewable generation technology. Iberdrola already generates 100% of its energy with zero emissions in countries like the United Kingdom, Germany and Portugal. The company also has an installed capacity of 3.9 GW of pumped hydro technology, the most efficient method of large-scale energy storage.

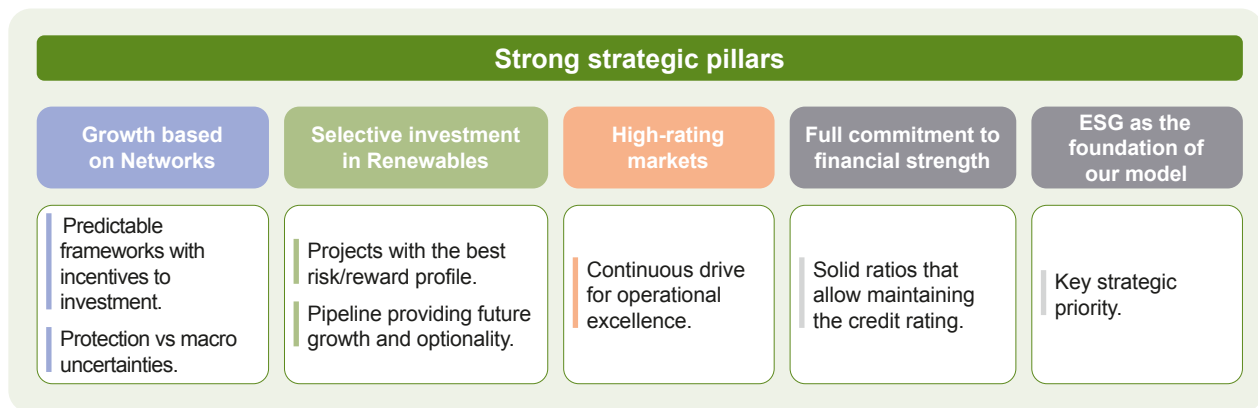
Iberdrola currently operates electricity distribution systems that, in aggregate, constitute one of the largest in the world. These systems include the development and implementation of smart grids with digital capabilities for remote management, monitoring and automation.

The group offers smart and innovative solutions in the residential (energy storage, heat pump, self-consumption through photovoltaic panels and electric mobility) and industrial sectors (smart solutions, electrification processes and green hydrogen).





Strong strategic foundations



A business model that enables us to accelerate the creation of value for all

Iberdrola's investment will concentrate mainly on networks and long-term renewables investments that provide known and recurring cash flows.

The selection of the countries in which the group is present also takes into account the stability of the regulatory environments that apply to the sector and their long-term credit ratings.

This allows for the establishment of a dividend policy that proposes a strong minimum dividend that grows in line with the increase in the company's results.

In summary, Iberdrola's business model has the following characteristics and strengths:

1. Aimed at satisfying the expectations of its stakeholders by incorporating ESG+F factors into the company's strategy and management.
2. Investment is particularly focused on the networks business, which has predictable regulatory frameworks with investment incentives, and constitutes essential infrastructure to handle the transition of the energy model..
3. It is supplemented by selective investments in renewables, thus optimising the risk-return profile. This mainly includes offshore wind, photovoltaic, onshore wind, hydroelectric, battery and green hydrogen production projects, all of which are necessary to achieve a decarbonised energy and economic model.
4. Geographical diversification, with a focus on countries with high credit ratings.
5. Historical commitment to a robust financial position that preferentially relies on green finance instruments thanks to the fact that the investment plan is highly aligned with the EU Taxonomy.
6. Dividend policy establishes a strong and growing dividend in line with the increase in the company's profits.



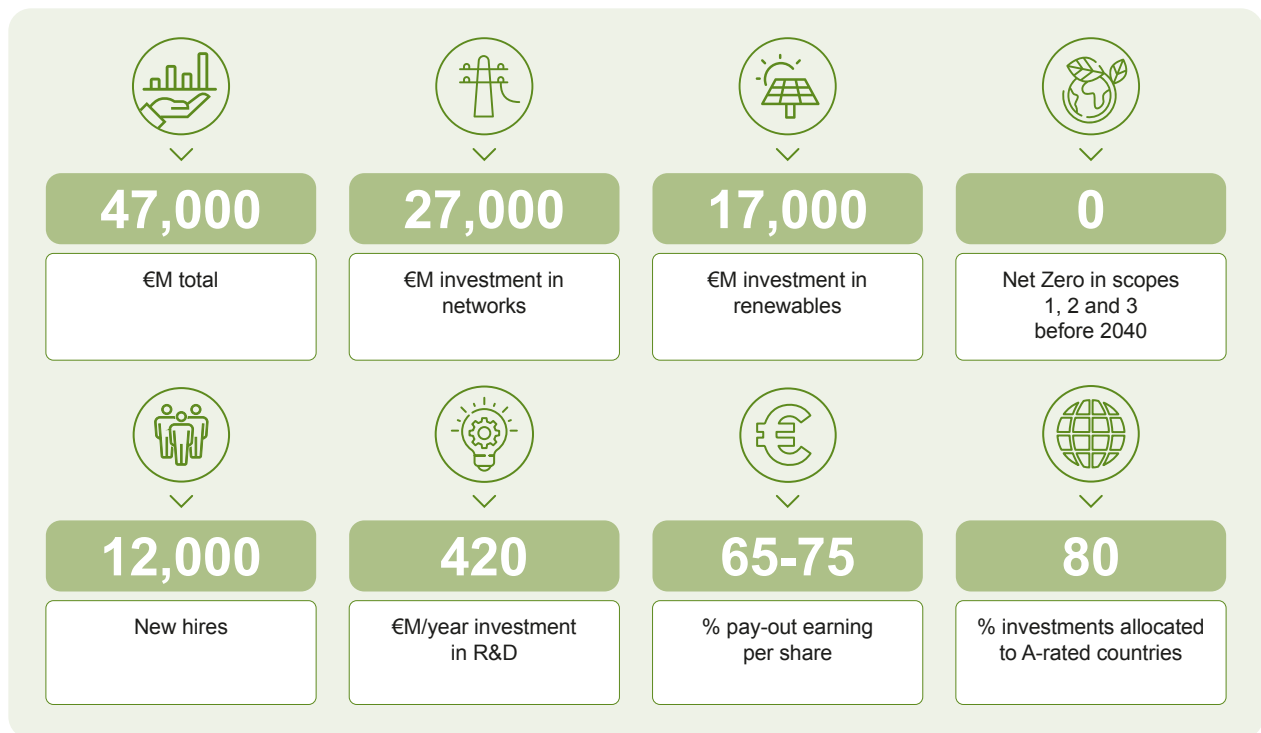
2.4. Outlook 2023-2025

The strength of Iberdrola's business model allows it to successfully confront the current complex macroeconomic and market context, thanks to a proactive vision of the evolution of technology and markets. This vision has been developed by Iberdrola over the last 20 years, and the current reality reaffirms its long-term strategy.

Iberdrola continues to advance in its commitment to energy self-sufficiency and as an active player in the fight against climate change: it will invest €47,000 million during the 2023-2025 period to boost the energy transition, employment and net emissions, making its growth in renewables and networks compatible with the goal of becoming carbon neutral by 2030 in its generation plants and own consumption and in all its activities before 2040.

Iberdrola expects that by the end of the decade more than €65,000 million will have been spent on grid assets and 100,000 MW of renewable installed capacity will have been created, thanks to new investments between €65,000 and €75,000 million during the 2026-30 period.

Strategic Plan 2023-2025 in figures



Investments and growth

The growth set out in the Strategic Plan is based on transmission and distribution networks and selective investment in renewable sources.

Networks are the backbone of the system, which will allow the integration of new renewable capacity and the implementation of new distributed solutions and services. With a forecasted investment of €27,000 million in this area, this business has predictable frameworks that offer protection against macroeconomic uncertainty. This commitment will enable it to reach an asset base of €56,000 million by 2025, which entails growth of 44% over the €39,000 million this year.

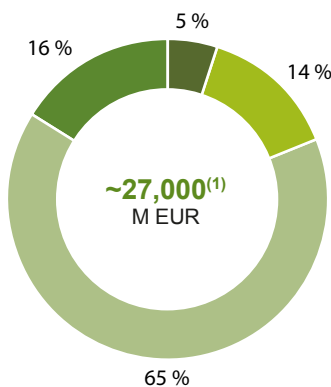


More than 85% of organic investments in this area are practically secured, in projects with regulatory frameworks already closed or at an advanced stage of negotiation.

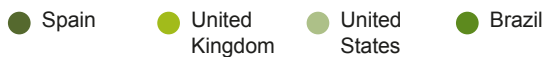
The company expects to allocate approximately €17,000 million to the renewables business, focusing growth on secured, high quality projects with the best risk/return ratio. Of this amount, 46% will be dedicated to offshore wind in France, Germany, the United Kingdom and the United States.

In the remaining technologies, onshore wind will absorb 25% of the investment, photovoltaic 24%, hydro 2% and batteries 3%. Thanks to these investments, the company will increase its installed renewable capacity by 12,100 MW to 52,000 MW by 2025 (3,100 MW onshore wind, 6,300 MW photovoltaic, 1,800 MW offshore, 700 MW batteries and 200 MW hydro), compared to the 40,000 MW planned for this year. The group already has 50% of new capacity secured and approximately 95% of production will be contracted by 2025.

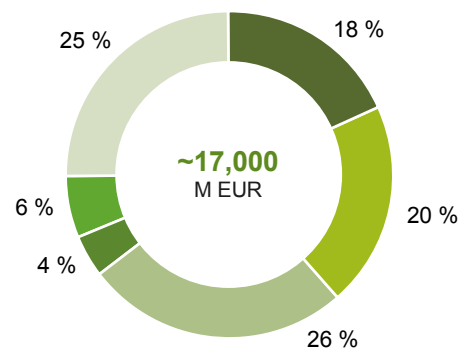
Investments in Networks by geography ⁽¹⁾



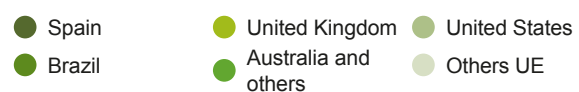
70% in distribution and 30% in transmission



Investments in Renewables by geography



46% to offshore wind



€3,000 million will also be earmarked for other green products and customers.

Financial strength

The investments planned for the period 2023-2025 allow Iberdrola to forecast gross operating profit (EBITDA) of between €16,500 and €17,000 million euros by 2025, representing average annual growth of between 8% and 9%. Thanks to the geographical diversification of the group's activities, EBITDA will be achieved with a contribution of 31% from Spain, 18% from the United Kingdom, 24% from the United States, 20% from Latin America and 7% from Australia and other countries. It is also estimated that net profit will increase to a figure between €5,200 and 5,400 million by 2025, with average annual growth of 8-10%.

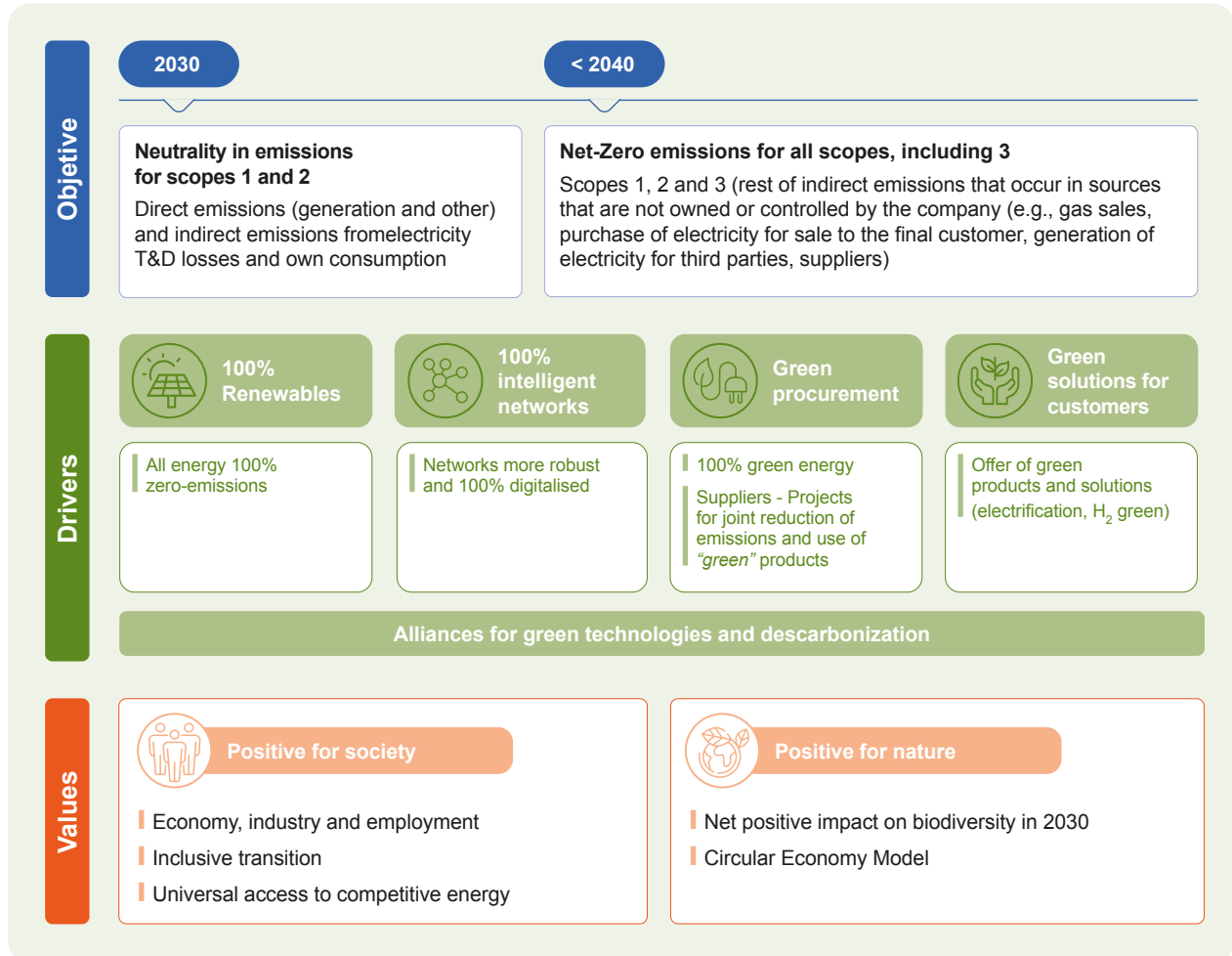
Iberdrola plans to increase shareholder remuneration in line with the evolution of results, allocating between 65% and 75% of profits to dividends (payout). Thus, the dividend per share will reach a figure between €0.55 and €0.58 by 2025. The company sets a dividend floor of €0.46 between 2023 and 2024 and €0.50 for 2025, within the "Iberdrola Retribución Flexible" flexible remuneration programme, which includes the repurchase of shares.

(1) 11,000 of them destined to PNM.



Energy transition and Climate Action Plan

As reflected in its Climate Action Plan, Iberdrola aims to make its growth in renewables and grids compatible with the goal of achieving emissions neutrality in Scopes 1 and 2 by 2030 and reaching zero net emissions in all 3 scopes by 2040.



The Climate Action Plan also defines the levers and associated activities that contribute in turn to the decarbonisation of the economy as a whole, as well as the values and tools on which its achievement is based and which respond to the vision of an energy model in harmony with nature and people.

In this way, the Climate Action Plan is supported by the group's investment plan, which includes innovation initiatives aimed at decarbonising the energy mix, and aims to increase its resilience and consolidate its leadership in renewable energies, smart grids, efficient storage, and the deployment of decarbonisation solutions for customers.

Iberdrola also aims to have a net positive impact on biodiversity by 2030. This is a goal based on the application of the conservation hierarchy principle throughout the life cycle of its facilities and the implementation of mechanisms for identifying, quantifying and monitoring compliance therewith.

Also in keeping with its commitment to be "people-positive", the company will make approximately 12,000 new hires by 2025. Iberdrola has also made a commitment to increase the presence of women in key positions to 35% by 2030 and to 43% on the Board of Directors.



2.5. Networks Business

Regulatory environment

The current context, marked by the energy crisis resulting from the war in Ukraine, the increase in the cost of raw materials, and the political impetus for the Energy Transition, have mainly given rise to regulatory decisions that seek to favour energy independence and protect consumers.



Spain

- In the context of **Royal Decree 1125/2021** on digitalisation, the addenda corresponding to the 2021-23 and 2022-24 investment plans, as well as the quality improvement programme and the associated strategic plan, were sent to the CNMC. The RD will allow for an **increase in planned network investments by 2024**, with part of the increase to be financed by European funds (€169 million during the 2021-2023 period). The additional investment under the system will be €337 million euros during the 2022-2024 period.
- **Royal Decree Law 6/22 on urgent measures in response to the economic and social consequences of the war in Ukraine** was published on 30 March. These measures are mainly aimed at encouraging the **integration of renewables** and mitigating increases in energy bills by reducing tolls and charges.
- In relation to the **Ministerial Order approving the distribution of the amounts to be financed from the 2022 subsidised rate**, the amount that distribution companies will have to pay means that they will end up bearing 4.2% of the total amount. This order shall apply to payments as from 7/2022.
- **RD Law 17/2022 on urgent measures in the field of energy** was published in the BOE (Official State Gazette) on 21 September:
 - Creation of a new active demand response service in the electricity market for mainland consumers at > 1 MW.
 - Any surplus from regulated payments in 2021 is earmarked as revenue in the 2022 payments.
- The pending remuneration orders corresponding to the first regulatory period (2016-2019) were published during 2022.



United Kingdom

- Ofgem published its decision on the **reform of network connection tolls** on 3 May. These changes will be implemented on 1 April 2023 and it is estimated that they could lead to an **approximate 10% increase in investments** by ScottishPower Energy Networks over the RII0-ED2 period, which would mean an additional £300-450 million over investments from the business plan.
- ScottishPower Transmission (SPT) achieved **recognition for over-delivery in asset management during RII0-T1**. Ofgem recognised the cost increase and granted an incentive to SPT of £16 million, with a positive impact from 2023. SPT is the only company that has been recognised for over-delivery, for which other electricity companies and gas distributors were also eligible.

- Ofgem published its **Final Determination regarding RII0-ED2 applicable to electricity distribution companies between April 2023 and 2028** on 30 November. A 5.23% *Cost of Equity* and a 3.07% *Cost of Debt* were established and a TOTEX of almost £4,000 million was approved. The incentive framework was improved thanks to the potential Distribution Network Operators (DSO) incentive and quality of supply incentive. It is recognised that a larger TOTEX may be requested if increased activity in certain areas is required during the period.



United States

- After finding that Central Maine Power meets customer service quality targets, the Maine Public Utility Commission **decided to withdraw the -100 bp ROE adjustment** to which the distributor's remuneration was subject from February 2022, with the support of the Maine Office of Public Advocate.
- In June the New York Public Service Commission **approved** NYSEG's and RGE's application regarding:
 - **Recognition of uncollected interest and fees** from customers who paid late during COVID-19
 - **Regulatory asset recognition** of Major Storms (in IFRS accounting).
- In October the Connecticut regulator ratified the settlement reached with the attorney general for **Berkshire Gas Company's new rates (2023-25 Rate Case)**. Highlights include:
 - ROE of 9.70% and Equity Factor of 54%.
 - Full alignment of GAAP-IFRS treatment to regulatory assets/liabilities.
 - Work continues on the negotiation of 6 additional rate cases in the country, which are expected to be decided during 2023



Brazil

- **Neoenergia Coelba and Neoenergia Cosern implemented their annual tariff readjustments** in April. The **increase** in tariffs mainly **reflects** the change in the General Price Index and **recognises the improvement in supply quality**.
- The **Neoenergia Elektro readjustment** was carried out in August, while the readjustment for **Neoenergia Distribuição Brasília** occurred in November. All the adjustments included a number of mitigating measures to ensure that the average effect on consumers involved tariff increases that were acceptable.



Key business information

Iberdrola is a pioneer in the development of innovative projects to improve the reliability, safety and resilience of its grids, in order to achieve one of the main objectives of its business: to offer its customers excellent quality of service. For this purpose, the company works to maximise efficiency in the operation of the system through operational excellence and the digitalisation of its assets. The company, a leading player in the energy transition, advances towards a cleaner model due to the massive deployment of its smart grids, which, thanks to more proactive, remote and secure management, favours a more efficient integration of (centralised and distributed) electric power and the deployment of electric vehicles and heat pumps, among other things.

Key figures

Item	Unit	Spain		United Kingdom		United States		Brazil		Total	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Gross margin	€M	1,909	1,981	1,415	1,381	3,939	2,911	2,646	2,000	9,909	8,273
EBITDA	€M	1,608	1,632	1,093	1,053	1,889	1,251	1,936	1,459	6,526	5,394
Distributed energy	GWh	89,622	90,962	31,020	32,221	38,757	38,756	76,107	75,813	235,506	237,752
Supply Points (Electricity)	Millions	11.36	11.28	3.55	3.55	2.31	2.30	16.04	15.74	33.26	32.87
Gas supply	GWh	--	--	--	--	64,892	61,365	--	--	64,892	61,365
Supply Points (Gas)	Millions	--	--	--	--	1.04	1.03	--	--	1.04	1.03
Gross investments	€M	801	657	678	627	1,692	1,777	1,506	968	4,677	4,030





Main activities during the year

Planning and development

- **Spain:** there has been progress on the development of the second generation of smart meters for i-DE, which will begin to be installed en masse in 2025, with new functionalities and advantages for our customers. The investments planned to meet the decarbonisation and electrification targets of the Integrated National Energy and Climate Plan (*Plan Nacional Integrado de Energía y Clima*) (PNIEC) have also been made. For its part, following the redesign of the grid access and connection process, i-DE has connected almost 5 GW of renewable facilities to the distribution grid in approximately 1,500 cases managed during 2022. In addition, i-DE has already exceeded 90,000 self-consumption facilities, an increase of 20% since last year.
- **United Kingdom:** the investments set out in the RIIO-T2 transmission and RIIO-ED1 distribution tariff frameworks have been made. National Grid also published the strategy for the expansion and upgrade of transmission lines (Holistic Network Design) in line with the 2030 decarbonisation targets. The plan contemplates reaching 50 GW of offshore wind by 2030 (15.4 GW in Scotland). To this end, grid investments are estimated to be necessary for offshore and onshore wind connections, including HVDC connections, which cover the Eastern Link project. This project, proposed by ScottishPower Transmission and National Grid Electricity Transmission, involves the construction of a 2 GW undersea cable that will connect Scotland and England and facilitate the achievement of Net Zero targets.
- **United States:** there has been continued development of a transmission and distribution network that allows for achievement of the electrification and decarbonisation goals, improving resilience and increasing the quality of customer service and promoting the integration of renewables. The roll-out of smart meters has also commenced in New York, in line with Avangrid's plans to reach 100% smart metering by 2025.
- **Brazil:** Neoenergia was awarded two lots in ANEEL's electricity transmission line auction in June: lot 2 and lot 11, totalling nearly 2,000 km. These two projects are in addition to the 4,000 km of lines Neoenergia already has under construction and the additional 2,300 km in operation. The project corresponding to Lot 9 of the December 2019 auction (Rio Formoso) was energised at year-end 2022. After its commercial startup. After its commercial startup, Neoenergia will have a total of 10 projects in operation.

Customer service

- **Spain:** i-DE's investments in new electricity infrastructure, the maintenance and renovation of existing infrastructure, and its ambitious plan to digitise its electricity grids will enable the company to continue to improve its quality level in 2022. In addition, and true to its goal of focusing on the customer, the company has implemented various initiatives that improve the customer experience, and thus the i-DE and Iberdrola brands. Along these lines, the new website, the chatbot and app functionalities such as the Consumer Monitor (which has achieved a customer rating of 8.2 points out of 10), are the best examples of this continuous improvement.
- **United Kingdom:** SP Energy Networks' customer satisfaction continues to remain high, ranking above the best UK companies in all service sectors, maintaining this position consistently over the last two years. In order to further improve customer service, SP Energy Networks has launched a new CRM programme that will allow us to serve customers in a more personalised and proactive way, while providing our teams with access to a single view of their customers, and greater automation to drive efficiency and quality across all our teams.
- **Brazil:** Neoenergia won the CONAREC 2022 award for innovation in customer relations. The National Electrical Energy Agency (ANEEL) also presented three awards to the distributors Neoenergia Cosern and Neoenergia Elektro, through the Ombudsman Award, for their excellent response to customer requests. It also recognised Neoenergia Cosern as the best distributor in Brazil for its quality of supply. In addition, Neoenergia was recognised for its management and customer-focused approach by maintaining ISO 9001 quality certification (management system) for its five distributors. This was in addition to maintaining the 10002 (customer satisfaction) certification for Coelba, Pernambuco, Cosern and Elektro.
- **United States:** AVANGRID Networks is making progress in the digitalisation process of its customer portfolio, increasing the number of customers registered for electronic invoicing in 2022 by 16% (1.18 million). In addition, 1.36 million customers (more than a third of the total portfolio) have already signed up for the outage alert service.



Operational excellence

- By year-end 2022, all countries in which the business has a presence have improved their supply quality levels compared to 2021. This highlights the performance of the business at the global level in emergency situations in the face of extreme weather events. The deployment of resources to restore service and minimise the impact on customers is a priority for the business, which was demonstrated in 2022 during the Celia storm that affected the Spanish mainland in March, the torrential rains that hit northeast Brazil in July, the Elliott storm in the United States where AVANGRID managed to restore service to customers in the state of Connecticut in less than 24 hours, and the worst succession of storms in the United Kingdom in February, where the company's rapid response enabled it to mobilise all the necessary personnel to restore electricity supply to 100% of the 42,000 affected customers within 24 hours.
- Operating expenses continue to be adjusted in order to **maintain and improve efficiency ratios** in all countries.
- In the **United Kingdom**, ScottishPower Transmission, the Group's electricity transmission company in this country, was recognised by the UK regulator Ofgem for exceeding its asset management targets.
- In the **United States**, AVANGRID's distributors RG&E and NYSEG each won the **prestigious "Emergency Response Award"**, presented each year by the Edison Electric Institute, for their work to re-establish electricity supply after the impact of major storms in December 2021 and April 2022. AVANGRID Networks also renewed ISO 45001:2018 certification from AENOR, a seal of excellence in environmental, health and safety, for three additional years.
- In **Brazil**, Neoenergia received the 2022 Abradee Award in recognition of its operational performance (in quality, management and social and environmental responsibility), thus placing among the best in the country.

Digitalisation of the network and Flexibility

- The **Global Smartgrid Innovation Hub**, in its first year of operation, managed to bring together more than 80 companies and domestic and international institutions, and has already identified more than 120 R&D projects on which some 220 professionals are already working. In addition, it held its first "Innovation Week" in November, with the aim of sharing the most advanced innovation projects in the field of smart grids. During this conference, topics included the future of the grid in the energy transition, the importance of data and talent recruitment. Innovation Week also hosted a showcase of the most cutting-edge technology for grid management, such as the use of drones and virtual reality in monitoring electricity infrastructure.
- In **Spain**: i-DE launched the BeFlexible project, supported by the European Union, which includes up to 12 pilot programmes together with other companies in the industry. In order to meet the operational needs of the grid, the project aims to identify flexibility resources and assess grid and customer capacities and match customer demand to peak and off-peak periods.
- In the **United Kingdom**: SP Energy Networks launched a pioneering network monitoring centre capable of detecting potential grid failures before they occur. This facility uses advanced monitoring technology to provide real-time information on the supply of its area of operation. SP Energy Networks also successfully led the first electricity demand flexibility trial in the country, demonstrating that participating households can save on their energy consumption while helping to balance demand in their local community.
- In **Brazil**: Neoenergia's Smart Grid Management Centre (*Centro de Gestão de Redes Inteligentes*) (CEGRI) already oversees all the digital assets of its five distributors, after including those of Neoenergia Brasília in 2022. CEGRI monitors more than 75,000 smart devices.

Significant risks

- **Operational risks**: impacts on supply as a result of meteorological events and work-related and third-party accidents at owned facilities.
- **Technological and cybersecurity risks** affecting the security of the facilities and service to our customers.

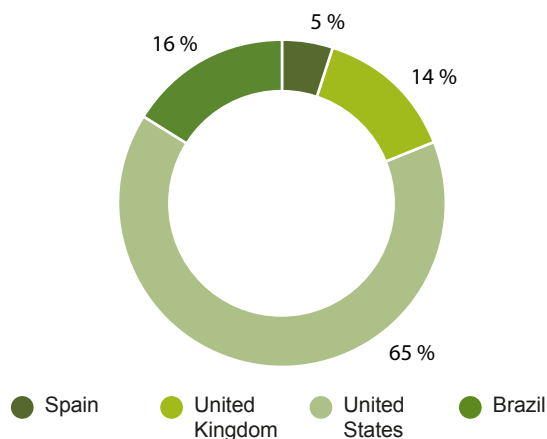


Outlook 2023 - 2025

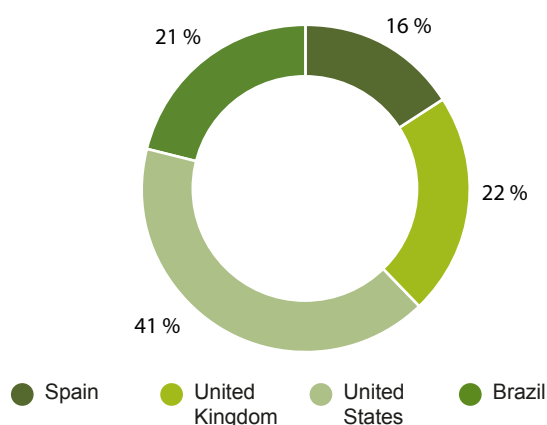
Within the framework of the Strategic Plan 2023-2025, the following aspects should be noted in relation to the networks business:

- Investments in the networks business planned for the 2023-2025 period will reach €27,000 million, corresponding to 57% of the group's total net investments. These investments, of which more than 85% are already secured thanks to stable regulatory frameworks (excluding PNM⁽¹⁾), will allow the business to increase its asset base by 44% to €56,000 million by 2025, of which 70% will be in Distribution and the rest in Transmission. In terms of geography, more than half of the investments will go to the United States (including €11,000 million euros linked to PNM), 16% to Brazil, 14% to the United Kingdom and 5% to Spain.
- The investments are motivated by the need to continue moving towards the decarbonisation of the economy and to ensure security and quality of supply, and more specifically by:
 - Investment in the transmission and distribution network to match the need for new renewable production with demand.
 - Electrification of the economy, which will be associated with a significant increase in electricity demand in all markets.
 - Increased investments in digitisation and flexibility of supply, associated with the more active role of customers, are leading to an increase in the number of solutions and services.

€27,000 million gross investments between 2023 and 2025, with strong investments in US⁽²⁾



Asset base up to €56,000 million in 2025



Focusing on the various geographical locations, the following is worthy of note:

- In **Spain**, the operating framework is fixed until 2025, which provides a remuneration base regardless of changes in demand and additional opportunities associated with incentive mechanisms based on efficiency and quality, where Iberdrola's performance normally exceeds the established thresholds.
- In the **United Kingdom**, the RIIO T2 regulation is defined until 2026 and ED2 will be approved until 2028, which will ensure stability in business conditions, as the regulatory framework protects against inflation and fluctuations in demand.
- In the **United States**, the company already has six new tariffs at an advanced stage of negotiation, which will enter into force in 2023. It is expected that multi-year rates of return on capital can be negotiated in line with the current macroeconomic scenario, with additional investment opportunities driven by the growth in renewable energy.
- In **Brazil**, the parameters of the framework are already fixed and linked to inflation, which is essential for ensuring revenue. For its part ANEEL, the Brazilian regulator, has already announced its commitment to continue competitive auctions in the coming years.

(1) See detailed information in section "7.1 About this report" under Group performance.

(2) Of which €11,000 million is earmarked for the purchase of PNM.



2.6. Electricity Production and Customers Business

Regulatory environment

Events during 2022, marked by the consequences of the war in Ukraine and its impact on the value of raw materials and difficulties in managing energy supply, have highlighted the importance of energy independence. This has led to increased political and social momentum for the Energy Transition, with a marked increase in ambitions for renewable energy deployment, especially in Europe. At the same time, the prices reached for gas and electricity have increased regulatory interventions by governments in the operation of the markets in order to protect consumers.



Spain

- Royal Decree-Laws 6/2022, 10/2022, 11/2022, 14/2022, 17/2022, 18/2022 and 20/2022, as well as Law 38/2022 adopting urgent measures in the field of energy to counteract the increase in energy prices have been approved. The legal provisions include the following measures:
 - Reduction in income** for electric power produced with **inframarginal and non-CO₂-emitting technology**, in effect until 31 December 2023.
 - Funding of the subsidised rate (*Bono Social*)**: as from April 2022 it will be supported by all players participating in supply.
 - Increased customer discounts under the subsidised rate mechanism** until 31 December 2023.
 - Extension of tax measures until 31 December 2023. Reductions in **VAT on electricity and gas (5%) and special excise tax on electricity (0.5%)**. **Suspension of the 7% tax on electricity production**.
 - The **“Iberian Exception Mechanism”** is created adjusting the production costs of marginal fossil energy technologies in order to reduce the equilibrium price in the wholesale electricity market, applicable until 31 May 2023. The is paid for by regulated tariff customers (PVPC) and free market customers with contracts indexed to the wholesale market or fixed price contracts signed, revised or renewed after 26 April 2022.
 - Adjustment of the Specific Remuneration Regime** (support mechanism for renewable, cogeneration and waste facilities), reducing the remuneration of the 2022 investment. The review of parameters scheduled for 31 December 2022 is brought forward to 1 January 2022, dividing the current three-year semi-periodic remuneration period of 2020-2021-2022 into two periods: 2020-2021 and 2022. From 2023 onwards it is provided that the reference price for the calculation of raw materials incorporates into the current spot indexation a progressive forward indexation path (25% in 2023, 50% in 2024 and 75% from 2025 onwards).
 - The **water charge (*canon hidráulico*)** (suspended by a ruling of the Supreme Court) is **approved**. 25.5% is applied to the taxable base (economic value of the energy produced measured at the busbars of the power plant), with a reduction of 92% for mini-power plants and 90% for pumped storage.

- The **3rd and 4th auctions** for the grant of the Renewable Energy Economic Regime (**REER**) were held in October and November. 177 MW was awarded in the 3rd auction, compared to the 520 MW called for. In the 4th auction, 45.5 MW of wind power were awarded, compared to the 3,300 MW called for, leaving the bidding deserted for the photovoltaic sector.
- In addition, **administrative streamlining and simplification measures** have been published, which:
 - (i) include a mechanism to speed up environmental processing for government projects.



United Kingdom

- ScottishPower Renewables has secured the future completion of a record number of projects in 2022. In Scotland this includes being awarded the rights to three offshore wind development sites (two in consortium with Shell) in the ScottWind auction, equivalent to a total capacity of 7 GW; and in the fourth round of auctions (Allocation Round 4 in the UK) it has won Contracts for Difference (CfD) for a further 16 renewable projects (onshore and offshore wind, solar PV). In 2022, the UK government decided to conduct auctions for CfDs on an annual basis, for which reason the fifth round of auctions will open in March 2023.
- The government introduced three funded schemes to help households and businesses with exceptionally high energy bills in the winter of 2022-23:
 - An Energy Bill Support Scheme (EBSS), whereby suppliers offer a £400 credit to household electricity customers for a period of six months (October 2022 to March 2023), £67 per month.
 - An Energy Price Guarantee (EPG) for domestic customers. This EPG limits a household's energy bill to £2,500 between October 2022 and March 2023 and £3,000 between April 2023 and March 2024. This was supplemented by direct government support to low-income households.
 - An Energy Bill Reduction Scheme (EBRS) for non-household customers. This Plan will run from October 2022 to March 2023 and will allow suppliers to offer a discount on energy prices to non-household customers. In January 2023 the Government announced that the EBRS would be replaced by a new Energy Bill Discount Scheme (EBDS) from April 2023 to March 2024 that would offer a lower level of support than the current EBRS.



United States

- The Biden administration has expressed strong support for the renewable energy industry, **setting targets that include reaching 30 GW of offshore wind by 2030**. To this end, the Bureau of Oceanic Energy Management (BOEM) has proposed tenders in new areas in New York, North Carolina, California, Oregon and the Gulfs of Mexico and Maine. The Government has also pledged to streamline application procedures for granting permits and ease taxation on the offshore wind value chain.
- In August 2022 Congress approved the Inflation Reduction Act, funded with US\$700 million. It provides for: new and expanded long-term tax credits for renewables, including onshore and offshore wind, solar, storage and hydrogen; allows for the transferability of tax credits; and makes changes to corporate taxes (introducing a 15% Minimum Alternative Tax)
- The **states** also maintain and expand their **commitments to renewable development**, not only through goals but also by facilitating the development of the entire regulatory and supply chain environment.
- **At state level**, commitments have also been upheld and increased for **developing renewables**, not only by setting targets but also by enabling the overall regulatory and supply chain environment to be further developed.



Brazil

- Brazil has a well-established **auction programme**, maintaining the provision to hold two auctions for new energy in 2023.
- The **regulatory development** of major aspects continues, including **hybridisation/partnership** of power plants and **offshore wind**.
- Amendments were made to existing legal provisions to enable the exploitation of offshore wind energy: 1) Decree No. 10,946/2022, aimed at regulating the assignment of physical spaces and the use of resources in areas (prisms) under the Union's control. The decree came into force on 15 June and established a 180-day deadline for implementation; 2) MME Regulatory Ordinance No. 52 - rules and procedures for the transfer of use of offshore ventures.

- In September 2022 Portaria 50/2022 was published **liberalising sales to all high- and medium-voltage customers**. In November 2022 the Ministry of Mines and Energy promoted a public consultation regarding the liberalisation of sales to low-voltage customers by 2026 for the industrial and commercial segment, and in 2028 for residential.



Mexico

- The Dulces Nombres and Enertek combined cycle plants are pending approval for migration to the Wholesale Electricity Market (*Mercado Eléctrico Mayorista*) (MEM), once the interconnection contracts under the self-supply scheme have expired.
- Transmission tariff for the use of network infrastructure (*Porteo estampilla*). These charges, which affect renewable and efficient self-supply cogeneration facilities, are pending judicial resolution to determine the new prices.
- Preliminary measures were approved that suspend the CRE's sanction against the Dulces Nombres combined cycle plant in the amount of MX\$9,145 million for alleged improper sale in the form of self-supply, until a final judgement is rendered.
- The Santiago Eólico facility is pending reconnection to the system, following a legal dispute with CFE and the system operator (CENACE) over the validity of its Legacy Interconnection Contract (CIL).



International

- Internationally, **renewables** are increasingly recognised as a **facilitator of decarbonisation**, as well as energy independence and price stabilisation for end-customers. In this context, an increasing number of countries are recognising that the increase in national targets needs to be accompanied by measures to speed up the procurement of construction and operating permits.
- High prices in wholesale gas markets, and consequently also in electricity markets, have prompted several governments to implement revenue reduction mechanisms. Implementation has not been homogeneous and each government has been adjusting the measures throughout the year.



Key information

The purpose of the Electricity Production and Customers Business is to offer competitive, efficient, sustainable and high-quality supply, for which purpose it works to continuously improve the efficiency of its operations. In this context, care for people and environmental protection are integrated into operating procedures, which prioritise occupational health and safety and environmental management

Key figures

		Spain		United Kingdom		United States		Brazil		Mexico		IEI ⁽¹⁾		Total	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Gross Margin	€M	5,340	4,405	1,636	1,503	1,120	1,004	465	316	1,158	1,030	602	549	10,323	8,807
EBITDA	€M	3,460	2,745	836	687	722	719	402	251	854	779	427	327	6,699	6,423
<i>Electricity contracts</i>	Millions	10.4	10.0	2.8	2.8			0.0	0.0			0.5	0.8	13.7	13.6
<i>Gas contracts</i>	Millions	1.2	1.2	1.9	1.9			0.0	0.0			0.1	0.3	3.3	3.4
<i>Smart Solutions contracts</i>	Millions	9.5	7.8	2.5	2.2			0.5	0.3			0.5	0.8	12.9	11.1
Total Contracts	Millions	21.1	19.0	7.3	7.0			0.5	0.3			1.1	1.9	29.9	28.1
Gross Investments	€M	1,982	1,614	735	454	949	955	342	505	254	244	1,602	1,566	5,862	5,338

Main activities during the year

New installed capacity

1,958 MW of renewal capacity was installed during the year (net increase of 1,928 MW), broken down as follows:

- **Onshore wind:** 86 MW in Spain, 117 MW in the United States, 410 MW in Brazil, 115 MW in Greece and 22 MW in Poland.
- **Photovoltaic solar:** 526 MW in Spain, 276 MW in the United States, 143 MW in Brazil, 179 MW in Australia, 3 MW in Italy and 77 MW in Portugal.
- **Batteries:** 5 MW in Spain.
- 31 MW corresponding to mini-hydro plants in Spain were disposed of during the year.

The group currently has more than **5 GW under construction and nearing the start of construction (projects with approved investment)**:

- **Onshore wind:** more than **650 MW** in Spain, Brazil, Greece, Poland and Australia,
- **Photovoltaic solar:** more than **2,500 MWdc** in Spain, the United States, the United Kingdom, Brazil, Australia, Italy and Portugal.

- In addition, **50 MW** of batteries are being installed in the United Kingdom, and construction continues on the **160 MW Alto Tâmega hydroelectric plant** in Portugal.
- **Offshore wind:** Growth continues with the construction of the **496 MW Saint-Brieuc** project in France, the **476 MW Baltic Eagle** project in Germany and the **806 MW Vineyard Wind** project in the United States.

The development of the following projects, with a total capacity of 4.5 GW, is also continuing and their "Route to Market" is assured:

- the **300 MW Windanker** offshore wind farm in Germany, the **1,400 MW East Anglia 3** project in the United Kingdom and the **804 MW Park City** and **1,232 MW Commonwealth Wind** projects in the United States.
- five onshore wind projects and 10 solar PV projects, with a total capacity of approximately 800 MW, were awarded in the fourth round of UK auctions.

(1) Electricity and gas customers of this segment depend on Iberdrola Clientes Internacional S.A., a subsidiary of the country subholding company Iberdrola España, S.A.



Green hydrogen

- **Europe's largest industrial-use green hydrogen plant using 100% renewable energy**, with a capacity of 20 MW, has been built in Puertollano (Spain).
- The supply of green hydrogen for testing the hydrogen-powered demonstrator train of CAF's FCH2Rail project has also been successfully completed. It was supplied by the green hydrogen plant of Transportes Metropolitanos de Barcelona, the first in Spain to be commissioned for commercial use and operated by Iberdrola.
- There are currently **more than 60 projects in eight countries** to decarbonise industry and heavy transport. The portfolio totals 2,400 MW and includes projects in Spain, the United States and Australia.

Customers

- Continuous development of products and services including plans adapted to consumption habits and solutions tailored to the needs of our customers (Smart services, Smart mobility, Smart solar, Smart home, Smart climate and Smart Cities). There were more than 13 million smart solutions in use during 2022.

Significant risks

- **Regulatory risk:** changes in regulations in the countries in which it operates.
- **Operational risk:** availability rate of facilities and potential incidents with environmental impact.
- **Market risk:** changes in short-term energy prices, raw materials prices and competition levels in liberalised markets.
- **Risk of access to evacuation networks** and limits on production due to technical restrictions.
- **Technological and cybersecurity risks** affecting the security of facilities or the information of our customers.

Outlook 2023-2025

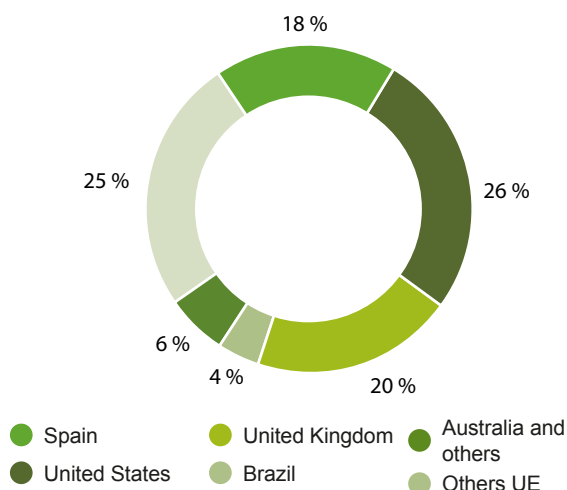
Within the framework of the Strategic Plan 2023-2025, the following aspects should be noted in relation to the Electricity Production and Customers business:



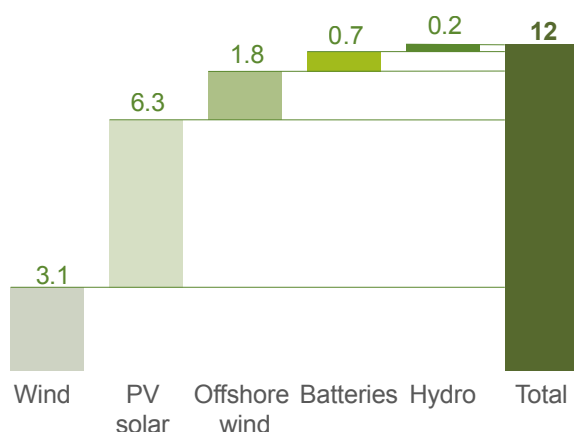


- €20,000 million will be invested over the next three years. 85% will be dedicated to growth in renewables and the remaining €3,000 to customers. As a result, the EBITDA of this business is expected to reach between €8,000 million and €8,500 million by 2025.
- €17,000 million is planned to be invested in renewables, which will add 12 GW of new capacity over the period, of which approximately 50% are projects under construction or ready for construction, with the remainder at the advanced planning and permitting stage. This investment will be diversified in terms of both technology and geography, with almost half of the total investment in offshore wind, allocating almost 2 GW of capacity between France (Saint-Brieuc), Germany (Baltic Eagle) and the United States (Vineyard Wind).

~€17.000 million investment plan in Renewables in the period



New additional cumulative power (GW) in 2023-2025 period by technology



- The company also has an offshore wind portfolio of approximately 37 GW, of which an additional 5 GW is expected to become operational over the 2026-2030 period.
- Iberdrola will invest more than €8,000 million in onshore wind, solar PV and battery capacity, reaching a total installed capacity of 34 GW by the end of 2025. Of these, 4 GW will be installed in Spain, 1.5 GW in the United Kingdom, 1 GW in the United States and 500 MW in Brazil. The rest will be distributed in other geographical areas.
- The integration of this increased renewable capacity will require new storage capacity. Iberdrola currently has 4 GW of pumped storage capacity and an additional 5 GW in the project portfolio. This storage capacity will be supplemented by the planned increase in battery capacity, which is expected to increase 5-fold by 2025 to 900 MW, mainly in the United Kingdom, Australia and the United States.
- With all these investments Iberdrola expects to reach an emission-free installed capacity of 55 GW by 2025.
- The company aims to minimise its exposure to price volatility in final sales to customers, for which purpose it will continue to engage in sales in those countries where it has generation activity, raising the percentage of marketing covered by own production from 85% to 95%, and will continue to maximise the use of long-term contracts.
- In the area of value-added products and services, the company will continue to grow the Smart Products portfolio and expand into new geographical areas.
- In addition, Iberdrola takes an active role in the decarbonisation of industry, by providing sustainable products that transform consumption-intensive processes, on the one hand, and by seeking alternative solutions to processes that are difficult to electrify, on the other. At this point, green hydrogen is positioned as the main lever for change, with an estimated annual production of 35,000 tonnes in 2025 and more than 350,000 tonnes in 2030.



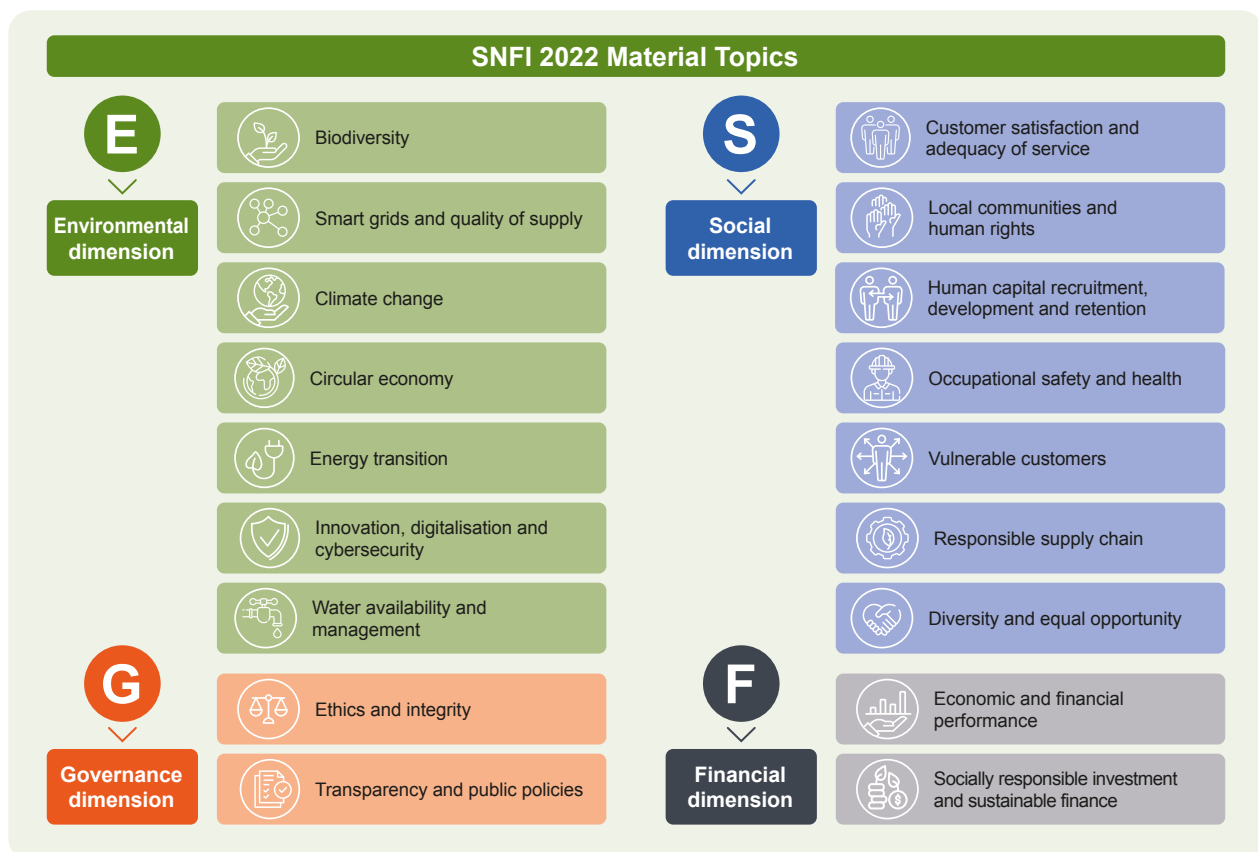
2.7. ESG+F Targets

Materiality study

Iberdrola directly identifies material aspects for its Stakeholders and for the company itself, by preparing a *Materiality Study* conducted with the advice of an independent outside firm and by consulting internal and external sources. Iberdrola uses this process to identify economic, social, environmental and governance issues that are significant to its approach to sustainable development.

For this purpose, it applies a **double materiality approach** to identify, in accordance with this concept, both the impacts or most significant effects that the company might have on the economy, the environment and people, including human rights, and the (positive and negative) effects that a material issue might have on Iberdrola. The methodology used has been updated for this exercise taking into account the recommendations of the GRI Standards and considering the latest drafts published by EFRAG in this field.

The group is thereby able to comprehensively understand the materiality of sustainability issues in order to design activities and allocate resources to address the highest priority issues. This study also influences the scope and detail of the published sustainability information. The results of this double materiality analysis is reflected in the following chart:



According to this study, the most material issues for Iberdrola, grouped into large blocks, are decarbonisation, water, circular economy, biodiversity, innovation, diversity and inclusion, safety and health, products and services, contribution to local communities, and respect for human rights. Also, in the area of governance, the maintenance of a robust governance system is essential and cuts across all the above priorities



ESG + F Targets: The sustainability roadmap

The group's Strategic Plan 2023-2025 integrates ESG issues within strategy and operations, thus constituting a key reference point for long-term planning.

These issues are based on **three key factors**: the **corporate purpose** that structures the company's positioning, **stakeholders' expectations**, and finally the demands of the **capital markets**, represented by the ESG indices and ratings, voting policies, and institutional investor alliances. These factors are included in the materiality analysis reflected on the preceding page.

Iberdrola's commitment to sustainable development, the **social dividend**, and the **generation of value shared** with all stakeholders is reflected in multiple indicators that make it possible to measure the positive impact generated by the group; such as, for example, a contribution to GDP of more than €33,000 million per year and the creation of more than 400,000 jobs globally⁽¹⁾.

In addition, Iberdrola's capacity to create value is reflected in the way in which the group conducts its operations, seeking the maximisation of positive impacts and the avoidance and mitigation of negative ones.

Iberdrola's commitment to the creation of value materialised in 2020 with the launch of its Sustainable Development Plan 2020-2022, "Energy to Advance", a roadmap with goals defined around the group's environmental, social and governance priorities. The current market context, with ever increasing investor scrutiny of the company's ESG and ever more demanding regulations, requires reviewing these goals, aligning them with best market practices, and ensuring that they are sufficiently ambitious to anticipate the various Stakeholders' demands and to ensure that Iberdrola maintains its current shared leadership position.

The company updated this roadmap in November 2022, publishing an ambitious set of goals that have a positive impact on all its stakeholders. Iberdrola thus reasserts its determination to be an active player in the creation of a more sustainable and inclusive energy model for future generations, maintaining its recognition as the leading *utility* in ESG.

In **environmental terms**, the goal is to continue to contribute to the creation of an energy system in harmony with nature and human beings, facing the threefold environmental challenge of the fight against climate change, the preservation of biodiversity, and the circularity of resources.

In **social terms**, the company continues to focus on maximising its positive impact through the generation of quality jobs, focusing on diversity, safety, health and education; on improving the products and services offered to our customers; on creating a responsible value chain; and on developing the communities in which we do business.

In **terms of governance**, the goal is to maintain robust corporate governance and compliance standards, continuously revised and evaluated to ensure their adaptation to the context, regulations and best market practices.

ESG issues are thus integrated throughout the company's operations, as well as within the company's **financial** strategy and objectives. Iberdrola has provided the market with a recurring flow of green and sustainable financial instruments for years, and it intends to continue to issue the majority of its financing under green or sustainable standards.

All this has given rise to 39 global goals included in the following table.

(1) PwC Study "Economic, social and environmental impact of Iberdrola in the world" (based on 2021 data)



GOALS	METRIC
AMBIENTAL	
 Net Zero in scopes 1, 2 and 3 before 2040	Achieve before 2040 (progress towards 2030 target)
Carbon Neutral in electricity generation in 2030	Specific emissions global mix (g CO ₂ /kWh)
NOx Emissions	kg/MWh
Specific water consumption	% reduction vs 2021
Smart solutions portfolio	Million solutions
Green hydrogen	Annual production (kt H ₂)
Conservation, restoration and plantation of trees	Number of trees (Million) & No Net Deforestation in 2025
Net positive impact in 2030	% assets with biodiversity assessment and neutrality plan
Blade Recycling	% of blades recycled ⁽³⁾
Investment in R&D	Million euros (annual)
Storage capacity	Cumulated installed storage capacity (GWh)
Sustainable light vehicle fleet	% over total light vehicle fleet
Renewable electricity consumption in corporate buildings (Europe and USA)	% over total electricity consumption
SOCIAL	
 Presence of women in relevant positions	% women
Presence of women in positions of responsibility	% women
Equal pay external certification	Equal pay certification
Accidentality rate (own employees)	TRIR (reduction vs 2021)
Employee training	Hours per employee (annual)
Quality of supply	Reduce the Global SAIDI (vs 2019-21 period avg)
Smart Grids	% HV & MV grid
Installed charging points⁽⁵⁾	Thousands
Digital customers (with a registered user in digital channels)	% of total commercial customers
Beneficiaries of the "Electricity for all" program	Millions of beneficiaries (cumulative)
Beneficiaries of the foundations programs	Millions of annual beneficiaries
Corporate volunteering	No of annual volunteers (thousands of employees and companions)
Purchases from local suppliers	% of total purchases
Purchases from sustainable suppliers	% of total purchases
Inclusion and diversity solutions	Number of solutions
Human Rights Due Diligence procedure	Continuous review
Formal Stakeholder Engagement Process	Keep increasing the deployment of the scope of the Stakeholder Engagement Process
Cybersecurity assessments	Number of annual assessments or external verifications
Cybersecurity education and training	Number of annual hours
GOBERNANZA	
 Corporate governance practices (best)	Maintain
Independent Members in the Board of Directors	Over 50%
Women in the Board of Directors	At least 40%
Diversity in the Board of Directors	Promote
Independent external certification or validation of the compliance system	Obtain/maintain (yearly)
FINANZAS SOSTENIBLES	
 Green financing frameworks	Annual review and update (if applicable)
ESG financing	% of ESG financing

(1) Carbon-neutral in Scope 1 and 2

(2) <10gCO₂ / kWh

(3) This goal is conditional upon the existence of a viable commercial solution.

(4) 31/12/2024

(5) Calculated as logical terminals



	2022	2025	2030	Related SDGs
	36 %	In progress	Carbon Neutral Scopes 1 and 2 ⁽¹⁾	7 13
	88	<70	Carbon Neutral ⁽²⁾	13 17
	0.35	-	<0.10	7 13
	+2 %	-18 %	-63 %	6 14
	13.0	18	21	9 12 13
	0.02	35	350	9 13 17
	2.5	8	20	13 15
	0	20 %	100 % (Net positive)	13 14 15
	0	50 %	100 %	11 12 13
	363	420	550	7 9 13
	101.2	102	>120	7 13
	27.7 %	-	100 %	7 9 13
	49.4 %	-	100 %	11 13 17
	26.1 %	30 %	35 %	5
	34 %	35 %	36 %	5
	In progress	√ ⁽⁴⁾		5
	-6.4 %	- 10 %	- 21 %	3 8
	67.9	≥ 55 h	≥ 55 h	4 5 8
	~ -4 %	-10 %	-	9
	76 %	83 %	-	9
	34.4	110	400	7 9 13
	66.12	73	80	3 9 13
	11	14	16	7 8 9
	5.7	8	10	1 7 8
	17	15	18	2 10 13
	87.1 %	≥80 %	≥80 %	16
	91.5 %	≥85 %	≥85 %	16
	29	30	-	10
	√	√	√	7 11 13
	√	√	√	17
	1,919	2,000	2,000	8 9 17
	75,722	63,000	68,000	4 8 9
	√	√	√	5 16 17
	√	√	√	16
	√	√	√	5 16
	√	√	√	5 16
	√	√	√	16
	√	√	√	5 6 7 13 16
	82 %	Minimum 80%	-	5 6 7 13 16



3. Environment

- 3.1. Decarbonisation
- 3.2. Water
- 3.3. Circular economy
- 3.4. Biodiversity
- 3.5. Innovation





Iberdrola has always had a firm commitment to the environment, focusing its activities on the construction of an energy model in harmony with nature and with human beings, in which the reduction of emissions, the conservation, protection and promotion of biodiversity, and the sustainable and efficient use of resources are integrated into all its activities and processes.

As reflected in the Outlook 2023-2025, the Climate Action Plan constitutes the roadmap towards achieving net zero emissions of CO₂ prior to 2040, an effort that will also promote the sustainable creation of value and is based on the commitment to ensuring a positive contribution to nature and society, driving social and economic development through the generation of jobs and wealth.

At the operational level, the decarbonisation of the company's activities is associated with the start-up and operation of emissions-free power generation facilities as well as supplementary initiatives like the **replacement of equipment** using ozone layer-reducing substances, the **operation** of almost 980,000 m² of **offices and work centres** in accordance with the highest sustainability and efficiency standards, and the **gradual replacement of the group's fleet**, which currently has more than 13,500 industrial vehicles, by an emissions-free fleet. Along these lines, Iberdrola was the first Spanish company to join the EV100 initiative, intended to accelerate the transition to electric vehicles, as Iberdrola has made a commitment to electrify its entire vehicle fleet and to facilitate recharging by its employees in Spain and the United Kingdom by 2030.

The reduction of indirect emissions is also implemented through Iberdrola's commitment to the supply of green energy, products and services to its customers and the gradual decarbonisation of its supply chain. To this end, in 2022 it joined the SteelZero initiative of The Climate Group, which brings together organisations committed to speeding up the transition to a net zero steel industry.

Climate action is supported by a strong commitment to the protection of nature, jointly tackling the threefold environmental crisis (climate, biodiversity and overexploitation of resources).

Loss of biodiversity is critical for Iberdrola, as the company interacts with different ecosystems and species within a broad geographic scope. Aware of the urgent need to stop and reverse the unprecedented loss of biodiversity, and in response to demands of the scientific community, Iberdrola has launched the 2030 Biodiversity Plan, which applies to the entire Iberdrola group and sets out its commitment to have a net positive impact on biodiversity by 2030. The plan covers the impact of the group's activities on ecosystems and species throughout the life cycle, taking into account the supply chain and creating economic and social value through ecosystemic services.


Efficient use of natural resources to approach the energy transition is another great challenge faced by Iberdrola and the energy sector as a whole. In particular, Iberdrola pays special attention to water resources, due to their environmental and social implications, and makes efforts to make rational and sustainable use of water and face the risks associated with its scarcity.

The company also works with its supply chain and other players in its value chain on the development of circular production systems that decrease the pressure on the available resources. For example, in 2022 Iberdrola and FCC launched EnergyLOOP to lead the recycling of wind turbine blades on an industrial scale, one of the greatest medium- and long-term challenges in the sector.

Innovation is the lever that enables Iberdrola to approach all these challenges and launch the relevant action plans to benefit from opportunities as they arise. Innovation will make it possible to find solutions to currently unsolvable problems, as well as find more efficient ways to carry out the activities currently performed.



Considering these priorities, the company has set the following environmental goals:

GOALS	METRIC	2022	2025	2030	Related SDGs
ENVIRONMENTAL					
 Net Zero in scopes 1, 2 and 3 before 2040	Achieve before 2040 (progress towards 2030 target)	36 %	In progress	Carbon Neutral Scopes 1 and 2 ⁽¹⁾	7 13
Carbon Neutral in electricity generation in 2030	Specific emissions global mix (g CO ₂ /kWh)	88	<70	Carbon Neutral ⁽²⁾	13 17
NOx Emissions	kg/MWh	0.35	-	<0.10	7 13
Specific water consumption ⁽³⁾	% reduction vs 2021	+2 %	-18 %	-63 %	6 14
Smart solutions portfolio	Million solutions	13.0	18	21	9 12 13
Green hydrogen	Annual production (kt H2)	0.02	35	350	9 13 17
Conservation, restoration and plantation of trees	Number of trees (Million) & No Net Deforestation in 2025	2.5	8	20	13 15
Net positive impact in 2030	% assets with biodiversity assessment and neutrality plan	0	20 %	100 % (Net positive)	13 14 15
Blade Recycling	% of blades recycled ⁽⁴⁾	0	50 %	100 %	11 12 13
Investment in R&D	Million euros (annual)	363	420	550	7 9 13
Storage capacity	Cumulated installed storage capacity (GWh)	101.2	102	>120	7 13
Sustainable light vehicle fleet	% over total light vehicle fleet	27.7 %	-	100 %	7 9 13
Renewable electricity consumption in corporate buildings (Europe and USA)	% over total electricity consumption	49.4 %	-	100 %	11 13 17



(1) Carbon Neutral on Scope 1 & Scope 2.

(2) <10 gr CO₂/kWh.

(3) This target reflects the methodological change in water consumption calculation.

(4) This target is subject to the existence of a commercial feasible solution.



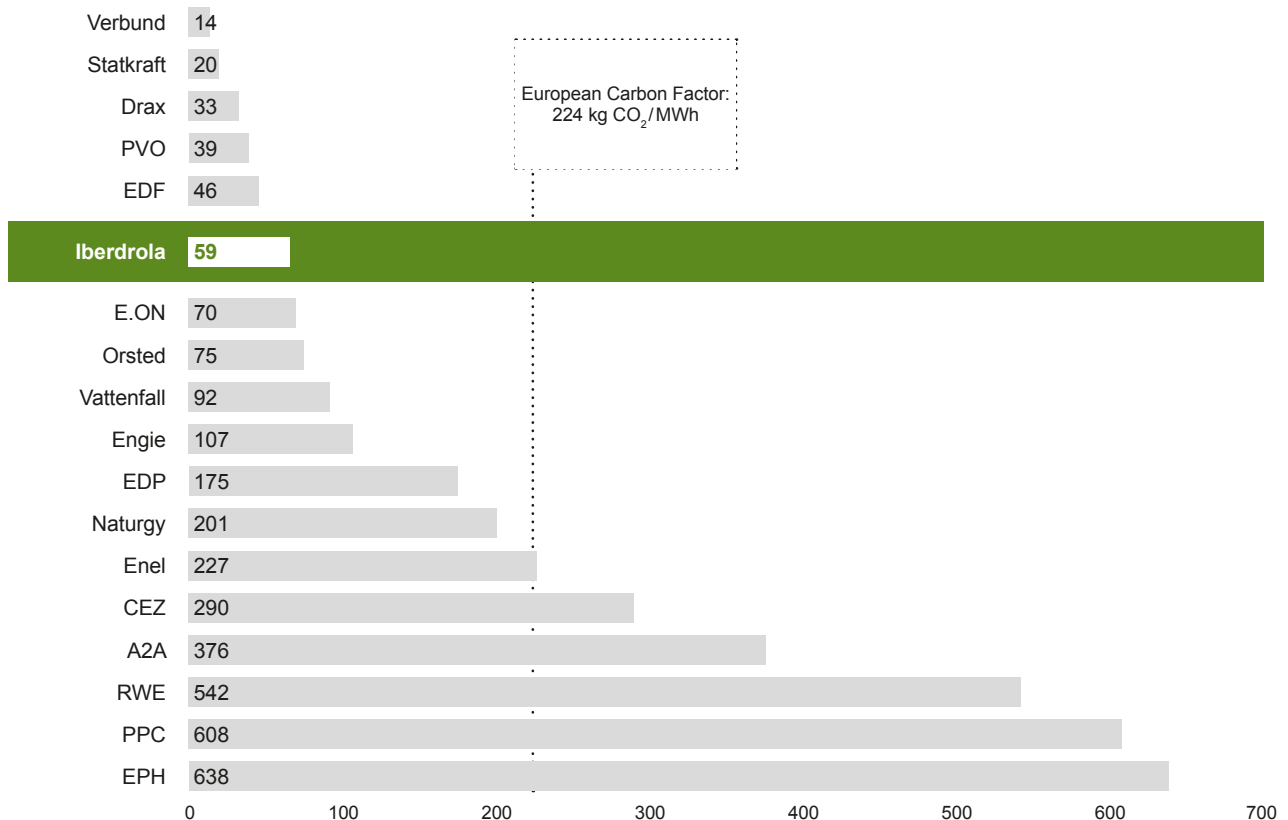
3.1. Decarbonisation

Iberdrola is a global leader in the energy transition and the fight against climate change within the energy sector. The [Climate Action Plan](#) establishes the levers, actions and associated metrics which in turn contribute to the decarbonisation of the economy as a whole, as well as the values supporting it.

Iberdrola aspires to achieve carbon neutrality for its Scopes 1 and 2 by 2030, offsetting any residual emissions after 2030, in accordance with the highest quality standards. The ultimate aspiration of this commitment is to achieve a balance of Net Zero emissions before 2040. Thus, by 2039, the group's absolute emissions will have been reduced by 90%, and residual emissions will be neutralised.

Iberdrola's transformation to climate neutrality, fully consistent with the achievement of a more efficient, competitive, clean and sustainable economic system, has cemented the company's position as the largest non-coal-production electricity company in the world, and places CO₂ emissions at 59 g/kWh in Europe, almost one-fourth lower than its peers.

Specific CO₂ emissions from facilities in Europe⁽¹⁾

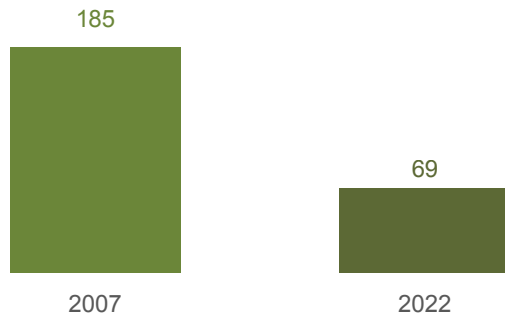


The company continues to successfully advance towards achieving its decarbonisation targets, as reflected in the following charts.

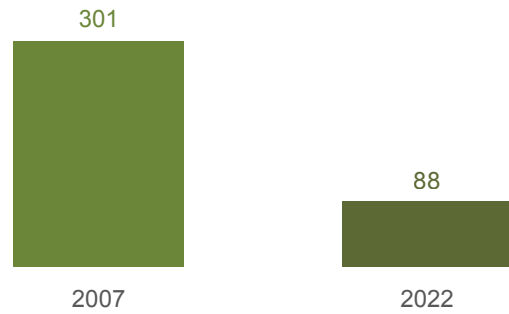
(1) The figure of 59 g CO₂ in this chart refers to emissions generated by Iberdrola's facilities in Europe during 2022. The other companies only include the European space for 2021, and the source is *Climate Change and Electricity: European carbon factor*. PwC France. Dec. 2022.



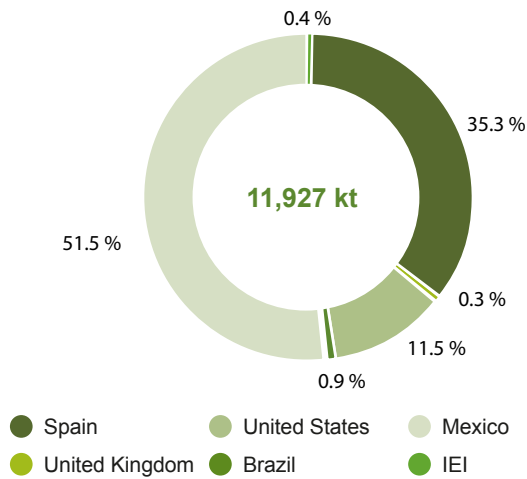
Intensity of emissions
in Spain (g CO₂ / kWh)



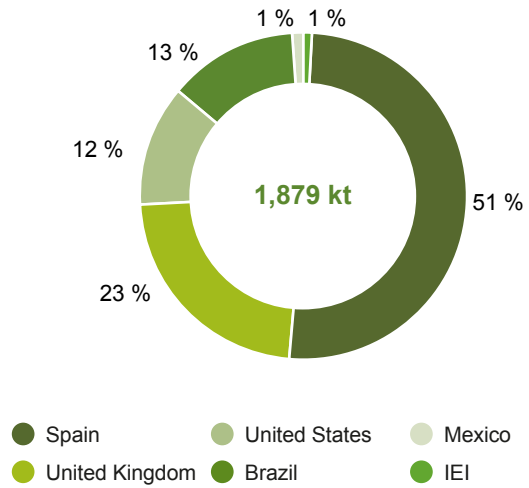
Overall intensity of the group's
emissions (g CO₂ / kWh)



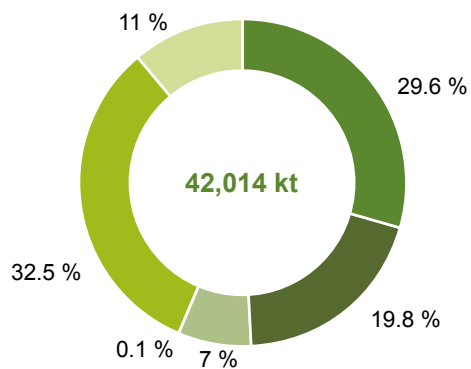
Scope 1 CO₂ emissions by geography



Scope 2 CO₂ emissions by geography



Scope 3 CO₂ emissions by typology



- Emissions associated with the generation of energy for third parties
- Emissions associated with the energy purchased from third parties for sale to end customers
- Emissions associated with the supply chain
- Emissions associated with employee commuting to/from the workplace
- Emissions associated with the use of gas products
- Upstream (WTT) emissions from fuel acquired and consumed



3.2. Water

Water is a basic and irreplaceable natural resource in many of Iberdrola's activities. The company's awareness of this dependency and of the risks arising from water shortages has led it to set a goal of ensuring its increasingly responsible use of this resource.

The group's main actions for a more sustainable use of water are:

- Continually improving processes at facilities to reduce consumption and impact.
- Implementing and controlling ecological flows as required by government authorities at hydroelectric generation reservoirs.
- Conducting awareness-raising campaigns to achieve a more efficient and responsible use of sanitary water by employees at offices.

The following table gives total water consumption, considered to be the difference between total water withdrawn and water discharged⁽¹⁾, with a breakdown of total water withdrawal by the group by source and water stress area. The areas are classified according to the [Aqueduct Water Risk Atlas](#)⁽²⁾.

Water withdrawal, discharge and consumption						
	2022		2021		2020	
	All areas	Water stress areas	All areas	Water stress areas	All areas	Water stress areas
Withdrawal by water source (ML)	1,719,052	740,449	1,874,401	718,544	1,886,331	682,501
Water discharge by destination (ML)	1,630,976	673,092	1,787,111	648,383	1,789,844	628,926
Total water consumption (ML)	88,076	67,357	87,289	70,161	96,488	53,575
Total Consumption/Withdrawal (%)	5.1%	9.1%	4.7 %	9.8 %	5.1 %	7.8 %

(1) Iberdrola has changed its methodology to calculate water consumption, including two aspects that had not been considered until now: contributions of rainwater run-off and contribution of water to customer processes. Not considering these two aspects was affecting the figures for the Almaraz nuclear plant, reducing its reported water consumption, and cogeneration, increasing water consumption. These changes have been applied to 2022 and those for 2021 and 2020 have been recalculated.

(2) A water stress area is considered as an area with a score of more than 40% according to the [Aqueduct Water Risk Atlas](#).

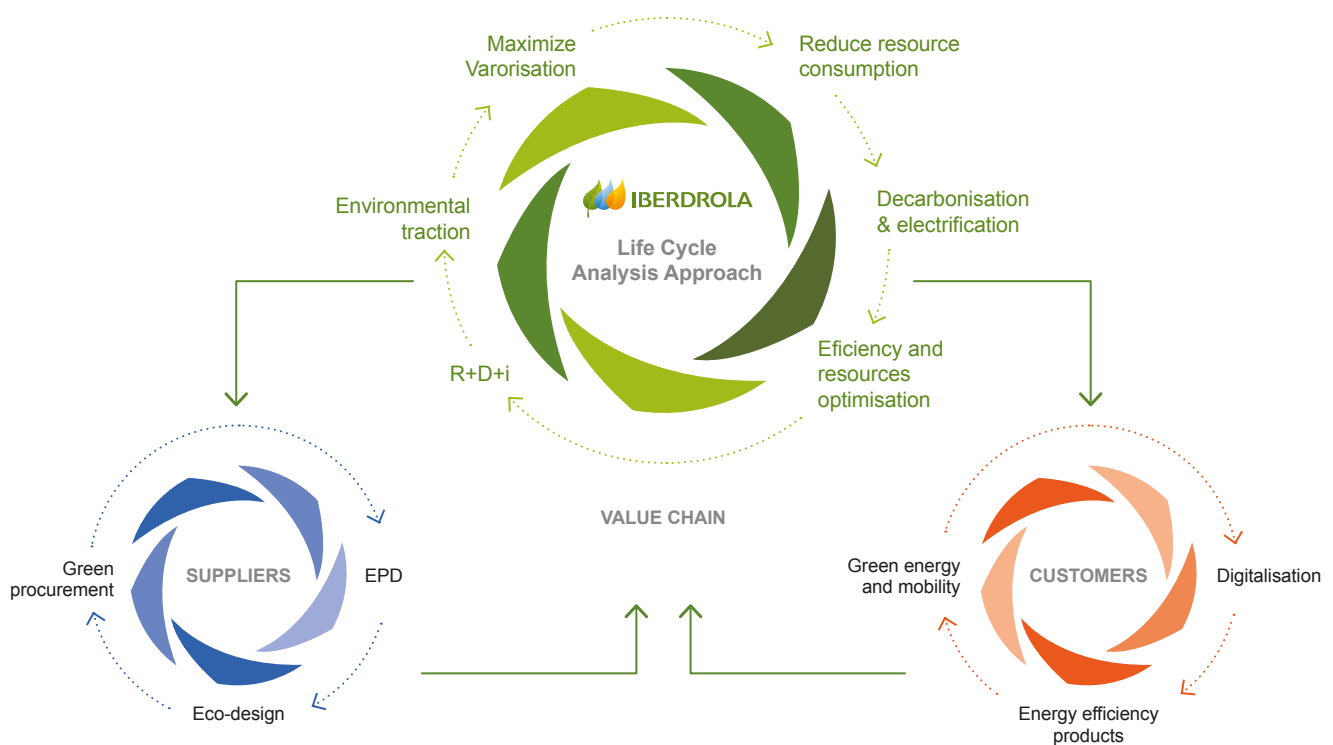


3.3. Circular economy

Iberdrola's circular economy model is based on the following pillars:

- Reduction of emissions.
- Use of renewable resources in production.
- Improved efficiency.
- Resource optimisation and maximisation of use of waste.

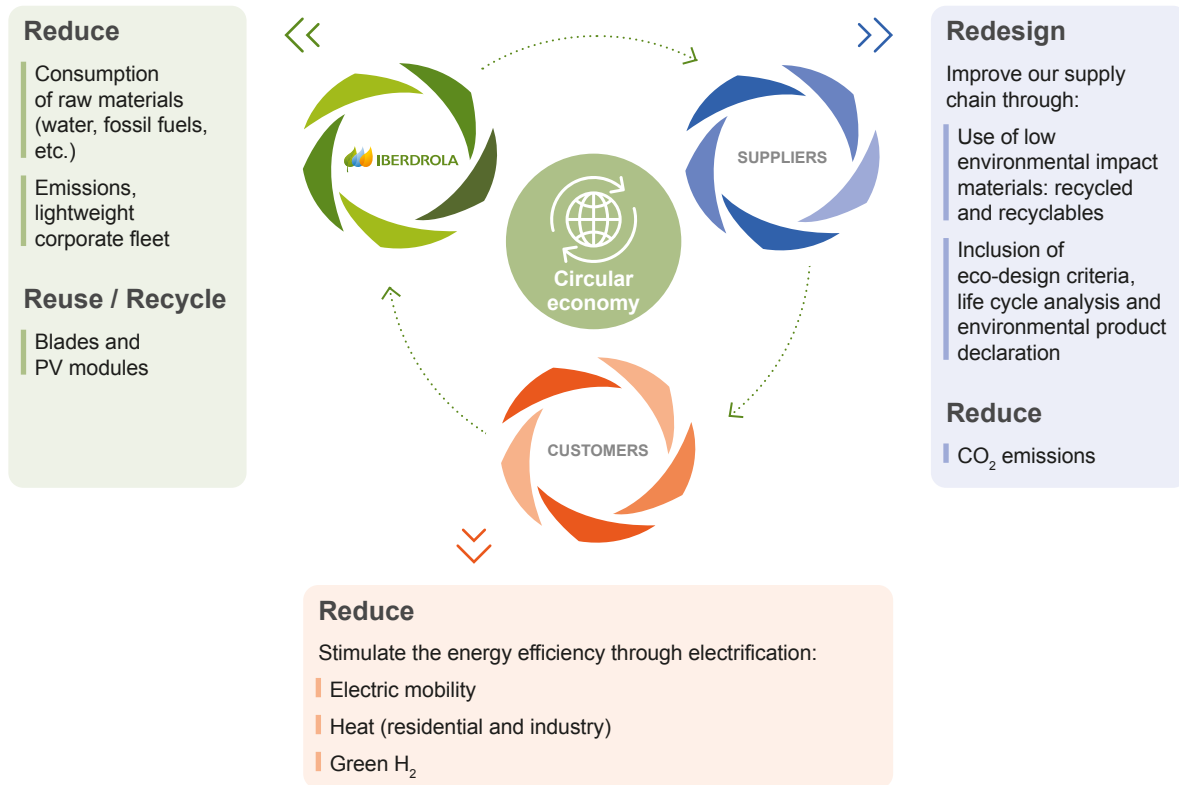
The challenges of sustainability cannot be approached in an isolated manner, but rather must be addressed holistically. Therefore, Iberdrola defined its circular economy model, which includes the entire value chain from suppliers to customers, along with its operations.



Based on this circular economy model, in 2022 Iberdrola approved Circular Economy Plan 2030, which specifies various goals in line with its sustainable energy model.



Four levers will be available to achieve these goals: the four Rs (redesign, reduce, reuse, and recycle). The goals set are shown in the diagram below:

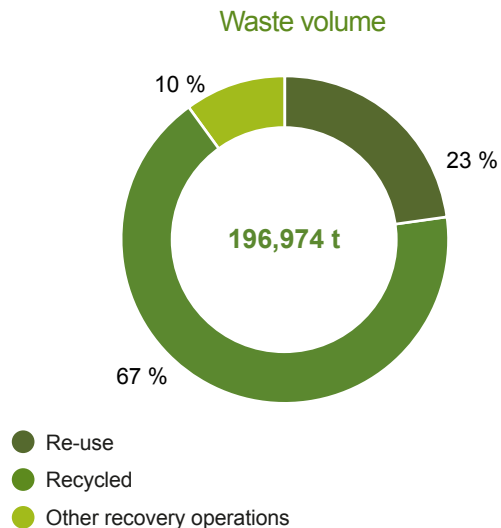


Waste management

As part of its circular economy plan, waste is managed in accordance with the following principles:

- Minimise the generation of waste at source.
- Maximise the reuse, recycling and recovery of waste.
- Promote awareness-raising campaigns regarding the minimisation of waste.
- Specific treatment and management of hazardous waste.

Therefore, Iberdrola's goal is to reduce the generation of waste for any process or activity (construction, operation, maintenance of facilities and work centres), and to prioritise recycling and the reuse thereof. Along these lines, the volume of waste treated in 2022 was distributed as follows:





3.4. Biodiversity

The degradation of ecosystems and the unprecedented decline in biological diversity, which the scientific community universally considers to be a direct result of the impact of human activities, entail grave environmental, economic and social risks. This requires urgent action to revert the loss of biodiversity.

Given the location of infrastructure and their interaction with the territory, Iberdrola has believed for more than fifteen years that biodiversity is a material issue for its Business Model, and for this reason places respect for biodiversity and ecosystems in a key place within its business strategy.

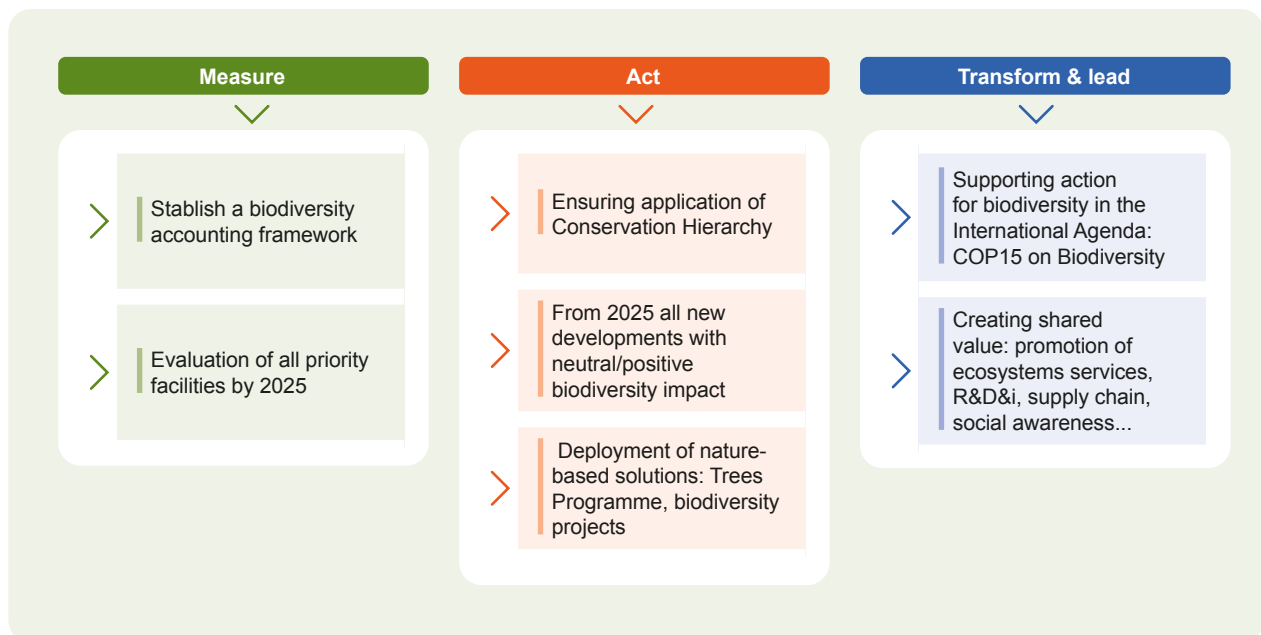
Since 2007, Iberdrola has had a Biodiversity Policy which forms part of its “Governance and Sustainability System”. In this policy, which was strengthened in 2021, Iberdrola commits to assuming a position of leadership in the fight against the loss of biodiversity and in generating a positive net impact on biodiversity from its activities.

These commitments involve integrating biodiversity into strategic planning, managing risk through continuous assessment of impacts and

dependencies throughout the life cycle, applying the mitigation hierarchy (avoid, mitigate, restore and offset) in all activities, avoiding the placement of new infrastructure in protected areas, implementing biodiversity action plans, working together with Stakeholders, and encouraging awareness and communication. It also entails promoting, along with its Stakeholders, a social culture in which biodiversity is valued, preserved, restored and sustainably used, maintaining ecosystem services, favouring a healthy planet, and providing essential benefits for all.

Iberdrola supports ambitious objectives in the negotiations of the new global framework of the Convention on Biological Diversity approved in Montreal in December 2022. For this purpose, the company has strengthened its commitment to nature and set itself the goal of having a positive net impact on biodiversity by 2030, i.e. the year by which the group’s activities have contributed to preserving and improving biodiversity.

To achieve this ambitious goal, Iberdrola has launched the Biodiversity Plan 2030, which applies to all of the Iberdrola group’s facilities and activities, and which has three areas of action: measure, act and transform.





3.5. Innovation

Iberdrola is the leading private energy company in R&D investment worldwide, with more than €2,000 million of cumulative investment over the last decade. The current investment plan also provides for the investment of €2,000 million in innovative initiatives by 2025 and €4,000 million by 2030.

Iberdrola's commitment to innovation has always been a competitive advantage allowing it to provide a service that is both high quality and efficient. Today, it is also an essential tool for transforming the energy system into one that is truly safe and green. With a portfolio of more than 250 projects underway, in 2022 Iberdrola invested a total of € 362.7 million in R&D, in order to drive forward key areas for the transformation of the energy sector:

- Decarbonisation of electricity generation through the widespread introduction of renewable energy,
- Integration of the system through smart grids and digitalisation.
- Electrification of demand. This area also promotes new uses of electricity, such as the production of green hydrogen, for sectors that are difficult to decarbonise, including high-temperature industrial processes and heavy transport.

The company's commitment to innovation is embodied in the Iberdrola Innovation and Training Campus in San Agustín de Guadalix (Madrid), its global centre for knowledge, technology and skills development, where 13,000 people are trained each year. It also has the Global Smart Grids Innovation Hub in Bilbao, its innovation centre for electricity grids that seeks to facilitate the optimal deployment of renewable energy, electric vehicles and energy storage systems.

This initiative brings together the innovative potential of over 200 professionals in the development of R&D projects related to the challenges of future electricity networks. The centre is established as a market-oriented collaborative technology space, where the best international talent will be in constant contact with suppliers, start-ups and universities to stimulate their industrial capacity and accelerate processes of innovation.

With the creation of the Global Smart Grids Innovation Hub, the group aims to double the number of smart grid innovation projects, strengthening and expanding the current successful model of partnering with electrical equipment manufacturers. To this end, the company identified from the outset more than 120 projects for future development worth €130 million.

In the first months of the hub's operation, R&D projects with a total estimated investment of €32 million have been recorded at Iberdrola Redes España. Agreements have also been reached with more than 80 technology partners for the development of innovative solutions in these fields.

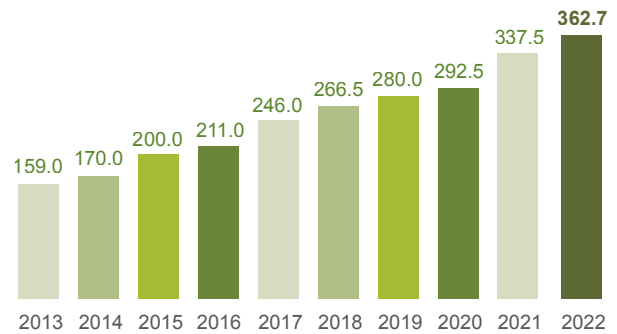
These centres allow the company to stimulate training, talent and a culture of innovation through knowledge transfer, the promotion of entrepreneurial spirit and the attraction of talent and innovative companies. In this regard, it should be noted that for 15 years it has been promoting the Perseo start-up programme, which fosters the development of sustainable energy solutions through a global ecosystem of investments in emerging technology companies.



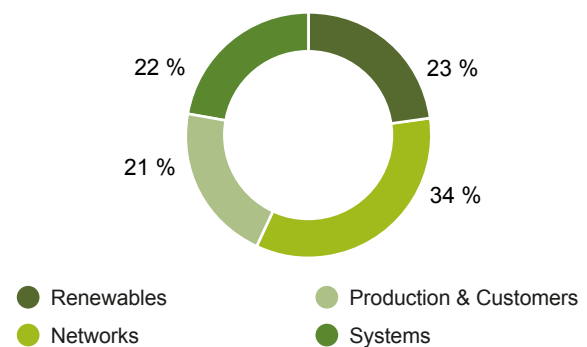
All of this puts Iberdrola at the forefront of this new stage in the energy sector. Just as it was a pioneer in the wager on renewable energy 20 years ago, 2022 saw the inauguration of the largest green hydrogen plant for industrial use in Europe, located in Puertollano (Ciudad Real), with an electrolyser capable of producing 3,000 tonnes of renewable hydrogen per year. This plant will generate 100% green hydrogen with zero CO₂ emissions thanks to the use of 100% renewable sources. This will prevent the emission of up to 48,000 tonnes of CO₂ into the atmosphere annually.

Investments in R&D projects have gradually increased each year. They are structured into four strategic areas within which projects are developed to help the company achieve its goals: Renewables, Networks, Systems and Production & Customers

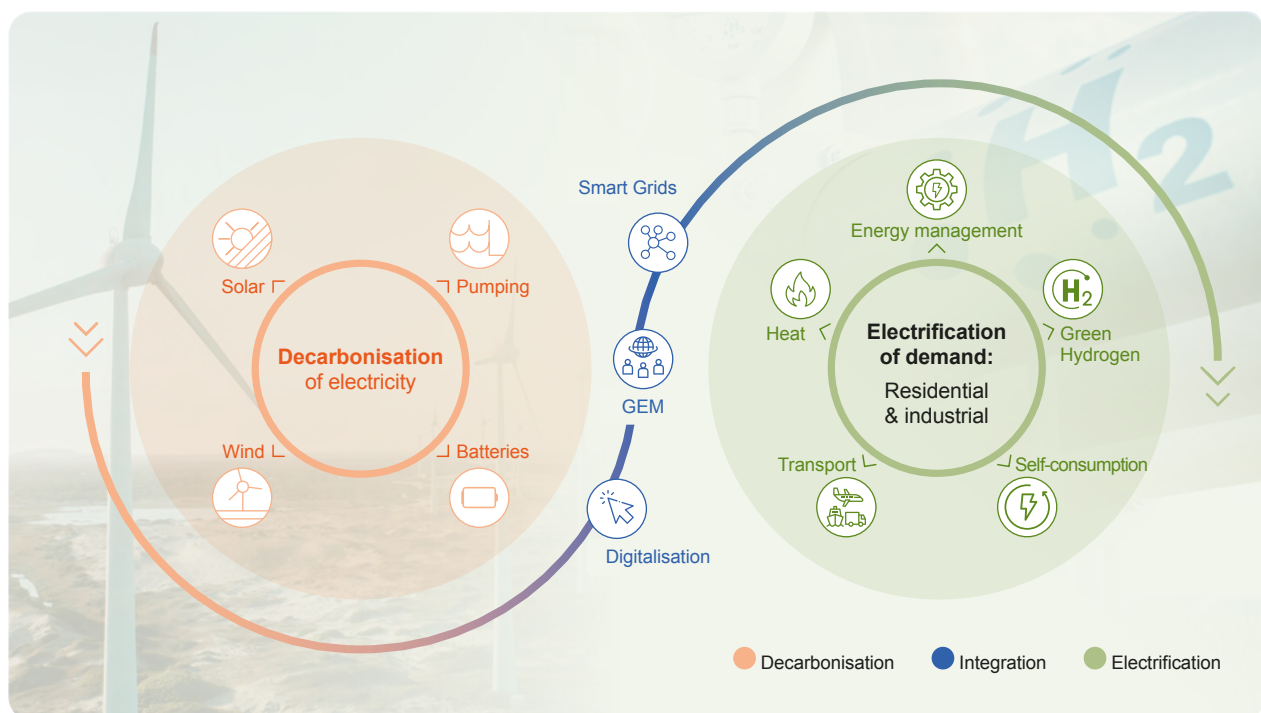
Investments in R&D (€M): Leading private energy company in Europe and 2nd in the world



% R&D investment by strategic areas



The main projects underway in each of the key areas for the transformation of the energy sector are shown below:





Decarbonisation

- **Wind:** the ROMEO project, to reduce O&M costs at offshore wind farms through the development of monitoring strategies and systems and analysing the behaviour of turbine components. Completed in 2022, it had 12 partners and a budget of €16.4 million.
- **Solar:** The ECOSIF project aims to increase the lifetime of photovoltaic plants, improve their efficiency and reduce construction, operation and maintenance costs.
- **Batteries, energy storage and pumping:** design of a modular tool for estimating and optimising storage requirements at hybrid wind/solar facilities.

System integration: Smart grids and digitalisation

- **Smart grids:** The European BeFlexible project commenced in 2022 aiming to increase the flexibility of the energy system, fostering an ecosystem of cooperation, and facilitating coordination between all involved players, with a special focus on the consumer.
- **Global Energy Management (GEM):** will enable the connection of distributed energy resources (DERs), generating valuable services like mitigating risk during demand peaks, the possibility of new revenues, and greater control over their inputs.
- **Digitalisation:** the IA4TES (Artificial Intelligence for Sustainable Energy Transition) Iodestar project, for which Iberdrola will create an AI Centre of Excellence in the energy sector.

Electrification of demand

- **Electrification of transport:**
 - *Smart Mobility:* sustainable mobility plan, providing for the installation of 150,000 charging points for electric vehicles by 2025, with a planned investment of €150 million, and which has already installed 20,000 charging points.
- **Electrification of heat**
 - Electrification of industry: An *Industrial Heat Challenge* was launched in 2021 to find innovative solutions to drive the decarbonisation of industrial processes.
 - Energy efficiency of buildings: commitment to the refurbishment and energy efficiency of buildings, providing solutions for energy saving and decarbonisation.
- **Self-consumption and Energy Management:** self-consumption solutions for residential and business purposes, and On-site Power Purchase Agreements (PPA) for companies and Solar Communities.
- **Green hydrogen:** committed to spearheading the development of green hydrogen obtained by electrolysis from clean energy sources, with more than 60 projects in eight countries. Iberdrola aims to produce more than 350,000 tonnes of green hydrogen annually by 2030, which would save hundreds of millions of tonnes of CO₂ per year. The recently inaugurated Puertollano green hydrogen plant has been classified as an Important Project of Common European Interest (IPCEI). Construction of the next phases are planned for Puertollano I, Puertollano II, Palos de la Frontera I and Palos de la Frontera II. The first hydropower plant for public use in Spain has also been developed in the Barcelona Free Zone to supply TMB (*Transports Metropolitans de Barcelona*) buses and other industries in the Zone. The facility, with a capacity of 2.5 MW, aims to promote the creation of a green hydrogen hub at this zone. The company also participates in the European AMBHER project to research hydrogen storage systems.

4. Social

- 4.1. Stakeholders
- 4.2. Commitment to Human Rights
- 4.3. Our people
- 4.4. Products and services
- 4.5. Responsible supply chain
- 4.6. Support to local communities
- 4.7. Corporate reputation and brand strength
- 4.8. Cybersecurity and information privacy





In the social dimension, Iberdrola acknowledges and seeks to obtain a social dividend consisting of the direct, indirect or induced contribution of value that its activities represent for all Stakeholders. For this purpose the group focuses on **continuous improvement of the relationship and managing the expectations and needs** of its various Stakeholders. **Respect for Human Rights** is a requirement for the performance of all its activities and those of its partners in the value chain.

Iberdrola contributes to the **creation and maintenance of high quality employment**. The cornerstones of its management of people are equality of opportunity, non-discrimination and talent development and management, without forgetting concern for the health and safety of all.

Iberdrola works to continuously **improve the quality** of the **products and services** offered to its customers through **accessibility, digitalisation** and **sustainability**, developing solutions that take its customers' actual needs into account and providing them with increased autonomy.

Finally, in its commitment to the generation of value for all stakeholders, Iberdrola collaborates in the development of the communities in which it has a presence through various initiatives that are also carried out through its subsidiaries or investees and its foundations in various countries.

As part of its sustainability roadmap, Iberdrola has set the following **targets**:

GOALS		METRIC	2022	2025	2030	Related SDGs
SOCIAL						
	Presence of women in relevant positions	% women	26,1 %	30 %	35 %	5
	Presence of women in positions of responsibility	% women	34 %	35 %	36 %	5
	Equal pay external certification	Equal pay certification	In progress	√ ⁽¹⁾		5
	Accidentality rate (own employees)	TRIR (reduction vs 2021)	-6,4 %	- 10 %	- 21 %	3 8
	Employee training	Hours per employee (annual)	67.9	≥ 55 h	≥ 55 h	4 5 8
	Quality of supply	Reduce the Global SAIDI (vs 2019-21 period avg)	-4 %	-10 %	-	9
	Smart Grids	% HV & MV grid	76 %	83 %	-	9
	Installed charging points ⁽²⁾	Thousands	34.4	110	400	7 9 13
	Digital customers (with a registered user in digital channels)	% of total commercial customers	66.12	73	80	3 9 13
	Beneficiaries of the "Electricity for all" program	Millions of beneficiaries (cumulative)	11	14	16	7 8 9
	Beneficiaries of the foundations programs	Millions of annual beneficiaries	5.7	8	10	1 7 8
	Corporate volunteering	No of annual volunteers (thousands of employees and companions)	17	15	18	2 10 13
	Purchases from local suppliers	% of total purchases	87.1 %	≥ 80 %	≥ 80 %	16
	Purchases from sustainable suppliers	% of total purchases	91.5 %	≥ 85 %	≥ 85 %	16
	Inclusion and diversity solutions	Number of solutions	29	30	-	10
	Human Rights Due Diligence procedure	Continuous review	√	√	√	7 11 13
	Formal Stakeholder Engagement Process	Keep increasing the deployment of the scope of the Stakeholder Engagement Process	√	√	√	17
	Cybersecurity assessments	Number of annual assessments or external verifications	1,919	2,000	2,000	8 9 17
	Cybersecurity education and training	Number of annual hours	75,722	63,000	68,000	4 8 9



(1) 31/12/2024

(2) Referred to logic terminals.



4.1. Stakeholders

Iberdrola works to increasingly engage its **Stakeholders** (GI) in all of the company's activities and operations. Throughout the value chain, Iberdrola interacts with millions of people and thousands of entities and organisations that make up its social and relationship capital, and thus constitute a key element for the long-term sustainability of the company.

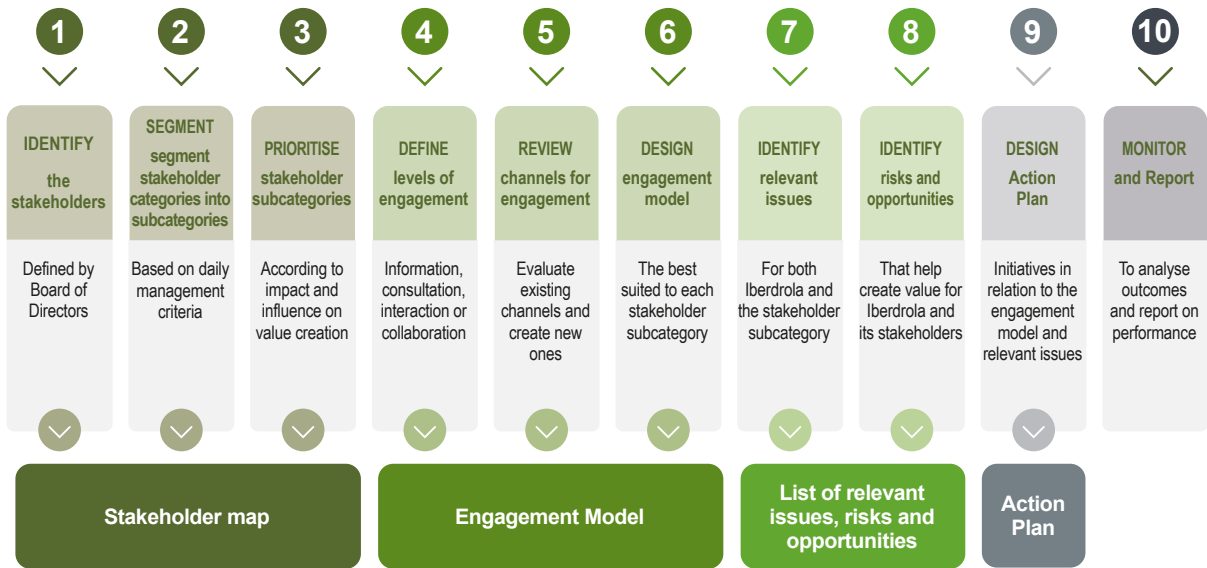


To meet its objectives in this area, Iberdrola has a Global Stakeholder Engagement Model based on the AA1000 Stakeholder Engagement Standard 2015 (AA1000SES, 2015), on the AA1000 AccountAbility Principles 2018 (AA1000AP, 2018), and on its four principles of inclusion, relevance, responsiveness and impact. This Model aims for all areas and businesses of Iberdrola to have an in-depth understanding of their Stakeholders; have suitable channels of communication therewith; analyse their expectations (with the related risks and opportunities); and establish appropriate action plans to maximise positive impacts.

It should be noted that the Model addresses the concept of impact from three different points of view: the impact of reputational risks on Iberdrola; the impact of the action plans on Stakeholders; and the impact of significant events on Stakeholders. This last aspect was recently introduced in the Model, taking into account the latest reporting trends and standards. The ultimate goal is to enhance positive impacts and minimise/mitigate those that are potentially negative for Stakeholders and the company itself.



Stakeholder engagement model ensuring a process of continual improvement

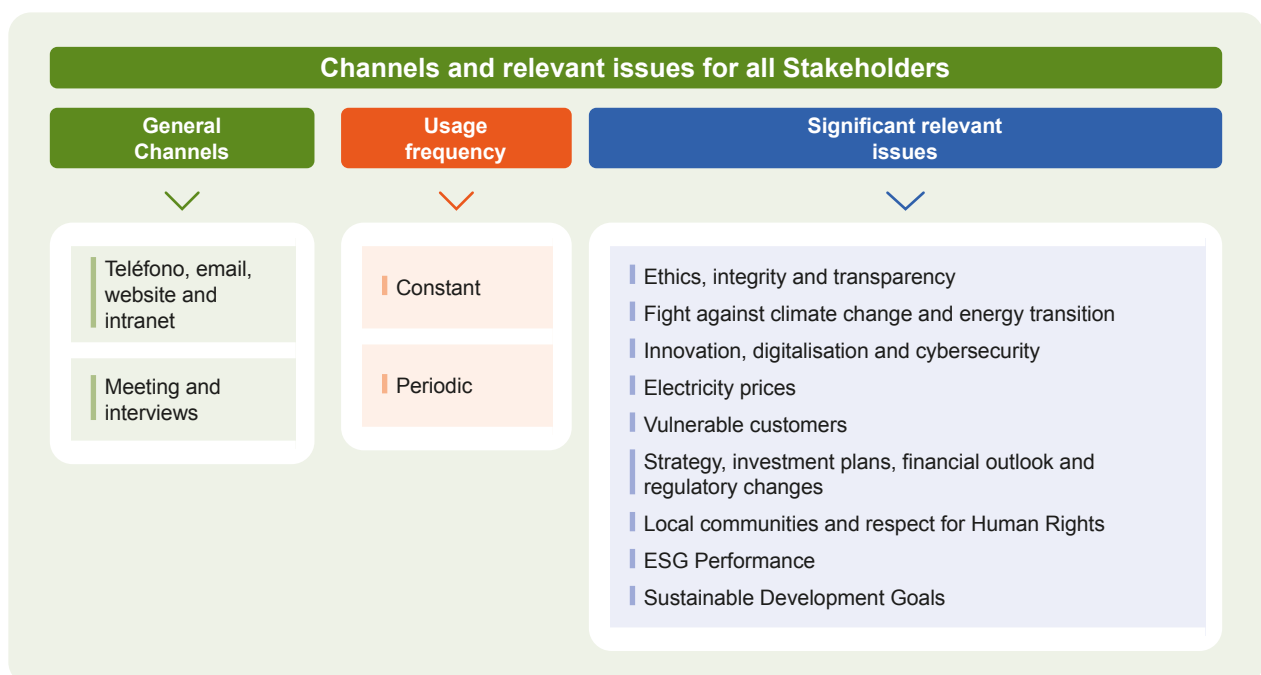


Iberdrola Stakeholders' Hub

The company has an internal Stakeholder coordination body made up of the parties responsible for all of Iberdrola's Stakeholders and businesses. The Hub meets regularly. Its main aim is to share expertise and best practices for stakeholder engagement.

Channels for engagement, relevant issues and best practices

Iberdrola keeps the relationship channels with its Stakeholders updated and makes continuous efforts to identify the issues that are most important to each of them. Some channels and topics are specific to each geography and stakeholder class, but many of them are cross-cutting, as shown below:





The company identifies best practices in stakeholder management that are shared across the Iberdrola group using internal communication channels. The following best practices were identified in 2022:

Best practices by country

 <p>Spain</p>	<p>Special Stakeholder Engagement Plan for the Duero River Basin (Castilla y León)</p> <p>Over the past two years, Iberdrola has developed a special Engagement Plan for the area surrounding its facilities in the Duero river basin, the purpose of which has been to strengthen relations with Stakeholders in the area. This Plan is based on a process of active listening and has allowed Iberdrola to gain an in-depth understanding of the expectations of the main players in the area, and to explain in detail the technical management of the reservoirs by our company. This initiative has been a beneficial exercise in communication with local and regional authorities, business associations and local groups (fishermen, sports clubs, irrigation users, etc.). Iberdrola has therefore launched various initiatives related to sustainable mobility (such as the installation of recharging points), the commitment to the environment and the fight against climate change (reforestation in various municipalities), and sports activities (hiking).</p>
 <p>United Kingdom</p>	<p>People-centred employee networks</p> <p>ScottishPower's employee networks are created and managed with a drive and a genuine interest in bringing people together, since their different backgrounds and experiences make the teams stronger. Supported by ScottishPower and run entirely by employees, the growing number of networks have helped to build the business and also to attract and retain diverse talent and to create an open and supportive workplace where everyone can grow. There are currently several specific networks, including those related to professional development, LGBT, gender, parenting and care, climate, multi-ethnicity, people with disabilities, etc.</p>
 <p>United States</p>	<p>Campaigns for active listening and public dissemination of projects</p> <p>Community information and involvement work is carried out by specialised public outreach teams for each of Avangrid's Network Business projects. The community is therefore given a voice and a communication channel is created through which the needs and expectations of the Stakeholders on the different projects are identified. This allows important issues to be addressed at an early stage in order to avoid potential obstacles in the future and achieve positive results. The different public outreach campaigns include face-to-face meetings with the community, distribution of information brochures, website, surveys and billboards, among other activities.</p>
 <p>Brazil</p>	<p>Public safety awareness campaign in relation to the electricity grid</p> <p>Neoenergia has launched the Safe Community Programme in 2022, which focuses on the safety of the population through proper use of electricity. The campaign aims to improve how people coexist on a daily basis with the distribution network through awareness-raising actions. These actions are based on identifying the main causes of accidents involving the grid and will be carried out mainly at schools, community organisations, social institutions and companies. They promote training and conferences, including the distribution of accident prevention bulletins. As a result, the number of accidents and fatalities fell considerably during the year.</p>
 <p>Mexico</p>	<p>Responsible and sustainable partner company</p> <p>Iberdrola Mexico carries out various social and environmental projects that are of common interest to all stakeholders.</p> <p>These programmes most notably include Lucas de Esperanza, which brings electricity through solar power to rural communities that do not have an electricity supply; Impulso STEM, which encourages women to pursue STEM careers; and Huertos Comunitarios, which seeks food self-sufficiency, among other programmes.</p> <p>To enhance the connections with our stakeholders, the Sustainable Partnerships Programme was created with the aim of strengthening this relationship, especially among our customers, through volunteering, workshops and webinars.</p> <p>All of these programmes have a positive impact on the communities, and significantly improve the public's knowledge and opinion of the Company.</p>



4.2. Commitment to Human Rights

Iberdrola has a **firm commitment to the defence of human rights**. Therefore, it has a set of tools that ensure and promote the protection of and respect for people, in order to prevent, mitigate and redress negative impacts in this area. These management tools are aligned with the main international standards (UN Guiding Principles on Business and Human Rights (UNGPs), OECD Guidelines for Multinational Enterprises and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, among others).

The Policy on Respect for Human Rights, includes the mandatory principles of conduct for all the group's professionals, as well as the need to have the tools required to ensure respect for human rights, with the following commitments:

- a. **To respect the human and labour rights recognised** in domestic and international law, and in international standards in those countries in which human rights legislation has not reached an adequate level of development.
- b. **To reject child labour and forced labour or any other form of modern slavery** and to respect freedom of association and collective bargaining, as well as non-discrimination, the freedom of movement within each country, and the rights of **ethnic minorities and of indigenous peoples** in the places in which it does business.
- c. **To respect the right to the environment of all communities in which it operates**, considering their expectations and needs and understanding access to energy as a right related to and linked to other human rights.
- d. **To advance a culture of respect for human rights** and promote awareness-raising in this field among its professionals within all companies of the group, and especially at those where there may be a higher risk of violation of such rights.

In addition, the policy includes a commitment to **communicate to all Stakeholders** the importance of respecting the human and labour rights recognised in domestic and international law and to demand the same commitment from all business partners.

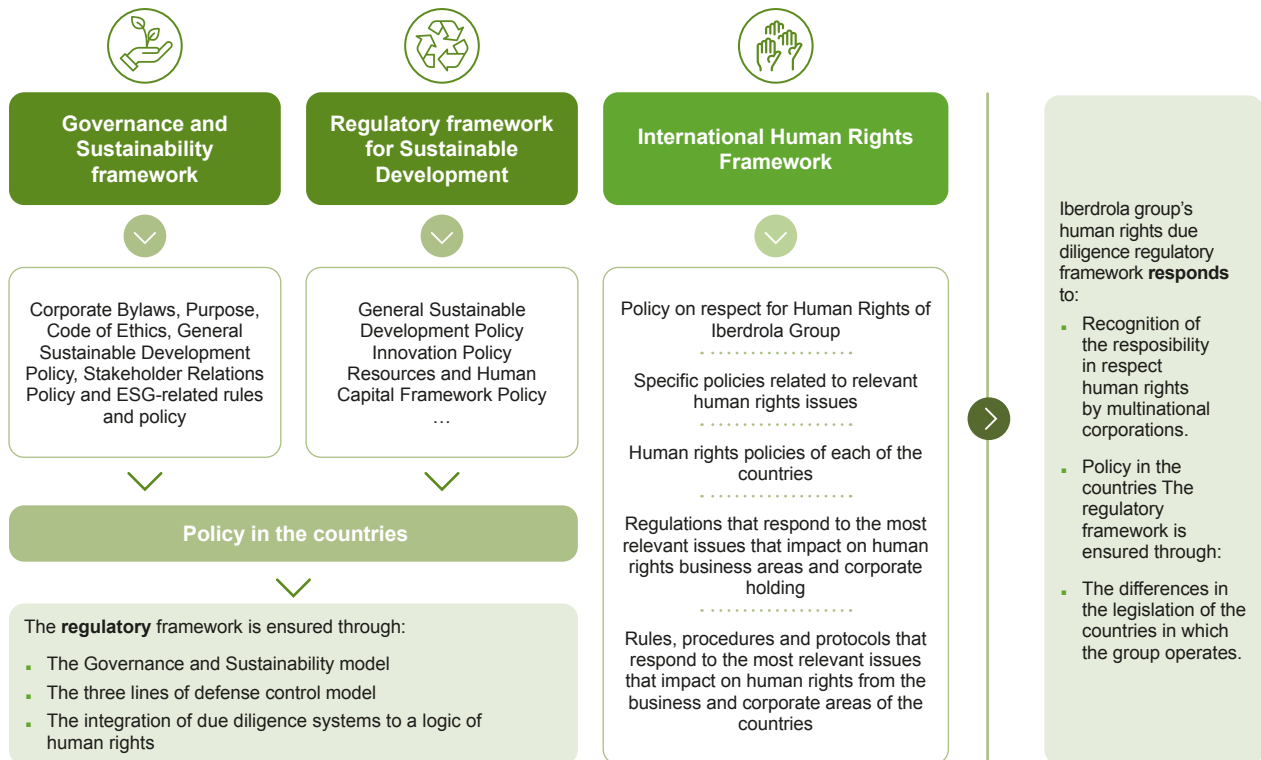
Human rights due diligence system

The **Comprehensive Human Rights Due Diligence System** is based on the **Governance and Sustainability System** and on the **Control Model based on three lines of defence** (prevention, monitoring and evaluation of human rights management).

This system is used to identify and manage the risks and impacts associated with the performance of all phases of operations (planning, construction, operation, maintenance, and closure of electricity and energy sector facilities), considering the geographic and social context and the characteristics of the supply chain.



As a result of the adoption of a broad definition of human rights, which covers a large diversity of potential issues and impacts, the due diligence system is based on various subsystems and procedures (e.g. Compliance, Health and Safety, Purchases and Cybersecurity, among others). There is an annual evaluation to ensure that these sub-systems adequately cover these issues from a human rights perspective. The ultimate goal is to facilitate the independent and efficient management of each area from an integrated and cross-dimensional viewpoint.



Identification of impacts

Identification of impacts on human rights is the first step in the implementation of the due diligence system. The methodology used for this purpose adopts the UNGP recommendations at three levels that allows for the evaluation of potential impacts, significant issues, and issues of priority regarding human rights.

To identify actual and potential impacts, Iberdrola has a **human rights risk map** that identifies the main risks in this area, both in the countries in which the group does business and in those from which it obtains its supplies. These data are cross-checked with the list of the main locations of operation for each business to identify those facilities where there may be a greater risk of human rights violations. This map is regularly updated with the help of independent external specialists who are well recognised in this field.

Whenever a risk or potential impact is detected, the due diligence system includes the design and implementation of **appropriate measures for prevention and mitigation as appropriate**. In the case of actual impacts, i.e. those that have already occurred, the due diligence system includes measures to mitigate or remediate them

Commitment to remediation: complaint and grievance mechanisms

Although the due diligence system should preferably enable action to be taken in the phases of prevention and mitigation of potential impacts, when this is not possible, Iberdrola implements **remedial actions or measures** to ensure effective redress through legitimate processes and active cooperation. Remedial



actions are intended to restore one or more of the affected rights, returning the affected people to the situation prior to the impact as much as possible. In any case, the company does not in any way prevent access to government judicial or non-judicial mechanisms and cooperates in good faith with them.

Iberdrola has also developed **complaint and grievances mechanisms** to confront any potential negative consequences early, and take appropriate remedial action where applicable.

Communication and reporting of measures adopted

Iberdrola attaches great importance to promoting a culture based on knowledge of and respect for human rights. For this reason, the company engages in a number of regular internal and external training and awareness-raising activities for different Stakeholders.

In order to strengthen transparency, in 2022 Iberdrola published its first [Human Rights Report](#) on the company's governance and performance in this area. In this way, action is taken in advance of future regulatory requirements.

In addition, Iberdrola reports information on human rights management through other internal and external channels, such as its [Statement of Non-Financial Information \(SNFI-SR\)](#) the human rights section of the corporate website; various newsletters addressed to employees; responses to surveys from analysts, investors and indices; and specific training activities.

Management of suppliers from a human rights perspective

Iberdrola views suppliers as strategic players within the group. As part of its commitment to a sustainable management model, it invites its suppliers to align themselves with its sustainability objectives through the implementation of good human rights practices. The purchasing function also seeks to have the necessary mechanisms in place to ensure a **fair, transparent and ethical value chain**.

The measures adopted by the Company to protect human rights in the management of suppliers and during the purchasing process are based on both the Purchasing Policy and the Suppliers' Code of Ethics. The supplier management process also includes other human rights measures, including an [assessment based on ESG criteria](#), including human rights in supplier selection, specific social responsibility clauses in the contracting terms and conditions, and compliance reviews during the term of the contracts.

For purposes of **monitoring**, Iberdrola periodically analyses purchases made in countries considered at risk for not having ratified the ILO conventions on forced labour, freedom of association and collective bargaining, and child labour, as well as those countries that, having ratified such conventions, have added comments that reveal weaknesses in the application of these conventions. The company also provides suppliers with various resources and materials, including the online awareness-raising module on human rights and business.

External recognitions/awards regarding human rights

Iberdrola is an industry leader in this area as a result of the work carried out, having been endorsed by the Renewable Energy and Human Rights Index prepared by the Business and Human Rights Resource Center for two consecutive years and by the Dow Jones Sustainability Index, in which the company achieved the highest score in 2022.



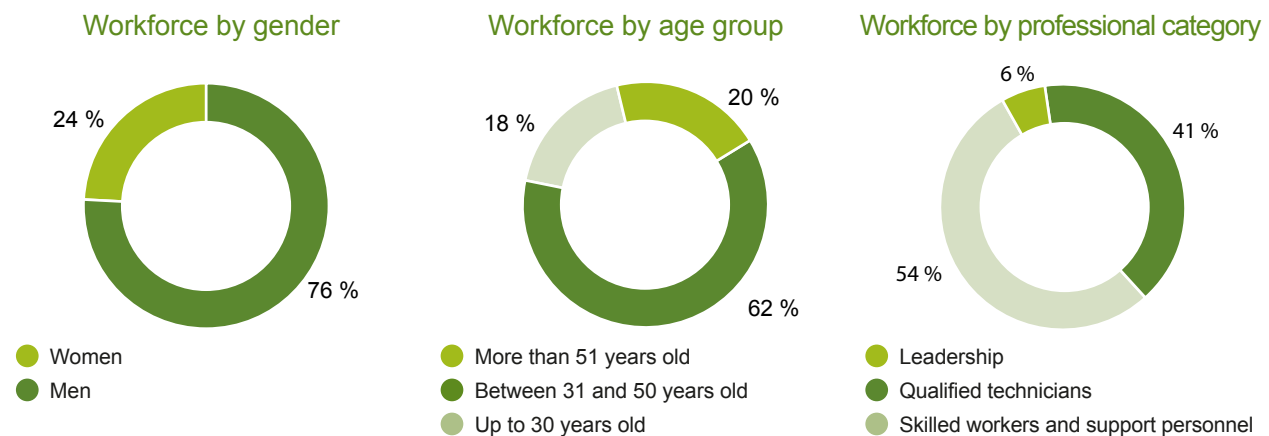
4.3. Our people

Iberdrola does business in an increasingly changing and competitive environment. Excellent management of people is key to achieving competitiveness and efficiency goals within a climate of social peace, promoting stable high-quality jobs and strengthening a culture based on non-discrimination, diversity and inclusion to ensure sustainable growth of the business.

Achieving this is essential to meeting the group's objectives, for which reason the company's people management is based on the following cornerstones.

Fair and sustainable employment

Iberdrola is an important driver of job creation, hiring between 4,000 and 5,000 employees annually since 2015, with almost 100% of the contracts being permanent. The company also offers its employees various benefits, including pension plans and wellness programmes to facilitate a work/life balance.



In the current context of change and digitalisation, technology is key to driving the transformation of the People area through better planning and analysis, which allows the company to have the professionals required to support the strategy of the business.

Recruitment, development and retention of talent

Iberdrola strives to offer its employees the opportunity to develop their skills and professional aspirations. This approach is carried through to management, and is implemented throughout the entire professional relationship of company with its employees.

Firstly, Iberdrola aims to position itself as one of the first options for professionals seeking employment. To achieve this, it engages in various activities focused on the professionals of the future, through scholarship and internship programmes in which more than 900 young people participate each year and agreements and alliances with the best universities in the world, as well as the International Graduate Programme, which provides a pool of professionals who can respond to the future needs of the Group.

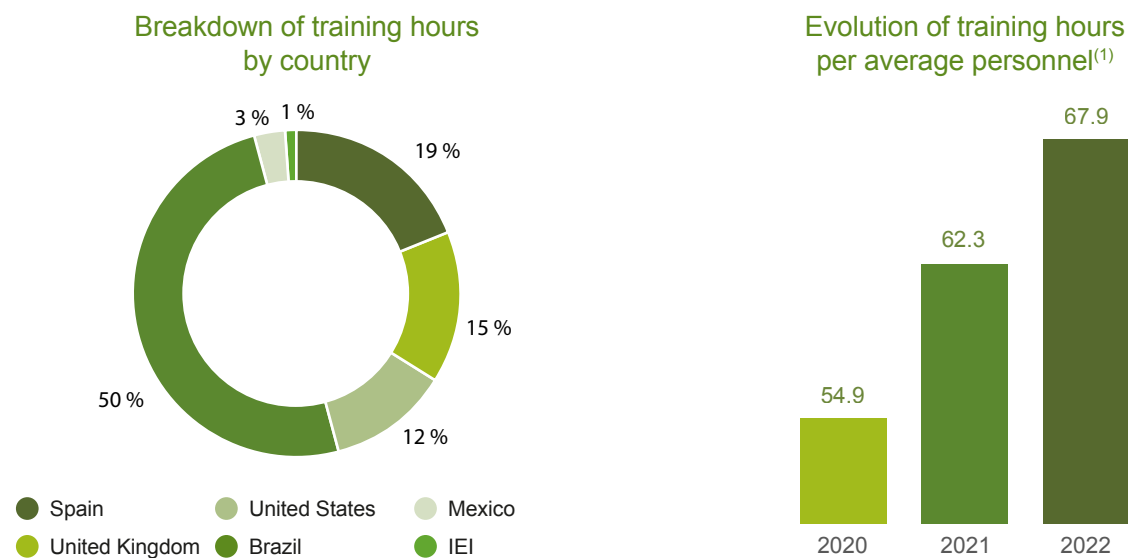


In recent years Iberdrola has also awarded a total of 1,000 scholarships to receive post-graduate training in various fields, mostly in STEM careers, to professionals who, for the most part, will end up joining the company.

Once employees join the company, Iberdrola cares for their experience, supporting continuous learning and professional growth, promoting internal rotation and international mobility as levers for development.

In 2022 Iberdrola continued to consolidate its learning strategy, with solutions that strengthen the development of strategic capabilities through activities focused on different professional profiles, like digital mentoring and mentoring for female executives, among others. It has also continued to promote a continuous learning culture through the *Keep Learning* initiative.

As a result of the various initiatives, 68 hours of training per employee have been delivered by 2022, placing the company at the highest levels in Europe.



Iberdrola's people management provides it with qualified, trained and committed professionals. Looking ahead, the company will continue to improve its employee value proposition, with both an internal and external focus, strengthening its recruiting strategy and employer brand, as well as its training model and learning solutions offering. The company will also continue to encourage mobility and rotation as levers for talent development, nurturing the employee experience.

(1) Data recalculated with respect to the figures published in 2020 and 2021, based on the standard of average personnel.



Diversity and Inclusion

Iberdrola is a diverse company from many perspectives: it has more than 40,000 men and women of almost 90 nationalities and four generations working together on a daily basis. The company integrates diversity and inclusion into the corporate values and behaviours that define the conduct of its employees. The group has specific mechanisms in place to guide activities in this area, including the Equality, Diversity and Inclusion Policy, the Board of Directors Diversity and Member Selection Policy and the Global Diversity and Inclusion Committee.

This commitment to creating an increasingly inclusive work environment and society is shown by the initiatives that the company is continually developing, adapted to the context of the different countries (such as the *Escola de Eletricistas* (Electricians' School) for women in Brazil) but led from a global viewpoint. Internally, the organisation promotes awareness and training of leaders and teams, reinforces internal communication and favours dialogue and the visibility of minority groups. On this point, it should be noted that there is a full week of activities focusing on diversity and inclusion at the main geographical locations.

Gender diversity is a priority shared by all geographical locations in which the group does business. Iberdrola has increased the percentage of women in senior positions to 26.1% and is committed to achieving 35% by 2030, and to 100% of Iberdrola's employees being covered by pay and gender equality certification by 2025. Its commitment on this point has led to its inclusion, for the fifth consecutive year, in the 2022 Bloomberg Gender-Equality Index.

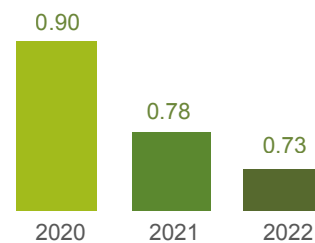
The culture of diversity also covers the company's relationships with third parties, through initiatives like the development of inclusive solutions for customers, volunteering activities focused on people in vulnerable situations, and support for female empowerment through sport.

Safety and Health

The safety and health of people is a top priority for Iberdrola, reflected in the various tools and initiatives that the company continually develops and updates: the Occupational Safety and Health Policy, the Occupational Risk Prevention Management Systems, the preventive programmes and training and awareness-raising activities in which employees participate, and the objectives established in partnership with suppliers, customers and government administrations. Iberdrola's goal to become the best company in the industry regarding occupational health and safety.

The company is gradually improving its accident rates thanks to its commitment to occupational safety.

Rate of work-related injuries
(own personnel)⁽¹⁾



Looking ahead, the company plans to continue on its accident reduction path by strengthening its identification of risks and opportunities and monitoring the performance of both its own employees and those of its suppliers.

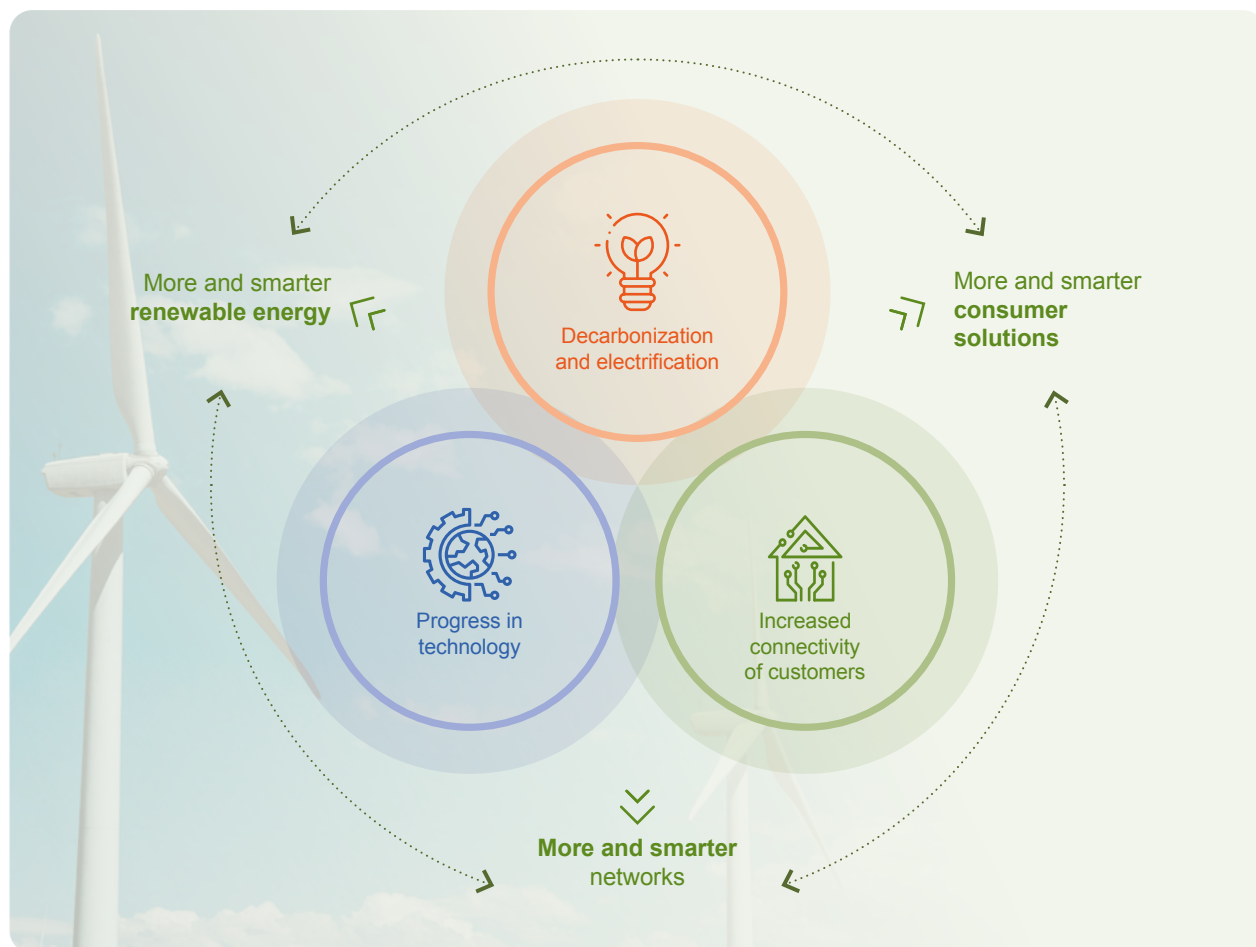
(1) Rate of recordable work-related injuries = Number of recordable work-related injuries (except first aid) / Number of hours worked x [200,000]



4.4. Products and services

Iberdrola is constantly developing its products and services to provide better solutions for its customers: more flexible, more efficient, more agile and of better quality, to improve their experience with the company.

To meet their demands, the company has adopted an ongoing commitment to innovation, investing in the development of technologies and projects aligned with the fundamental vectors of the transformation of the energy sector.



Its commitment to the ongoing improvement of its products and services is shown by the ambitious objectives that the company has defined in this area, based on the fundamental cornerstones of quality and digitalisation.

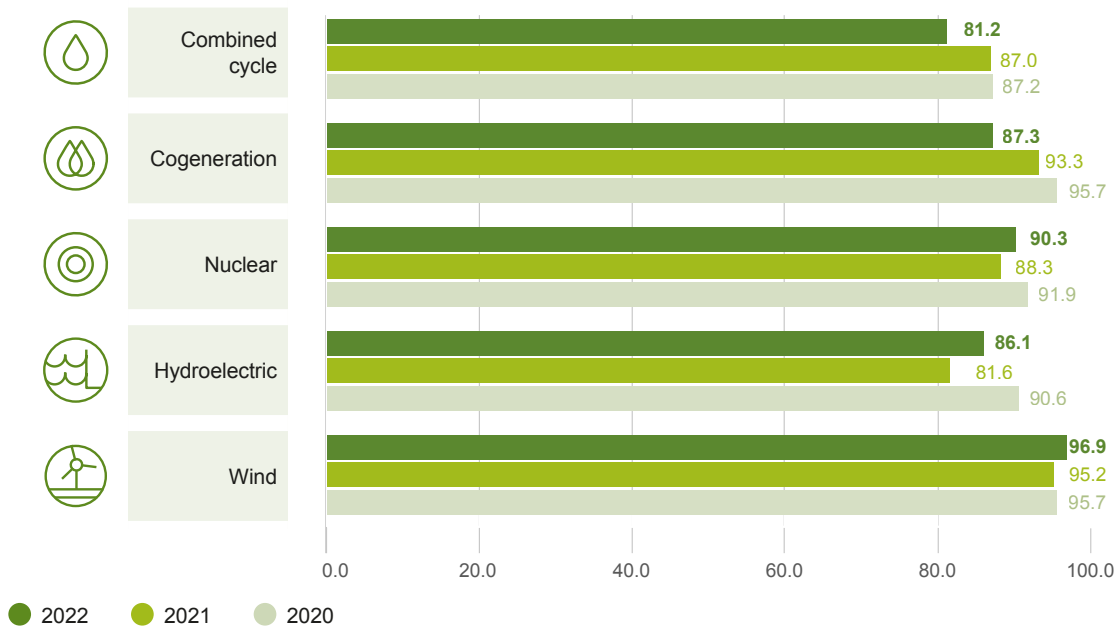
Plant availability: key to quality of supply

The availability factor of a power plant measures the percentage of time that the plant is available to generate electricity. Situations of unavailability, especially unscheduled ones, prevent the generation of electricity, reducing revenues and at times affecting the quality of supply. Maximising availability is therefore one of Iberdrola's main priorities.

In recent years, digitalisation and artificial intelligence have allowed for improvements in operational processes and maintenance, which has contributed to continuous improvement of the availability factor of the company's facilities.



Average availability factor of Iberdrola's generation facilities (%)



In any case, Iberdrola has a flexible generation mix that contributes significantly to the reliability of the electricity system's operation. In particular, hydroelectric and pumped-storage generation, where Iberdrola is a leader in energy storage, provide back-up for the electricity system and are an essential element to ensure the continuity and quality of supply.

Safe and efficient electricity supply

Constant improvement in the quality of supply is one of Iberdrola's fundamental goals. To maintain and improve an outstanding level of quality, the group invests in new electricity infrastructure and in the maintenance and renewal of existing infrastructure in all the countries in which it does business, and continues to make progress in its ambitious plan to digitalise its electricity grids.

To meet its objectives in this business, Iberdrola monitors the quality of the service provided in the various countries, measuring it on the basis of the frequency and duration of interruptions in supply, as reflected in the following table.

Average power outage duration		2022	2021
Spain ⁽¹⁾	TIEPI (min)	< 38 min	< 39 min
United Kingdom	CML (min)	26.24	33.92
United States	CAIDI (h)	1.75	1.87
Brazil	DEC (h)	10.01	10.22
Power outage frequency		2022	2021
Spain ⁽¹⁾	NIEPI (number)	< 0.9	< 0.9
United Kingdom	CI (ratio)	32.44	37.29
United States	SAIFI (index)	1.27	1.42
Brazil	FEC (frequency)	4.59	5.06

TIEPI: Installed Capacity Equivalent Interrupt Time.

CML: Customer Minutes Lost Per Connected Customer.

CAIDI: Customer Average Interruption Duration Index.

DEC: Equivalent Duration of Interruption by Consumer Unit.

NIEPI: Installed Capacity Equivalent Interrupt Number.

CI: Customer Interruptions Per 100 Connected Customers.

SAIFI: System Average Interruptions Frequency Index.

FEC: Equivalent Frequency of Interruption by Consumer Unit.

(1) Quality data for Spain (NIEPI and TIEPI) include commercially sensitive information.



Iberdrola will allocate €7,000 billion to modernisation and digitalisation of the grid by 2025 in order to increase the speed of restoring outages and resilience to extreme weather events. Along these lines, the company has set a target of a 10% improvement in its quality of supply by 2025. This improvement in quality will also have a positive impact on the affordability of electricity supply for customers and will allow for further improvements in customer service, advancing towards the integration of more renewable generation, electric vehicles and storage systems within the grid.

Digital, intelligent and innovative solutions

Thanks to digitalisation and investments in R&D, Iberdrola sells a wide range of products and services that promote efficiency, energy savings and care for the environment, while focusing on customers, providing them with greater connectivity and decision-making capacity. Iberdrola offers intelligent and innovative solutions in the residential and industrial areas.

The *Smart* solutions for residential customers within the group's current portfolio⁽¹⁾:

- **Smart Mobility:** a solution for electric vehicles including installation and management of the charging infrastructure, as well as a customised contract for the supply of clean energy that is 10 times cheaper than fuel.
- **Smart Solar:** a solution for photovoltaic self-consumption with the customised installation of solar panels, comprehensive maintenance and payment facilities.
- **Smart Home:** services aimed at improving energy efficiency and savings, with unbundled access to consumption for optimal management.
- **Smart Clima:** heating and cooling solutions using different systems, including aerothermal energy.
- **Smart Services:** electrical services for a *Smart* home (electrical emergencies, appliance repairs, electrical DIY, etc.)



It also offers different options for customisation of rates, as well as online tools to maximise energy efficiency, simulating consumption and the most appropriate rates. Similarly, the company also offers various apps so that its customers can, for example, manage their energy consumption, send meter readings, obtain live help, locate and reserve charging points for their electric vehicle, and select the most convenient payment method according to each country, prioritising digital payments.

The package of services for industrial customers includes: Industrial Heat (electrification of industrial processes) and, as in the residential sector, *Smart Mobility*, *Smart Solar* and *Smart Climate*. At this point, green hydrogen (hydrogen obtained from renewable sources for use as raw material or fuel) has become a key vector for industrial uses and sectors that are difficult to decarbonise (shipping, aviation, long-haul heavy-duty vehicles and high-temperature industry). Once again a pioneer, Iberdrola has built the largest green hydrogen plant for industrial use in Europe using 100% renewable electricity and already has more than 60 projects in eight countries – Spain, the United Kingdom, Italy, Brazil, the United States, Mexico and Australia.

The company has also submitted 54 projects to the Next Generation EU programme, which will mobilise investments of €2,500 million to produce 60,000 tonnes of green hydrogen per year.

(1) Not all products are offered in all geographical locations in which the company operates.



4.5. Responsible supply chain

The Iberdrola group's supply chain is managed through two different processes:

- The procurement of material and equipment and the contracting of works and services, which is the responsibility of the Group's Purchasing and Services Division.
- The procurement of fuel, which is handled by the Electricity Production and Customers Business.

Iberdrola placed orders with more than 19,000 suppliers during 2022. A breakdown of the economic and geographic volume is set out in the following graph:

General supply of equipment, materials, works and services (more than 11,500 euro million)



Commitment to local purchasing

Iberdrola follows a local supplier strategy for its strategic contracting that has allowed for the creation of indirect employment and the maintenance of a strong industrial fabric in the geographical areas in which it does business.

In line with this strategy, 87.10% of purchases were with local suppliers in 2022⁽¹⁾.

Promotion of sustainability in the supply chain

Iberdrola has the responsibility and the ability to motivate its suppliers to improve their environmental, ethical and social performance through actions that promote excellence in their management of sustainability.

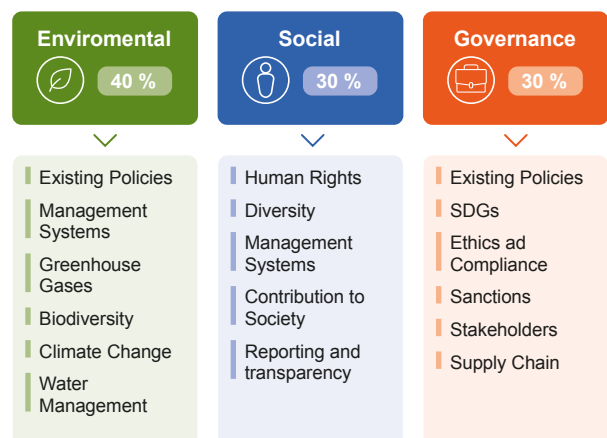
Iberdrola's commitment to Environmental, Social and Governance (ESG) standards and their expansion to cover its main suppliers is embodied in the ambitious goal of ensuring that at least 70% of the group's main suppliers are subject to sustainable development policies and standards by year-end 2022.

The significance of this goal is reflected by its inclusion in the 2020-2022 Strategic Bonus objective approved by General Shareholders' Meeting in 2020.

The goal is based on a specific assessment model for the supply chain, which measures the supplier's performance in highly significant attributes: identification of objectives linked to the Sustainable Development Goals (SDGs),

management of climate change risk, circular economy strategy, human rights due diligence, compliance, good governance and business ethics, etc.

The following information is assessed as part of the three dimensions analysed:



(1) Suppliers registered in the same country as the Iberdrola subsidiary in which it does business are considered to be local based on the Tax ID assigned to the supplier.



€17,112 million have been allocated to suppliers evaluated based on this ESG model in 2022, which represents 96% of the total amount awarded to the different suppliers making up the Iberdrola group's supply chain.

All major suppliers of general goods and equipment (both new and existing) and fuel are assessed in accordance with environmental and sustainability criteria.

The contracting terms of the group for purchasing equipment, material, works and services, include specific supplier corporate social responsibility clauses based on the UN Universal Declaration of Human Rights, the conventions of the International Labour Organization, the principles of the Global Compact, and compliance with the *Code of Ethics*. For fuels, the company aims to include these clauses as new contracts are signed.

All major suppliers of general goods and equipment and of fuel are assessed under this management approach and considering their material risks in relation to human rights and negative social impacts. These risks are mitigated and managed through the quality processes in place and the regular audits carried out by each business unit. This strategy has been reinforced in 2022 with a global campaign of social audits of key general goods suppliers to ensure compliance with the group's ESG criteria and to validate the supplier assessment model. By year-end 2022 a total of 42 social and sustainability audits had been carried out on the Group's main suppliers at the global level.

Iberdrola has successfully required the inclusion of specific clauses to mitigate the risks of forced labour or modern slavery for all affected suppliers with which it has signed supply contracts. In addition, the necessary clauses have also been included in contracts for the supply of PV panels to give the company the right to perform social and sustainability audits, both for module manufacturers and third party companies in their supply chains, to ensure the quality and traceability of the components. The Iberdrola group also actively participates, along with the manufacturers themselves, in the main industry-led initiatives, such as Solar Power Europe and WindEurope, with the aim of establishing common standards and tools that allow objective evidence to be obtained that human rights have been respected throughout the process of manufacturing the equipment used in these projects.

Relationships with suppliers

Iberdrola promotes active and constant communication with its suppliers, understanding their role as key partners in the achievement of its goals as a company and also its own role as a driver of a more responsible supply chain.

The external supplier survey confirms the commitment of Purchasing's management to promote dialogue with suppliers. This survey allows for the identification of those aspects that are most highly valued by suppliers, both of the procurement process and tools and of the Iberdrola group, but also to verify those points with opportunities for improvement and to be able to establish lines of action in the medium and long term.

The company also undertakes other initiatives to foster an active relationship with its suppliers and promote best practices among them. Examples of these initiatives include supplier of the year award held in Spain and Mexico, which recognises the fundamental role of suppliers in achieving the group's strategic projects, and the online human rights awareness module, which is available to all suppliers.

Iberdrola also supports the entrepreneurial ecosystem through purchases, helping the launch and strengthening of new business ventures.

In 2022 Iberdrola has gone a step further and obtained AENOR ISO 20400:2017 certification for its Sustainable Procurement Strategy, which recognises the effective inclusion of sustainability in its Procurement strategy and a vision of its supply chain focused on sustainability, favouring continuous and transparent interaction with suppliers.





4.6. Support to local communities

Iberdrola has a number of activities and projects to avoid, mitigate and offset the potential socio-economic impacts of its facilities. These are performed by the company, by subsidiaries or investee companies in their respective areas of activity, or by the group's foundations in the case of sponsorship and patronage activities.

The contribution of the group's companies to local communities in 2022 can be quantified from various points of view. In addition to the fiscal impact (see "[Fiscal responsibility](#)" chapter) and the creation of employment and economic activity, Iberdrola contributes with non-profit contributions, and contributions that promote entrepreneurship and innovation, as described below:

- **Contribution of €51.9 million to the community**, measured according to the Business for Societal Impact (B4SI) international standard, in the countries in which Iberdrola operates. This amount is equivalent to 1.2% of net profit.
- Volunteer activities. A total of 16,877 **volunteers** took part in volunteering activities, with the aim of channelling employees' spirit of solidarity and motivating their participation in social projects aimed at integrating vulnerable groups, improving the environment and sustainable development.
- **Entrepreneurial support €106 million of purchases** from companies in operation for less than 5 years, and over **€125 million** in venture capital for new initiatives with high technological value.
- Access to electricity, which, due to its significance, is described below.

Progress on the Electricity for All programme

The Electricity for All programme is Iberdrola's response to the need to expand universal access to modern forms of energy, with environmentally sustainable, financially affordable and socially inclusive models. The main purpose of this initiative is to ensure access to electricity in emerging and developing countries, as well as for vulnerable people in developed countries. Within the framework of this programme, Iberdrola has set the goal of providing electricity to 16 million persons who currently lack it by 2030. The programme has reached 11 million users by year-end 2022.

Main activities of the foundations of the Iberdrola group in 2022

Iberdrola continues to support the operation of its foundations in Spain, the United Kingdom, the United States, Brazil and Mexico. **Overall investment** dedicated to activities in all countries in 2022 reached a total of **€13.1 million**.

- The **training and research** area includes the Green Economy training programmes financed by the Autonomous Community of Castilla - La Mancha for the development of the Inspira II and REACTIVA Programmes, programmes for social and labour insertion for young people at risk of social exclusion and school dropouts. The second year of the multi-year research grant programme "Energy for Future", co-funded by the European Commission, has also been completed with the grant of 13 international scholarships on the first call. The second call of the programme will be launched in February 2023. This year saw continued growth in support for women and girls with educational programmes such as the STEM and STEM 4 Girls chair, with the help of *Fundación Empieza por Educar*. The Generation Science programme of the Scottish Power Foundation aims to fund 100 science workshops for children in Scotland's most disadvantaged areas.
- In **Art and Culture**, the aim is to **protect and safeguard artistic and cultural heritage**, promoting conservation and restoration and stimulating local development. The main illuminations have been the Historic Campo de Criptana Mills, the Cathedral of Sigüenza, the Old Bridge of Talavera and the Church of San



Hipólito in Palencia, and many illuminations are currently underway pending inauguration in 2023. In Brazil, the *Instituto Neoenergia* has engaged in the illumination of the *Cinema Guarany Theatre* in Triunfo-Pernambuco. In terms of exhibitions, the travelling exhibitions include “*El Prado en las Calles*” by Extremadura and Andalusia and “*Un Patrimonio de Todos*” in Castilla-La Mancha.

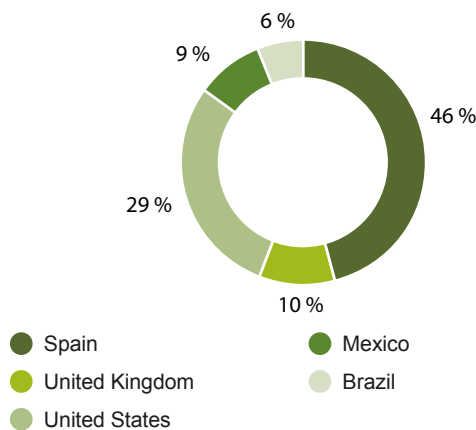
- In **Biodiversity and climate change**, the aim is to protect the environment and improve biodiversity to contribute actively to the fight against climate change. Work in Spain includes the tagging of birds with the MIGRA programme and the reforestation of the Coronel Sánchez Bilbao Base in Almagro and that of the Villatobas Air Surveillance Squadron, within the Iberdrola Forest Defence plan, where more than 167 hectares have been reforested, which will absorb more than 12,000 tonnes of CO₂. In the coming months, the Conde de Gazola Military Base in León, the Barbanza Air Base

in Coruña and the Menacho Military Base in Badajoz are also expected to be reforested. Also noteworthy is the multi-year project with the WWF (World Wildlife Foundation) for the restoration of seagrasses and oysters by the ScottishPower Foundation, AVANGRID’s Gulf of Main Research Institute research project, the conservation of the Fernández Canyon by the Iberdrola México Foundation, and the CORALIZAR project of Instituto Neoenergia.

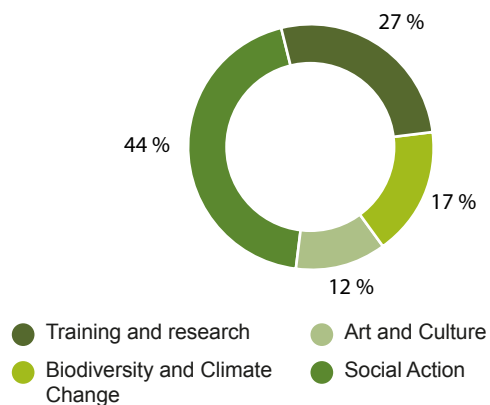
- The **Social Action** area includes support for the most vulnerable individuals and groups. Over 300 partnerships have been established in the five countries with an impact on over 250,000 people. A key initiative was the raft of calls for proposals for social programmes aimed at supporting and funding more than 30 projects in each country. *Fundación Iberdrola México* has stood out with its Urological Brigades in the southeast of the country, which have contributed to the well-being of women in vulnerable situations.

2022 programmes of the foundations: €13.1 million

Contribution by region (%)



Contribution by area (%)





4.7. Corporate reputation and brand strength

Corporate reputation

What the various companies of the Iberdrola group do, what they communicate, and how they involve their Stakeholders, leads to opinions, attitudes and behaviours by these Stakeholders that shapes the companies' reputation. For this reason, the Iberdrola Group considers reputation to be an intangible asset of great value, which influences aspects as important as the recruitment and retention of talent, commercial relations with customers, valuation in the capital markets, and integration within communities, and therefore affects both long-term sustainability and corporate resilience.

At the Iberdrola Group, reputation is managed and measured with a two-fold objective:

- To bring to the surface opportunities that provoke favourable behaviour of Stakeholders (SHs) towards the company.
- To minimise and mitigate the reputational risks inherent in its business activities.

Reputation management is performed by all of Iberdrola's areas and businesses, with two important elements standing out:

- Proactive management of Stakeholders through the application of the *Global Stakeholder Engagement Model*, which allows for the ascertainment of expectations, needs and impacts, the analysis of risks (including reputational risks), and the establishment of specific action plans, as explained at the beginning of this section.
- The communication plans, ESG goals and numerous specific activities of Iberdrola's areas and businesses, focused on each of the company's eight SH groups.

Reputation is monitored and measured through: variables from reputational rankings, surveys among SHs and various sustainability indices, among others.

Iberdrola annually reviews and updates its Reputational Risk Framework Policy, which is the main benchmark for the control and management of this risk. The company also has internal procedures in place to respond to potential reputational crises.

Robustness and brand strength

Iberdrola manages the brand so that it transmits the essence of the group's Purpose and reflects the company's strategy to commit to the environment and to Sustainable Development. Likewise, it cements a brand of international dimension, strengthening communication and alignment under a single brand positioning strategy in the countries in which the company operates.

As a result of all the above activities, based on the firm commitment to increasingly engage its Stakeholders (SHs) in all of the company's activities and operations, Iberdrola is one of the most highly valued Spanish brands.

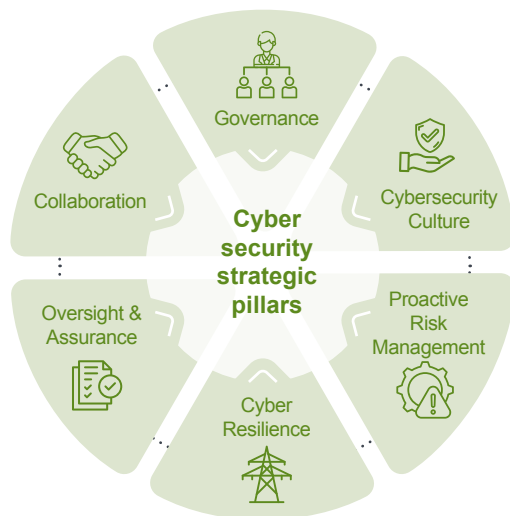




4.8. Cybersecurity and information privacy

Iberdrola, as a leading company in innovation, digitalisation and smart grids, accords strategic importance to cybersecurity, which is essential to face the challenges related to the energy transition. In today's increasingly complex technological environment, the company's main objective is to protect critical infrastructure, which is key to protecting the business and customer data and, of course, the group's reputation. Aware of the challenges facing the company, in 2015 the Board of Directors approved a Cybersecurity Risk Policy, which promotes the development of a robust cybersecurity culture throughout the Group by encouraging the secure use of cyber-assets, and strengthening of the capacity to detect, prevent, defend against, and respond to cyberattacks or cybersecurity threats.

The company has also established a global cybersecurity strategy based on the integration of cybersecurity into all business decisions and daily operations. This strategy is based on 6 pillars:



- **Governance:** Iberdrola adopts the Three Lines of Defence Model to assign clear roles and responsibilities in cyber risk management, to ensure a coordinated approach and adequate segregation of duties. The first line of defence, the owners of the risk, are the businesses, which are responsible for understanding the risk and implementing the appropriate controls in their operations. The second line of defence is the corporate cybersecurity area, and the third is the internal audit area.

- **Culture:** Cybersecurity skills and knowledge are identified and developed through a staff-wide training programme to build a strong cybersecurity culture involving all employees and the Board of Directors.
- **Risk management:** defining and implementing comprehensive cybersecurity risk management plans by prioritising resources based on a sound risk assessment, with a focus on business-critical infrastructure and essential services.
- **Resilience:** implementation of technology (SIEMs/SOCs) and global and local cybersecurity incident response teams (CSIRTs), which operate 24x7 and act as a point of contact to ensure the successful detection and management of security threats, vulnerabilities and incidents.
- **Assurance:** in addition to ensuring compliance with regulations in the various countries in which it operates (GDPR, SOX, NIS, PIC, NERC, etc.), an exhaustive assurance programme has been implemented that includes regular internal and external audits and vulnerability and threat detection programmes, among others.
- **Partnerships:** both internally between businesses and those responsible for cybersecurity, and externally with law enforcement agencies, government agencies, product and service providers, companies and expert groups, etc., to strengthen systemic resilience.

To lead the deployment of the Policy throughout the group, Iberdrola has appointed a **Chief Information Security Officer (CISO)**, who regularly reports to the Audit and Risk Supervision Committee of the Board of Directors, together with the CISOs at each country subholding company. In addition, the structure has business information security officers (BISOs) within each business and corporate area.

Furthermore, Iberdrola pays special attention to ensuring the privacy of the personal information of the group's Stakeholders. For this purpose, the company has a **Personal Data Protection Policy**, approved by the Board of Directors, and conforming to the European Global Data Protection Regulation (GDPR). In addition, in recent years, a data protection management system has been developed and implemented to ensure systematic compliance over time with the GDPR, the Binding Corporate Rules and the personal data protection laws of each of the countries in which the group is present.

Responsibility for the protection of personal data lies with the businesses and corporate functions, organisations that process this data, under the coordination and supervision of the **Data Protection Officer**, with the support of the Legal Services.

For more information, see the document "[Statement of Non-Financial Information 2022](#)" published on Iberdrola's corporate website.

5. Governance

5.1. Governance and Sustainability System

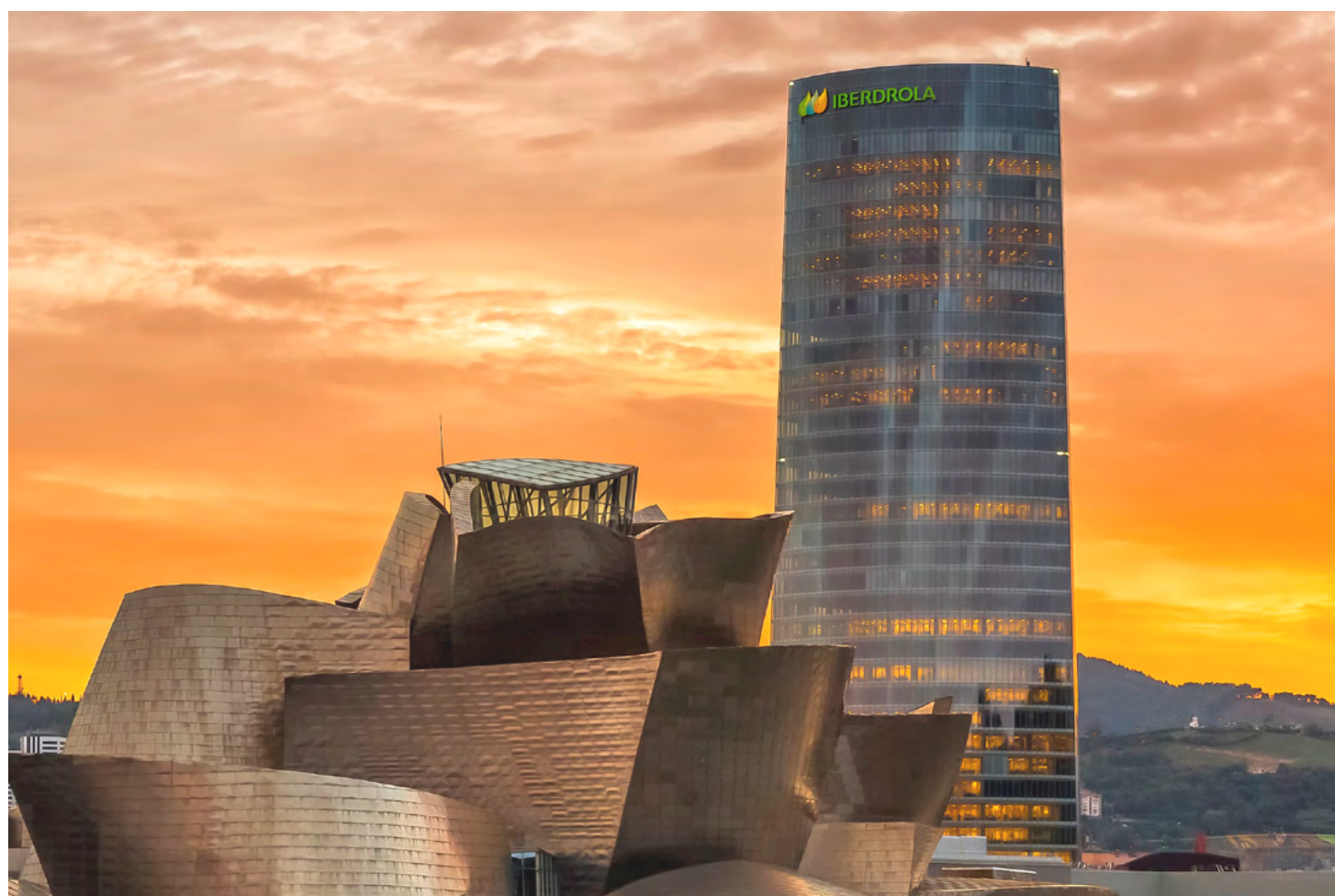
5.2. Corporate governance

5.3. The Three Lines Model

5.4. Risks

5.5. Ethics and integrity

5.6. Fiscal responsibility






Iberdrola's governance model is one of its distinctive traits and the cornerstone of its commitment to sustainability.

Starting with the **composition and structure of its governance bodies**, in line with corporate governance best practices, and continuing with the **internal management and control systems for the risks** to which the group is exposed, the entire system is built on the basis of **regulatory compliance, robustness, coordination**, and the **assumption of responsibilities** at all levels.

In this connection, the company has been selected for the ninth consecutive year as one of the most ethical companies in the world by the Ethisphere Institute.

This commitment to compliance also extends to its fiscal strategy, based on ensuring **compliance with applicable tax provisions**, excellence and a commitment to applying good tax practices, adjusted to the group's corporate and governance structure.

As part of its commitment to maintaining a governance model in line with best market practices, Iberdrola has set itself the following **goals**:

GOALS		METRIC	2022	2025	2030	Related SDGs
GOVERNANCE						
	Corporate governance practices (best)	Maintain	√	√	√	5 16 17
	Independent Members in the Board of Directors	Over 50%	√	√	√	16
	Women in the Board of Directors	At least 40%	√	√	√	5 16
	Diversity in the Board of Directors	Promote	√	√	√	5 16
	Independent external certification or validation of the compliance system	Obtain/maintain (yearly)	√	√	√	16



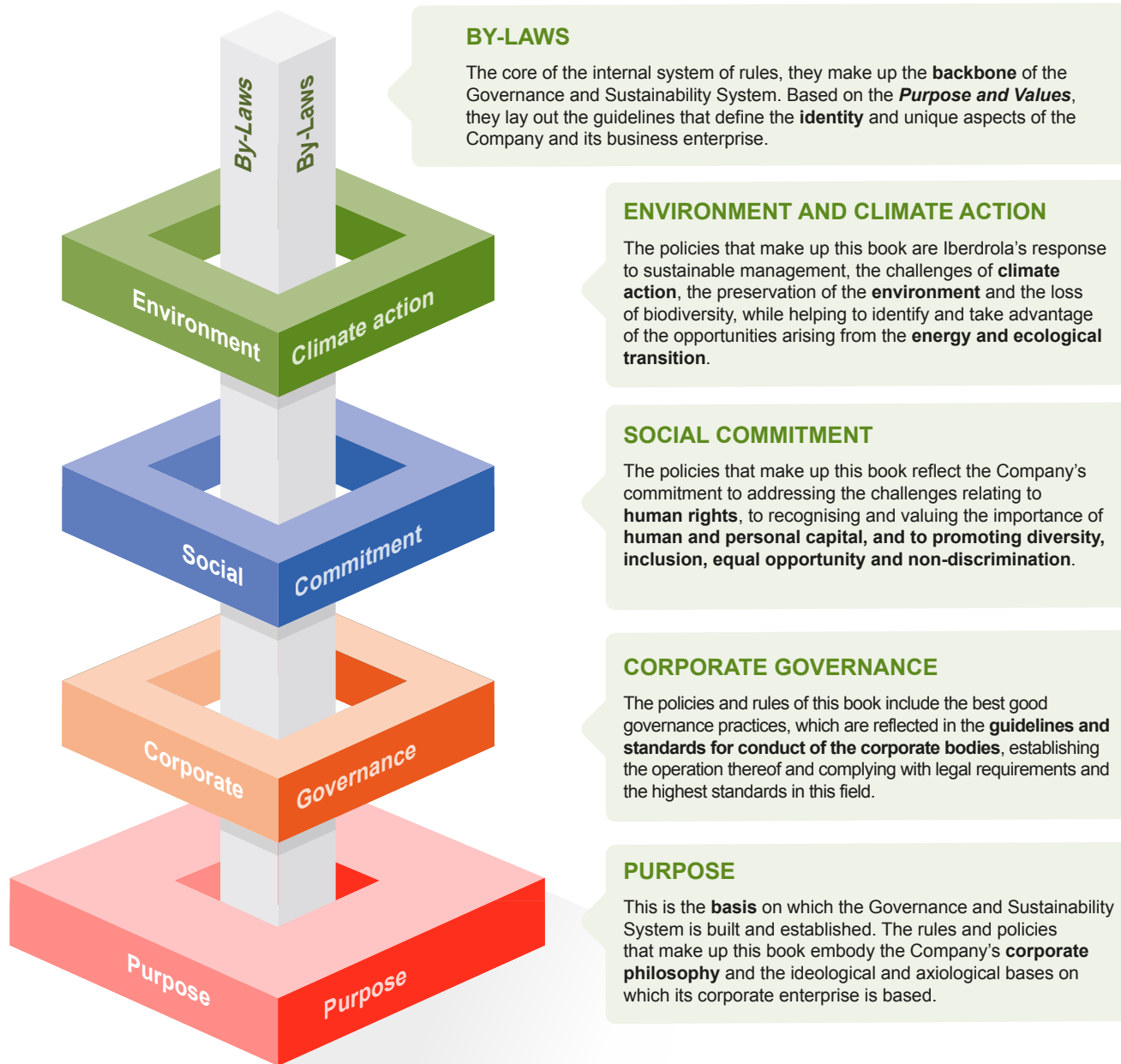


5.1. Governance and Sustainability System

The Company has a Governance and Sustainability System, which evolved from the former Corporate Governance System, and which is structured around three pillars: environmental, social and corporate governance.

STRUCTURE OF THE GOVERNANCE AND SUSTAINABILITY SYSTEM

The Governance and Sustainability System is the Company's **internal system of rules**. It configures Iberdrola as an integral company that enriches its purely corporate dimension with plural (economic, social, environmental and governance) business activities. Always at the forefront of international best practices, it is structured in **five books**:



Leadership in sustainable development, social commitment, good governance and transparency is one of the hallmarks of Iberdrola's identity. The Board of Directors therefore regularly reviews the Governance and Sustainability System, keeping it updated and ensuring that it includes the recommendations and best practices accepted in international markets.



5.2. Corporate governance

The Board of Directors of Iberdrola, S.A. has the broadest powers and authority to manage the company.

It is made up of prestigious and professionally competent people, who act with independent judgement in the performance of the duties of their position. The composition thereof seeks a diversity of skill, knowledge, experience, origin, nationality, age and gender, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of matters within its purview:

Composition of the Board of Directors ⁽¹⁾

Position	Director	Status	Date of last appointment	End of term	Membership on Board Committees
Chairman	José Ignacio Sánchez Galán (Salamanca, Spain, 1950)	Executive	29-03-2019	29-03-2023	Chair of the Executive Committee
Chief Executive Officer	Armando Martínez Martínez (Miranda de Ebro, Spain, 1968)	Executive	25-10-2022	2023 General Shareholders' Meeting	Member of the Executive Committee
First Vice-Chair and Lead Independent Director	Juan Manuel González Serna (Madrid, Spain, 1955)	Independent	18-06-2021	18-06-2025	Member of the Executive Committee Chair of the Remuneration Committee
Second Vice-Chair	Anthony L. Gardner (Washington D.C., EE.UU., 1963)	Independent	17-06-2022	17-06-2026	Member of the Executive Committee, Member of the Appointments Committee
Member	Íñigo Víctor de Oriol Ibarra (Madrid, Spain, 1962)	Other external	02-04-2020	02-04-2024	Member of the Remuneration Committee
Member	María Helena Antolín Raybaud (Toulon, France, 1966)	Other external	29-03-2019	29-03-2023	Member of the Appointments Committee
Member	Manuel Moreu Munaiz (Pontevedra, Spain, 1953)	Independent	29-03-2019	29-03-2023	Member of the Executive Committee Member of the Remuneration Committee
Member	Xabier Sagredo Ormaza (Portugalete, Spain, 1972)	Independent	29-03-2019	29-03-2023	Chair of the Audit and Risk Supervision Committee
Member	Sara de la Rica Goiricelaya (Bilbao, Spain, 1963)	Independent	29-03-2019	29-03-2023	Chair of the Sustainable Development Committee
Member	Nicola Mary Brewer (Taplow, United Kingdom, 1957)	Independent	02-04-2020	02-04-2024	Member of the Sustainable Development Committee
Member	Regina Helena Jorge Nunes (São Paulo, Brazil, 1965)	Independent	02-04-2020	02-04-2024	Member of the Audit and Risk Supervision Committee
Member	Ángel Jesús Acebes Paniagua (Ávila, Spain, 1958) ⁽²⁾	Independent	18-06-2021	18-06-2025	Member of the Executive Committee Chair of the Appointments Committee
Member	María Ángeles Alcalá Díaz (Albacete, Spain, 1962)	Independent	17-06-2022	17-06-2026	Member of the Audit and Risk Supervision Committee
Member	Isabel García Tejerina (Valladolid, Spain, 1968)	Independent	17-06-2022	17-06-2026	Member of the Sustainable Development Committee

Secretary (non-director): Julián Martínez-Simancas Sánchez ⁽¹⁾.

First Deputy Secretary (non-director): Santiago Martínez Garrido ⁽³⁾.

Second Deputy Secretary (non-director): Ainara de Elejoste Echebarria ⁽¹⁾.

Counsel (non-director): Rafael Mateu de Ros Cerezo

(1) At 31 December 2022.

(2) Mr Ángel Jesús Acebes Paniagua was appointed for the first time on 24 April 2012, and he remained in the post until 28 March 2019. On 20 October 2020, he was reappointed as a member of the Board of Directors on an interim basis.

(3) On 1 January 2023, Santiago Martínez Garrido and Ainara de Elejoste Echebarria were appointed to the positions of non-director secretary and non-director deputy secretary, respectively.



Corporate and governance structure

The Iberdrola group is structured on three levels: the holding company, Iberdrola, S.A., which is in charge of supervision, organisation and control at the group level; the country subholding companies, which strengthen these functions within certain territories, countries and businesses; and the head of business companies, which are in charge of the day-to-day administration and effective management of the business activities. This combines a decentralised management model with the necessary strategic coordination and an effective system of checks and balances:

- The Board of Directors focuses its activity on the determination, supervision and monitoring of the overall policies, strategies and guidelines of the Iberdrola group. It is made up of 14 directors: 2 executive (14%) and 12 external (86%).
- The positions of executive chairman and chief executive officer are separated and are responsible, together with the management team and with the technical support of the Operating Committee, for the duty of strategic supervision, organisation and coordination at the Group level.
- The executive chairman assumes all duties not expressly assigned by the Board of Directors to the chief executive officer, who coordinates all of the businesses of the group's companies, as the person with overall responsibility for all of them.
- Independent directors make up 71% of total members, and include two vice-chairs, the lead independent director and the chairs of all the consultative committees.
- The composition of the Board of Directors is diverse and has a balanced presence of women and men: each gender representing 50% of external directors and no gender with a representation of less than 43% of all directors.
- In the principal countries in which the group operates, strategic supervision, organisation and coordination is strengthened through country subholding companies, which group together equity stakes in the head of business companies and centralise the provision of common services to the head of business companies.
- Country subholding companies have external directors and audit and compliance committees, as well as their own internal audit and compliance units or divisions.
- The listed country subholding companies, Avangrid, Inc. and Neoenergia, S.A., have a framework of enhanced autonomy in regulatory matters, related party transactions and management.
- The head of business companies are in charge of the day-to-day administration and effective management of the businesses. They also have their own boards of directors and management teams, as well as their own audit committees, internal audit areas and compliance units or divisions.

Simplified outline of corporate and governance structure



¹ Company listed on the New York Stock Exchange.

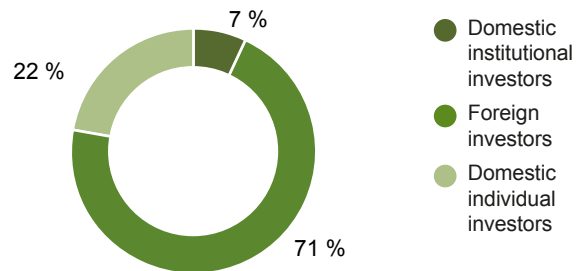
² Company listed on the New Market segment of BOVESPA (Brazil).



Ownership structure

Iberdrola has approximately 600,000 shareholders worldwide, with none having a controlling interest in the company.

Investment funds, pension funds and other foreign institutional shareholders account for close to 71% of capital



Iberdrola at the forefront of governance and sustainability

Iberdrola's Board of Directors prepares and continuously updates the Governance and Sustainability System. The Governance and Sustainability System is based on ESG standards to highlight, at the policy level, the goals embraced by Iberdrola with respect to its environmental performance, its social commitment and its corporate governance practices. Since 2021 it has been approving and updating the Climate Action Plan, which was created with the aim of achieving neutrality in greenhouse gas emission.

Strategy

The key elements defining Iberdrola's governance and sustainability strategy are:

- A system for the separation of functions, checks and balances, and controls.
- Environmental performance.
- The promotion of diversity, inclusion, equal opportunity and excellence.
- Shareholder engagement.
- Active listening to the legitimate interests of the Stakeholders.
- Social dividend, contribution to the Sustainable Development Goals, and respect for Human Rights.
- Zero tolerance of corruption and fraud.
- Prudent and balanced management of risks.
- Transparency.

Continuous improvement of corporate governance rules and practices

On corporate governance matters, the Company looks to the *Good Governance Code of Listed Companies*, which was updated by the CNMV in June 2020, and generally accepted practices in the international markets.

Leadership in governance

Independence: 86% external directors and 71% independents, including the two vice-chairs, the lead independent director and the chairs of all the consultative committees.

Separation of positions and checks and balances: executive chairman separate from the chief executive officer, two vice-chairs, and the first vice-chair reinforced with the position of lead independent director and chair of the Remuneration Committee.

Succession plans for the executive chairman, chief executive officer and non-executive directors.

Gender balance: each gender representing 50% of external directors and no gender with a representation of less than 43% of all directors.

Diversity of skills, experience, nationality and background.

Annual evaluation of the governance bodies by an independent expert.

Work of the Board and Delegated Committees on Sustainable Development and Corporate Reputation

Ongoing review of the Governance and Sustainability System

Monitoring and updating the group's strategy and performance with respect to ESG objectives

Updating the Climate Action Plan and acknowledgement of the Biodiversity Plan

Monitoring of human rights management and the creation of value for Stakeholders

Monitoring of brand value and corporate reputation

Monitoring of cyber risks, updating of cybersecurity strategy and analysis of the Company's cyber-resilience

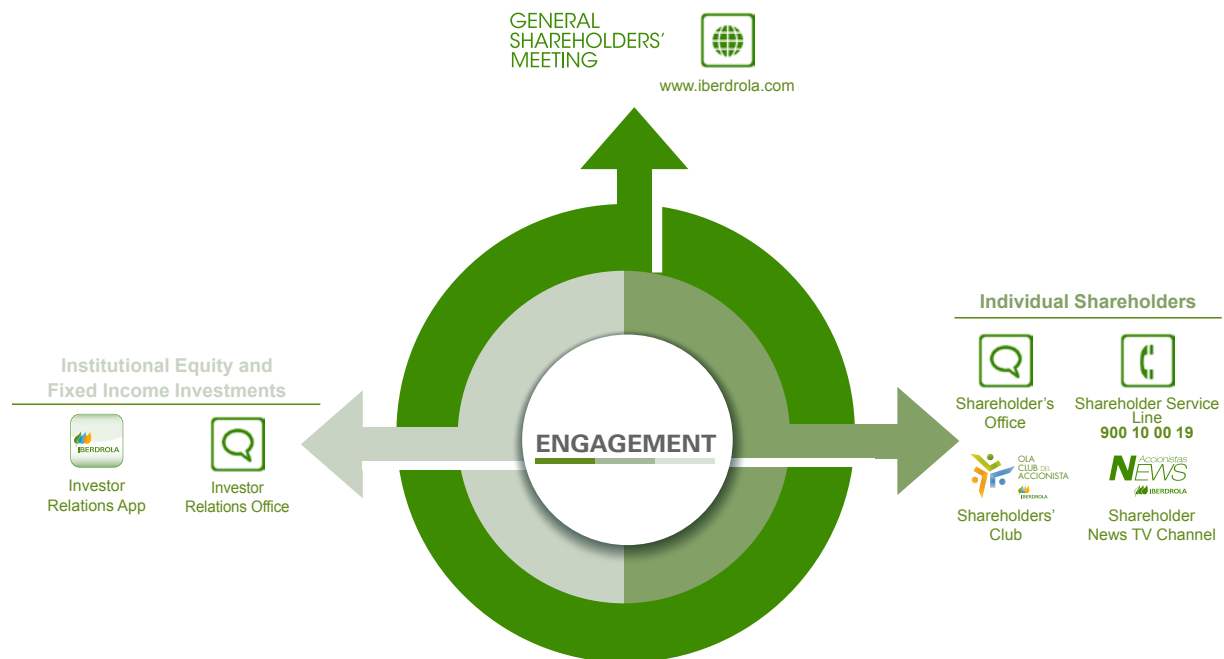
Management of human capital, with a focus on talent management and retention of the management team talent

Monitoring of ESG issues raised by investors and proxy advisors, including presence on sustainability indices



Commitment to shareholders and investors

- The Iberdrola group operates an industrial and financial model based on sustainable and balanced growth, focused on the businesses of smart grids, renewables, efficient storage and the development of new businesses arising from the energy transition, with a focus on achieving goals that combine financial, environmental and social results.
- The Shareholder Engagement Policy is intended to understand the opinions and concerns of the shareholders in the areas of corporate governance and sustainable development, encourage their sense of belonging, and align their interests with those of Iberdrola.
- The company encourages shareholders' participation throughout the year, especially at the General Shareholders' Meeting.



Ongoing and proactive contact with our shareholders

Remuneration policy

- The current Director Remuneration Policy was approved by the shareholders at the General Shareholders' Meeting on 18 June 2021.
- Director remuneration is aligned with strategic objectives, sustainability and shareholder return.
- Considers clauses on cancellation and reimbursement of variable remuneration (malus and claw-back).

Board of Directors remuneration model

Type of remuneration	External (non-executive) directors	Executive directors
Fixed	According to their duties	On market terms.
Short-term variable	Not applicable	Capped at 200% of fixed remuneration. Payable in cash. Financial and ESG
Long-term variable	Not applicable	Tied to multi-year financial targets and ESG metrics. Payable in shares (3-year accrual period and payment deferred over 3 years following accrual).



Main activities of the Board of Directors and its Committees

Key topics in 2022

Balanced growth	Monitoring of Outlook 2020-2025 and Strategic Plan 2023-2025.
	Authorisation for issue of the financial statements.
	Presentation of results.
	Supervision of performance and forecasts for the Group's Businesses and the strategic issues that affect them.
	Analysis of current events in the energy sector.
	Monitoring of Group projects linked to the electrification of energy uses and to green hydrogen.
	Monitoring of corporate transactions.
	Budgets for 2023.
Sustainable remuneration of shareholders	Shareholder remuneration in line with what is reported in Outlook 2020-2025.
	Implementation of the optional "Iberdrola Retribución Flexible" dividend system.
	Incentive for participation in the General Shareholders' Meeting (engagement dividend).
Sustainability	Supervision of activities with an impact on the social dividend.
	Statement of Non-Financial Information. Sustainability Report.
	Capital Markets & ESG Day.
	Integrated Report March 2022.
	Update of the Climate Action Plan ("Mission-Zero30" Plan).
	Biodiversity Plan 2030.
	Diversity and Inclusion Report 2021.
	Human Rights Report 2022.
Financial strength	Monitoring of risks and opportunities arising from climate change and emissions reduction targets.
	Improvement of financial ratios and continued strength
	Leadership in issues of green bonds
	Monitoring of key financial indicators.
Control of corporate risks	Monitoring of the energy crisis and analysis of the impact of regulatory measures.
	Approval of risk limits for 2022.
	Monitoring of the risk control and management systems.
	Supervision of personal data protection activities.
	Control of the Group's environmental and climate risks.
	Monitoring of litigation.
Corporate governance	Separation of the positions of executive chairman and chief executive officer.
	Approval of the new organisational chart.
	Holding of the General Shareholders' Meeting in hybrid format.
	Appointment and re-election of internal positions and members of committees.
	Remuneration of the Board of Directors and of senior management.
	Monitoring and approval of related-party transactions.
	Ongoing update of Governance and Sustainability System.

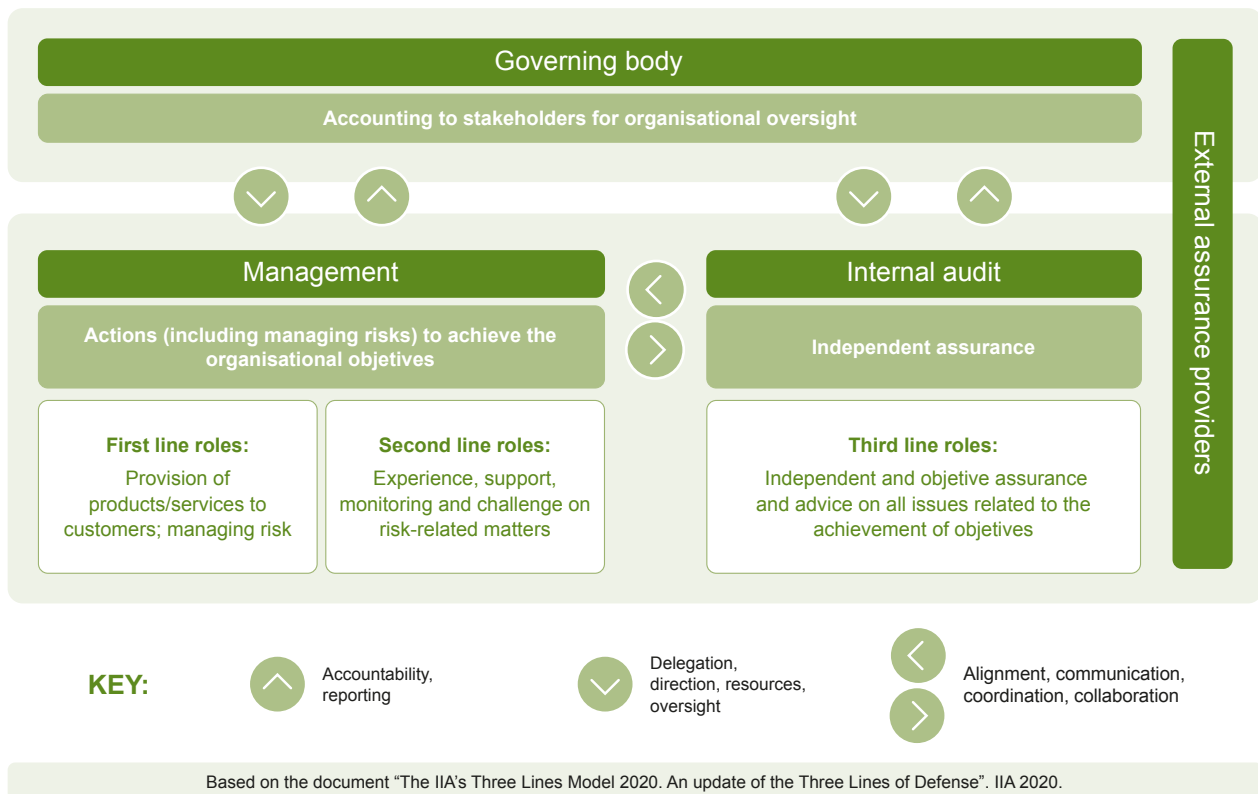


5.3. The Three Lines Model

A principles-based model

The internal control system of Iberdrola and the companies of its group is configured by reference to international best practices. The *Three Lines Model*, published on 20 June 2020 by the Institute of Internal Auditors, updates the previous *Three Lines of Defence Model*, and is based on an assurance system combined around three lines, providing a comprehensive view of how the different parts of the organisation interact in an effective and coordinated manner, increasing the efficiency of the processes for management and internal control of the entity's significant risks.

The Three Lines model



Iberdrola adopts the Three Lines Model to safeguard its internal control system.



Principle 1: Governance

Iberdrola's governance has structures and processes that enable:

- **Accountability** by the Board of Directors to the stakeholders for organisational oversight through integrity, leadership and transparency.
- **Actions** (including risk management) by management to achieve the objectives of the strategic plan through risk-based decision-making and application of resources.
- **Assurance and advice** by an internal audit function to provide clarity and confidence and to promote and facilitate continuous improvement through rigorous research and insightful communication.

Principle 2: Duties of the governance body

Iberdrola's Board of Directors:

- Ensures that appropriate structures and processes are in place for effective governance.
- Ensures that organisational objectives and activities are aligned with the prioritised interests of the stakeholders.
- Delegates responsibility and provides resources to management to achieve the objectives of the organisation while ensuring legal, regulatory and ethical expectations are met.
- Establishes and oversees an independent, objective and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives.

Principle 3: Management and the first and second line roles

Management's responsibility to achieve organisational objectives comprises both first and second line roles. The management team and the professionals of Iberdrola and its group are the direct managers of the entity's risks.

Thus, the company's Management is responsible for maintaining effective control and for implementing procedures to control risks on a continuous basis, based on the Internal Control objectives of the COSO model (operational, reporting and compliance – Committee of Sponsoring Organizations, May 2013).

The main assurance functions at Iberdrola, within their respective areas of responsibility, are as follows: (i) the group's Risk Division, within the framework of its duties within the Comprehensive Risk Control and Management System; (ii) the Internal Assurance Division, belonging (like the Risk Division) to the Risk Management and Internal Assurance area, in its responsibilities relating to the internal risk management and control systems in relation to the preparation of financial information (Internal Control over Financial Reporting System, or ICFRS) and non-financial information (Internal Control over Non-Financial Reporting System, or ICNFRS) and the SAP environment; (iii) the Compliance Unit, which is responsible for proactively ensuring the effective operation of the Compliance System (notwithstanding which, in the financial and non-financial information processes it is considered to have a third line role as it provides independent assurance regarding the risk of non-compliance with the legal framework); and (iv) the Cybersecurity Division within the Corporate Security Division, through the supervision, monitoring and reporting of cybersecurity risks.

Principle 4: Third line roles

The Internal Audit area proactively ensures the proper operation of the internal control, risk management and governance systems, systematically auditing the roles of the first and second lines in the performance of their respective duties of management and control.

To ensure its independence, the director of the Internal Audit Area reports hierarchically to the chairman of the Board of Directors and functionally to Iberdrola's Audit and Risk Supervision Committee (ARSC). The Audit and Compliance Committees (ACC) and Internal Audit divisions of the various country subholding companies have this same positioning, and are coordinated under the framework of the Basic Internal Audit Regulations. These regulations, approved by the Board of Directors, form part of the Governance and Sustainability System and establish the rules, duties, competencies and powers of Internal Audit, as well as its framework of relations within the group.

The 2022 annual activities plans of Iberdrola's Internal Audit Area and of the Internal Audit divisions of the group, with a risk-based focus, responded to the requirements established by the ARSC and the respective ACCs of the country subholding companies, and included:

- Half-yearly reviews of the operation of the most critical ICFRS controls, as well as reviews of the various cycles of financial information preparation, within the framework of the revision of the entire ICFRS over a 5-year period.
- Review of non-financial reporting cycles, within the framework of reviewing the ICNFRS.
- Audits of key corporate and business process and risks, based on the Risk Policies approved by the Board of Directors on an annual basis.
- Audits of the compliance programmes.

Principle 5: Third line independence

Internal audit's independence from the responsibilities of management is critical to its objectivity, authority and credibility. At Iberdrola this is established by: accountability to the Board of Directors; unfettered access to people, resources and data needed to complete its work; and freedom from bias or interference in the provision of audit services.

Principle 6: Creating and protecting value

At Iberdrola, all of the roles are aligned with each other and with the interests of the stakeholders, contributing to the creation and protection of value.

External assurance providers

Regulators establish requirements to strengthen the organisations' controls and perform an independent oversight role. The powers of the ARSC and the ACCs include striving to preserve the independence of the statutory auditors, who provide assurance of the true picture provided by Iberdrola's financial information.



5.4. Risks

Risk management within the Iberdrola group is based on foresight, independence, commitment to the group's business objectives and the engagement of senior management and the Board.

Commitment of the Board of Directors and of senior management

Iberdrola's Board of Directors and senior management are firmly committed to and engaged in the management of the group's risks:

- **Ex-ante:** annual review and approval of the risk level accepted at the group level and at each of the main businesses and corporate functions in accordance with the budget and the Strategic Plan of the Group.
- **Ex-post:** regular monitoring of significant risks (key risk maps) and threats and the various exposures of the group, as well as of compliance with approved risk policies, limits and indicators.



By way of supplement, the group has a Compliance System, linked to the Board's Sustainable Development Committee, with elements that include the Code of Ethics and the Compliance Unit.

Comprehensive Risk Control and Management System

The group's General Risk Control and Management Policy approved by the Board of Directors establishes the mechanisms and basic principles for appropriate management of the risk/opportunity ratio, at a risk level that makes it possible to:

- Attain strategic goals with controlled volatility.
- Ensure the group's stability, financial strength and reputation (Stakeholders).
- Contribute to meeting the SDGs, with a special focus on goals seven and thirteen.
- Disseminate a risk culture.

The General Risk Control and Management Policy and related policies are implemented, in accordance with the three lines model, within a comprehensive risk control and management system supported by a Risk Committee, which is based on properly defining and assigning functions and responsibilities at the operational and supervisory level and using suitable procedures, methodologies and support tools.

Functions of the Risk Committee

Active management

Credit risk

Analysis and approval of counterparties and limits, establishment of approval criteria, and monitoring of exposures.

Market risk

Analysis and approval of detailed limits and monitoring of exposures in order to delimit the effects of volatility in the markets.

Coordination of second lines / Enterprise Risk Management (ERM)

To ensure, under the internationally recognised three lines model, that there are mechanisms for all significant risks of the group to be controlled at all times and that they are regularly reported to the various committees and externally. Instruments and reports:

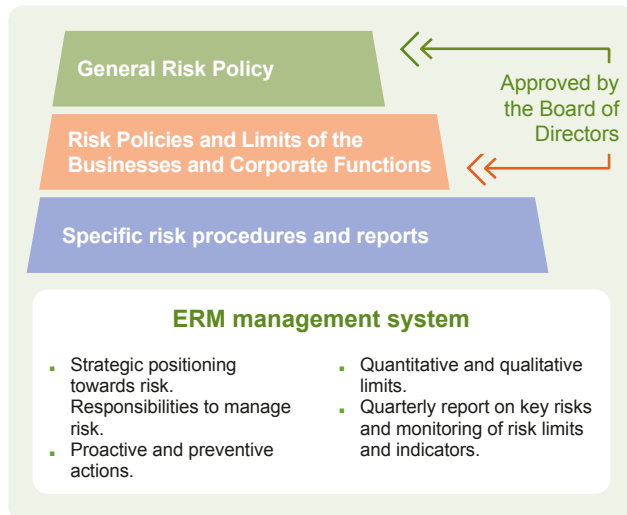
- Risk policies and risk limits and indicators.
- Quarterly report on key risks.
- Continuous monitoring and detection of emerging risks and other non-financial risks, including environmental, societal and governance (ESG) risks with significant reputational implications for the company's reputation.

Overall supervision of operational risk through the group's corporate Insurance, Cybersecurity, Information Technology and Occupational Safety and Health units and the businesses.



Risk policies and limits of the Iberdrola group

The General Risk Control and Management Policy is further developed and supplemented by the following specific policies established in relation to certain risks, corporate functions or businesses of the group, which are also annually approved by the Board of Directors at the head of the group, and which include limits and indicators that are subsequently monitored:



Specific risk policies of the businesses::

- Risk Policy for the Networks Businesses of the Iberdrola Group.
- Risk Policy for the Electricity Production and Customers Businesses of the Iberdrola Group.
- Risk Policy for the Real Estate Business.

Corporate risk policies:

- Corporate Credit Risk Policy.
- Corporate Market Risk Policy.
- Operational Risk in Market Transactions Policy.
- Insurance Policy.
- Investment Policy.
- Financing and Financial Risk Policy.
- Treasury Share Policy.
- Risk Policy for Equity Interests in Listed Companies.
- Purchasing Policy.
- Information Technology Policy.
- Cybersecurity Risk Policy.
- Reputational Risk Framework Policy.
- Occupational Safety and Health Policy.

The country subholding companies adopt the risk policies of the group's parent and specify the application thereof, approving the guidelines on specific risk limits, based on the nature and particularities of the businesses in the various countries and territories. The listed country subholding companies, and companies with significant interests held by other shareholders, approve their own policies under their own special framework of strengthened autonomy.

Principal risk factors of the Iberdrola group

The group is exposed to various risks inherent in the different countries, industries and markets in which it operates, and which may prevent it from achieving its objectives and implementing its strategies. These risks are grouped into:








- **Corporate governance risk:** risk of breach of applicable legislation, the Governance and Sustainability System, recommendations of the CNMV Code of Good Governance or international standards.
- **Market risks:** exposure to volatility in variables like prices of electricity and other energy commodities, emission allowances, exchange rates, interest rates, inflation, commodities, etc.
- **Credit risks:** possibility of contractual breach by a counterparty, causing economic or financial losses, including liquidation and replacement cost risks.
- **Business risks:** arising from uncertainty as to the behaviour of variables intrinsic to the business, such as characteristics of demand, natural resources (wind, solar, and especially hydraulic resources), etc.
- **Regulatory and political risks:** coming from regulatory changes made by the regulators that can affect remuneration of the regulated businesses, environmental or tax provisions, etc.
- **Operational technological, environmental, social and legal risks:** including risks like technical failures, human error, pandemics, meteorological events and climate change, technological obsolescence, cybersecurity, fraud and corruption, litigation, construction, health and safety, etc.
- **Reputational risks:** potential negative impacts on the company's reputation arising from situations or events that fail to meet the expectations of its Stakeholders.

Given the multidimensional nature of the risks, the taxonomy defined in the system contemplates additional classification variables for better monitoring, control and reporting of such risks. These include the classification of risks into Structural Risks, Hot Topics and Emerging Risks, the latter being understood as new threats, the impact of which is as yet uncertain and the probability of which is undefined, but which are growing and potentially significant for the group.



Risk factors and mitigation measures

Price and demand risks

Changes in the price of electricity	The main variable affecting the results of generation activities as regards market prices is the price of electricity, which is closely correlated to the price of fuel and applicable emission rights, required to produce such electricity.		
	The group's generation assets sell their energy through various mechanisms, depending on the regulations and electricity market in each country. New investments favour sales at regulated rates and the signing of fixed-price PPAs. The remaining market exposure is transferred to the retail business in the countries where it is present for integrated management.		
	Offsetting at-risk positions between generation and retail activities allows for a large reduction in the group's market risk; the remaining risk is mitigated via diversification of purchase/sale agreements and derivatives.		
		Spain: Generation and Customers risk integrated	
		United Kingdom: Generation and Customers (power from wind farms with ROCs) risk integrated	
<i>Potential impact of a 5% change in the price of electricity and/or of energy commodities and CO₂</i>		Mexico: The PPAs with the CFE do not have a market risk	
		Brazil: Generation and Customers risk integrated	
		United States: For wind farms exposed to the market	
		International: For wind farms exposed to the market	
Change in demand	Generation and Customers: moderate short-term impact, given the nature of the group's generation facilities and the structure of the long-term power purchase agreements.		 <i>Potential impact of 1% reduction in Spain and the United Kingdom.</i>
	Networks: no impact, except for the Brazilian subsidiaries in between tariff periods.		

Resource risks

Change in hydroelectric resources - Spain	In the medium-to-long term, humid years are offset by dry years. The storage capacity of multi-year reservoirs and the group's portfolio of power plants mitigate the level of volatility during the year.	<i>Lower hydroelectric production - Spain</i>	● Production and Customers Business
Change in wind resources - group	Mitigated thanks to the high number of facilities in operation and the geographic dispersion thereof. In the medium-to-long term, years with more wind are offset by years with less wind.	<i>Lower wind output - group</i>	● Production and Customers Business

Financial risks

Change in interest rates	The Iberdrola group maintains a fixed-rate and variable-rate debt structure, based on the structure of its revenues and the sensitivity thereof to changes in interest rates.	<i>Potential impact on financial cost of +50 bps increase</i>	● Group financial cost
Change in exchange rates	This risk is mitigated by taking on debt and realising all its financial flows in the functional currency corresponding to each company, whenever possible and economically efficient, and managing its open positions with derivatives. The risk associated with the translation of results from subsidiaries is closed out annually.	<i>Potential impact on financial cost of +10% change in currency</i>	● Group financial cost

Other risks

Credit risk	<ul style="list-style-type: none"> • Main sources: amounts outstanding (customers, suppliers, banks, partners, etc.) and cost of replacement. • Retail: cost of late payments/defaults has been kept to levels near 1% of total invoicing. • Networks: In Spain and in the United Kingdom there is no retail sale of energy, in the United States and Brazil late payments are generally recovered through the tariffs. 		
Operational risk	These risks are mitigated by making the necessary investments, applying operation and maintenance procedures and programmes (supported by quality systems), planning appropriate training and skills development for staff, and finally by obtaining appropriate casualty and civil liability insurance.		
Regulatory and political risk	The group's companies are subject to laws and regulations on tariffs and other regulatory aspects of its activities in the countries in which they do business. The introduction of new laws/regulations or amendments to existing ones could adversely affect operations, annual results and the financial value of the businesses of the group.		
Climate change risk	Includes the risks of transition (regulatory or market associated with emissions reduction goals) and physical risks (deriving from potential impacts of an increase in extreme climate phenomena, increase in temperatures, increase in sea level, changes in rain patterns, etc.). Iberdrola believes that it is well positioned with respect to this risk, given the nature of its current businesses, its main goals for growth, and its ability to adapt.		

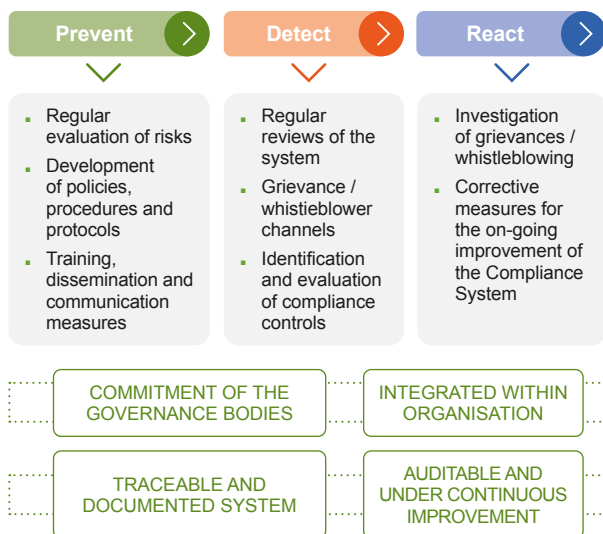
Impacto anual: ● < 15 M€ ● 15 - 50 M€ ● > 50 M€



5.5. Ethics and integrity

Compliance System

Iberdrola's Compliance System is intended to ensure that the company conducts itself in accordance with ethical principles and applicable law and to prevent improper conduct or conduct that is contrary to ethics, the law or the Corporate Governance and Sustainability System that might be committed by professionals in carrying out its business activities.



The Code of Ethics, which forms part of Iberdrola's Governance and Sustainability System and which is intended to provide guidance for the conduct of the directors, professionals and suppliers of the Group's companies, was approved by the Board of Directors of Iberdrola, S.A. in 2002 and is regularly updated

Compliance Unit

To proactively ensure the effective operation of the Compliance System, the Board of Directors of Iberdrola, S.A. created the Compliance Unit, a collective permanent and internal body linked to its Sustainable Development Committee, which has full powers, budgetary independence and independent conduct.

In addition, each country *subholding* and head of business company has a compliance division, linked to a consultative committee of its board, if it has one, or to its board of directors if it does not have one. These compliance divisions, which act in coordination with the Compliance Unit, ensure the effective operation of the Compliance System of their respective companies.

Powers of the Compliance Unit

The Compliance Unit has powers related to the Code of Ethics with respect to the prevention of crime, corruption and fraud, the securities market, the separation of activities, and all other powers that may be entrusted thereto by the Sustainable Development Committee or the Board of Directors of Iberdrola, S.A. or that are assigned thereto by the Governance and Sustainability System.

Main areas of the Compliance System

The main activities and areas of activity within the framework of the Compliance System are: (i) the regular and ongoing identification and assessment of compliance risks in each of the corporate functions and businesses, (ii) the development and implementation of specific rules and controls to minimise the commission of crimes, and specifically fraud and corruption; (iii) the implementation and improvement of the Crime Prevention Programmes, which are developed within the scope of the provisions of the Spanish Criminal Code, (iv) activities to ensure compliance with the rules on market abuse and separation of activities; (v) training and communication activities aimed at all professionals, (vi) continuous monitoring of the system through appearances before the respective governance bodies, audits, and regular reviews by Internal Audit and by independent third parties; and (vii) management of the ethics mailboxes.

Principal recognitions

Iberdrola has Compliance Leader Verification certification, first obtained in 2018 and renewed in 2021, awarded by Ethisphere Institute to companies that show they have an ethical culture implemented within all of its businesses and activities as well as a robust and effective compliance system. In 2022, Iberdrola renewed the certifications provided by AENOR in 2017: UNE-ISO 37001 on anti-bribery management systems and UNE 19601 on penal compliance management systems.

Iberdrola has been chosen for the ninth consecutive year as one of the most ethical companies in the world, according to the World's Most Ethical Companies 2022 ranking prepared by the Ethisphere Institute, thus recognising the ethical leadership and conduct of the organisation.

Iberdrola, S.A. has been found by Transparency International to be as the most transparent company on the Ibex 35 according to the "Corporate Integrity, Compliance and Human Rights Transparency Index".

This index analyses the public information of Ibex 35 companies according to the parameters of human rights, regulatory compliance, anti-corruption programmes, organisational transparency and information by country.





5.6. Fiscal responsibility

Iberdrola has a Corporate Tax Policy that sets out the group's tax strategy, based on ensuring compliance with applicable tax regulations, excellence and commitment to applying good tax practices, within the framework of the group's corporate and governance structure. The Corporate Tax Policy applies to all companies of the Group over which Iberdrola has effective control, within the legal limits, without prejudice to the autonomy of the listed country subholding companies.

The fiscally responsible conduct of all companies within the Iberdrola group is part of the General Sustainable Development Policy, inspired by the *Purpose and Values of the Iberdrola group*, based on a commitment to ethical principles, good corporate governance, transparency and institutional loyalty.

The Board of Directors is also responsible for preparing the tax strategy and approving investments or transactions that area particularly important for tax purposes due to the size or nature thereof.

The application of the Corporate Tax Policy is integrated within the Group as follows:

Fiscally responsible behaviour

Iberdrola has had a Corporate Tax Policy since 2010, with the last update in December 2022, which is available on its website. **The Board of Directors** is in charge of formally adopting the Policy and its updates.

To guarantee a responsible tax approach, Iberdrola strives to ensure that taxation is appropriately related to the structure and location of its activities and fosters a **relationship with the tax authorities based on respect for the law**, loyalty, trust, professionalism, cooperation, reciprocity, and good faith.

Tax governance and risk management

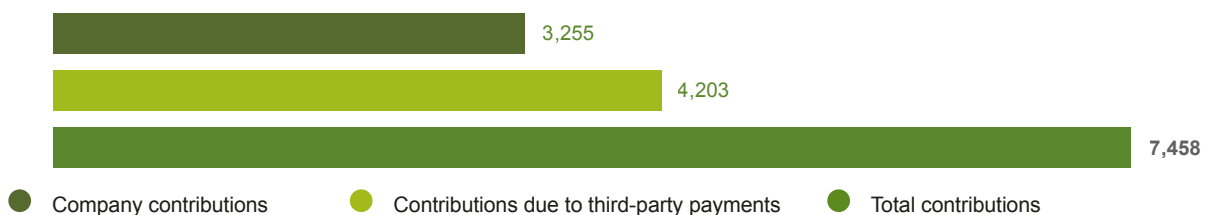
Responsibility	The Board of Directors of Iberdrola, S.A. , through its chairman, its chief executive officer and the management team, fosters the monitoring of tax principles and good tax practices. Likewise, the respective boards of directors of the country subholding companies are responsible for ensuring compliance with the <u>Corporate Tax Policy</u> at the country level.
Control and monitoring	To achieve efficient control and correct compliance with tax governance requirements, the applicable tax laws and the principles of the Corporate Tax Policy are monitored at all levels. The Company's Global Tax Division approves and periodically reviews guidelines for the evaluation and management of tax risk applicable to all companies of the group. Furthermore, the head of business companies report to the country subholding companies regarding the level of compliance with the <u>Corporate Tax Policy</u> , and in turn, the Audit and Compliance Committees of the country subholding companies report to the Audit and Risk Supervision Committee of Iberdrola S.A. Finally, the Audit and Risk Supervision Committee of Iberdrola, S.A. reports its findings to the Board of Directors.
Risk management and compliance	Iberdrola proactively seeks to prevent and reduce significant tax risks . To this end, it has a robust tax risk prevention model in line with best tax governance practices, which is duly monitored and updated. It also has a tax compliance management system certified in accordance with the UNE 19602 Standard. The company does not include within its controlled affiliates and assets any that are resident in tax havens, pursuant to the laws in this regard (Royal Decree 1080/1991) or in territories classified by the European Union in its blacklist as non-cooperative jurisdictions for tax purposes.

Stakeholder engagement in tax matters

Among other measures, since 2019, Iberdrola has voluntarily prepared the **"Report on Tax Transparency of the Iberdrola group. Our commitment to society"**, which sets out all significant issues from a tax standpoint.

Furthermore, Iberdrola makes specific ethics mailboxes available to its stakeholders, which constitute tools to report conduct that could entail an irregularity or conduct contrary to the law or the internal rules or procedures.

Fiscal contribution of Iberdrola in 2022 (€M)



6. Finance

6.1. Economic and financial performance

6.2. EU Taxonomy


6.3. Sustainable finance





For Iberdrola, ESG issues are integrated into its strategy and operations and are therefore directly linked to its financial performance. This approach, which the company calls ESG+F, is reflected in its activities and business model. Thanks to this consistency between growth and financing strategy, the company has direct access to the capital market and is a recognised leader as an issuer of green and sustainable financial instruments.

This commitment is reflected in the inclusion within the group's ESG objectives of two objectives relating to the financing strategy that will enable the company to continue leading the green bond and sustainable financing market.

GOALS	METRIC	2022	2025	2030	Related SDGs
SUSTAINABLE FINANCE					
 Green financing frameworks	Annual review and update (if applicable)	√	√	√	5 6 7 13 16
ESG financing	% of ESG financing	82 %	Minimum 80 %	-	5 6 7 13 16





6.1. Economic and financial performance

Iberdrola continues to develop a resilient business model, consistent with the strategic vision of contributing to the creation of a more self-sufficient, sustainable and competitive energy system, facing the current macroeconomic context with a conservative financial policy.

The company achieved net profit of € 4,339 million in 2022, driven by good international results and a 13% increase in investments to € 10,730 million compared to the previous year, 44% in networks and 46% in renewable generation.

The gross margin of the businesses has improved by 18% compared to 2021, driven by operational efficiency that allows designing projects that optimise costs throughout the life of the assets, improving the management of O&M by creating operations centres for the various technologies, and standardising and digitalising processes.

EBITDA amounted to € 13,228 million, 10.2% higher than in 2021, with growth in all geographical locations other than Spain, due to the impact of tax and regulatory measures, as well as lower hydroelectric output in 2022. Operating Cash Flow reached €11,123 million, an increase of 25% compared to 2021.

Geographic diversification has enabled the company to drive growth and benefit from positive currency movements, especially in the case of the US dollar, with a total positive impact on EBITDA of €736 million on EBITDA and on net profit of €87 million. Despite high interest rates, thanks to its fixed debt policy the impact on the company is limited and is expected to remain so, with 74% of debt at fixed rates. This debt is also structured in proportion to the percentage of fixed EBITDA by region.

In addition, the focus on network assets and long-term contracts protects the company from negative changes in demand and inflation.

Thanks to the company's financial discipline, Iberdrola has access to a broad range of financing sources, leading the way in green and sustainable financing. 90% of the company's investment plan is aligned with the EU taxonomy, allowing it to continue to be a world leader in green bonds (over €17,000 million outstanding) and total sustainable financing of over €46,000 million.

The company maintains a robust liquidity position, which allows it to avoid possible market restrictions and volatility, with currently more than €23,000 million of liquidity, covering 26 months of financial needs without having to tap the market.

This economic and financial structure has allowed the company to maintain solid financial ratios that keep credit ratings at BBB+/Baa1 with a stable outlook.

The company's performance over the past decade shows the compatibility of continuing to generate positive impacts on the environment with the creation of shareholder value. On this point, Iberdrola will increase shareholder remuneration in line with expected results, up to a dividend of €0.49/share for financial year 2022 and payable in 2023, subject to the approval of the shareholders at the General Shareholders' Meeting and maintaining optionality with the "Dividendo Retribución Flexible" flexible remuneration programme.



6.2. EU Taxonomy

This section complies with the reporting obligations established by Article 8 of *EU Regulation 852/2020* on the establishment of a framework to facilitate sustainable investments, supplemented by *Delegated Regulation 2139/2021*, which determines eligible activities with respect to climate change mitigation and adaptation objectives, and in accordance with *Delegated Regulation 2178/2021*, which develops the reporting methodology.

Under this regulatory framework, companies are required to report their eligibility and alignment through three economic indicators; as a percentage of turnover, investment and operating expenditure.

In 2022 the reporting obligations led to the publication of the eligibility percentage (which had already been reported at year-end 2021), and, for the first time, of the percentage alignment for the three economic indicators and for all the activities carried out by the company.

Assessment of eligibility, compliance with substantial contribution criteria, no significant harm, and existence of social safeguards

The first step is to determine which activities among those performed by the Iberdrola Group are eligible for purposes of the regulation, taking into account that eligible activities are those that could potentially contribute to the environmental goals of the European Union (described in Commission Delegated Regulation (EU) 2021/2139).

Analysing the activities carried out by the Iberdrola group, and based on the descriptions included in Annexes I and II of the Delegated Regulation, the list of the Iberdrola group's eligible activities is as follows:

3.1 Manufacture of hydrogen, 4.1 Electricity generation using photovoltaic solar technology, 4.3 Electricity generation from wind power, 4.5 Electricity generation from hydropower, 4.9 Transmission and distribution of electricity, 4.10 Storage of electricity, 7.3, 7.4, 7.5, and 7.6 Energy Efficiency, Installation, maintenance and repair of: charging stations for electric vehicles in buildings, instruments and devices for measuring, regulation and controlling energy performance of buildings, and renewable energy technologies.⁽¹⁾

The second step is to analyse how each activity does or does not meet the substantial contribution requirements.

The third step is to assess how each activity does or does not meet the criteria of no harm to other environmental goals.

The fourth and final step is to assess the existence of sufficient social safeguards in the context of performing the activities. For this purpose, following an approach similar to the no harm assessment and the group's existing human rights due diligence mechanisms, the existence of social safeguards has been satisfactorily documented.

The results of this analysis are shown in the following table:

In 2022 the reporting obligations led to the publication of the eligibility percentage (which had already been reported at year-end 2021), and, for the first time, of the percentage alignment for the three economic indicators and for all the activities carried out by the company

Economic activities	Proportion of turnover (%)	Proportion of CapEx (%)	Proportion of OpEx (%)
ELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY			
A.1. Environmentally sustainable activities (that comply with the taxonomy)	36.5	86.5	52.2
A.2. Eligible but not environmentally sustainable activities according to the taxonomy (activities that do not comply with the taxonomy)	19.8	3.2	40.9
Total (A.1 + A.2)	56.3	89.7	93.2
B. Non-eligible activities according to the taxonomy			
Non-eligible activities according to the taxonomy (B)	43.7	10.3	6.8
Total (A+B)	100	100	100

For more details regarding the standards applied, see the European Taxonomy of **Environmentally Sustainable Activities** chapter of the [Statement of Non-Financial Information 2022](#).

(1) This heading includes the following products sold:

Smart Home: control of the energy consumption of each household appliance, changes in consumption and advice on how to save on bills.

Smart Mobility: solution for charging electric vehicles with 100% renewable energy. Installation of a charging point, electric contract with zero CO₂ emissions and control from mobile phone with the Smart Mobility Home App.

Smart Solar: complete solar solution, with installation and maintenance of solar panels so that customers can generate their own electricity.



6.3. Sustainable finance

In keeping with its sustainable business model, Iberdrola is positioned as one of the world's leading and pioneering business groups in ESG financing. This has the threefold objective of (i) aligning its financial strategy with its purpose, values and investment strategy, (ii) optimising the cost of its debt, and (iii) diversifying its sources of financing, transforming sustainability into both an end and a means to the financial strength it pursues and which characterises it.

Iberdrola demonstrates this commitment to ESG financing in the various regions in which it operates and through the different instruments and formats it uses to finance itself.

By way of summary, at year-end 2022, the composition of the group's ESG financial operations portfolio was as follows:

GROUP ESG Financing 2022 (€ millions)		
	New financing 2022	Portfolio at year-end 2022
Green	6,017	26,956
Bonds	3,237	17,668
Bank loans	-	376
Multilateral loans	991	2,857
Loans with development banks and ECAs	1,535	2,666
Structured financing	254	3,389
Sustainable	3,495	21,517
Credit facilities	2,500	15,272
Loans	995	1,245
Commercial paper programmes	-	5,000
ESG total	9,512	48,473

Green finance transactions

The group has signed new green finance transactions in 2022 in the total amount of €6,017 million. This brings the total amount of green finance at the end of 2022 to €26,956⁽¹⁾ million.

The differentiating feature of this financing is the commitment to use the funds obtained for projects with a positive impact on the environment, including renewable energy, expansion and digitalisation of electricity transmission and distribution grids, researching new, more efficient technologies, and the smart mobility projects in which Iberdrola invests. The company also commits to provide annual reports, through various indicators, on the environmental return generated by these projects, so that investors can be aware of their level of contribution to the environmental improvement achieved.

The funds secured through all of these operations have gone towards financing or refinancing investments in projects that meet certain environmental and sustainable development criteria, as described in the relevant Green Financing Frameworks⁽²⁾ of Iberdrola, AVANGRID and Neoenergia. These Frameworks are aligned with the Green Bond Principles ("GBPs") established by the International Capital Markets Association (ICMA) and have the Second Party Opinion of a renowned international expert regarding their alignment with the GBPs in all cases.

(1) Including 100% of green financing with partners, in the amount of €2,416 million.

(2) [Iberdrola Framework for Green Financing](#), [AVANGRID Framework for Green Financing](#) and [Green Finance Framework do Grupo Neoenergia](#).

7. About this Report

7.1. About this report

7.2. Glossary of terms and abbreviations





7.1. About this report

Integrated Report

- This report has been prepared in accordance with, among other guidelines, the reporting framework published by the International Integrated Reporting Council (IIRC), a member of the Value Reporting Foundation (VRF), and in accordance with the recommendations thereof, taking into consideration the separate and consolidated annual financial statements formulated by the Board of Directors, audited and pending approval by the shareholders at the General Shareholders' Meeting of Iberdrola.
- To prepare the report, a multi-disciplinary team made up of corporate businesses and areas was created in order to provide a complete view of the group of companies making up the Iberdrola group, their business model, the challenges and risks they faces, and their social, environmental, financial and governance performance. The participating organisations guarantee the integrity of the information included.
- The main operating and financial figures were also approved by the meeting of the Company's Board of Directors held on 21 February 2023, after a favourable report from the Sustainable Development Committee.

Material aspects

- Iberdrola has channels of communication and dialogue with its Stakeholders, developed in accordance with the principles of the *AA1000 Assurance Standard*, as described in detail in the *Stakeholder Engagement Policy* and in the *Statement of Non-Financial Information - Sustainability Report 2022*.
- The Company performs materiality analyses that help identify matters of significance to its Stakeholders, bringing to light particularly sensitive financial, environmental, social and corporate governance issues related to the business in the various communities and geographic areas in which the companies of the Iberdrola group operate.
- The contents of this report have been selected by taking into account the existing channels for dialogue as well as the materiality analyses and the framework defined by the IIRC for this kind of information.

Information boundaries

- The information submitted covers Iberdrola and its subsidiaries and affiliates. The information boundaries are defined in the consolidated financial statements and in the *Statement of Non-Financial Information - Sustainability Report 2022*.

Group performance

- The group's performance in recent years has been influenced by external corporate transactions, which the reader should take into account in order to properly interpret this report. These transactions and activities are described in the Iberdrola group's public information, the following being particularly noteworthy:
 - In the United States, the integration of UIL Holdings Corporation and the initial public offering of the country subholding company in this country, AVANGRID, Inc. (December 2015), together with the merger agreement for the acquisition of 100% of the share capital of PNM Resources, Inc. by AVANGRID, Inc. This latter agreement, signed in October 2020, is subject to acquisition of the required approvals and authorisations.
 - In Brazil, the inclusion of all the businesses that the group had through Elektro Holding S.A. within Neoenergia S.A., which thus became the Iberdrola group's country sub-holding company in Brazil (August 2017), the initial public offering of Neoenergia S.A. (July 2019) and the award at public auction of 100% of the share capital of the Brazilian company CEB Distribuição S.A. to a wholly-owned subsidiary of Neoenergia S.A. (December 2020).
 - In Australia, the acquisition of 98% of the share capital of Infigen Energy Limited and Infigen Energy RE Limited by Iberdrola Renewables Australia Pty Ltd (October 2020).
- The following transactions, among others, were completed during 2022:
 - The extension of the aforementioned merger agreement with PNM Resources Inc. until 23 April 2023.
 - The takeover of the offshore wind portfolio that AVANGRID Inc. shared with Copenhagen Infrastructure Partners (CIP) to assume management of the assets and the operation and maintenance of Vineyard Wind 1, the first commercial-scale offshore project in the United States.
 - The signing of an agreement with Triconti ECC Renewables Corporation, in order to access five offshore wind projects with a combined capacity of up to 3.5 GW in the Philippines.
 - The sale of 49% of the Wikingen offshore wind farm for €700 million.
 - The signing by Iberdrola Renovables Energía, S.A. and its subsidiary Ibernova Promociones, S.A. of a framework agreement to co-invest in renewable assets in Spain. The agreement includes the acquisition by NBIM Iberian Reinfrá AS (NBIM Iberian), a member of the group headed by Norges Bank, of a 49% share in the capital of several Iberdrola Group companies that own onshore wind and photovoltaic solar projects in Spain.



Exclusion of liability

- The purpose of the Integrated Report 2023 (the document) is to provide a detailed explanation of the group's activities during financial year 2022 and its future outlook, at all times linking the operating and financial parameters to Iberdrola's contribution to sustainability. As a result, it cannot be disclosed or made public or used by any other individual or legal entity for a purpose other than as stated above except with the express written consent of Iberdrola, S.A.
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- In addition to the financial information prepared in accordance with the IFRS, this Report includes certain Alternative Performance Measures ("APMs") for purposes of the provisions of Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 and as defined in the Guidelines on Alternative Performance Measures published by the European Securities and Markets Authority on 5 October 2015 (ESMA/2015/1415en). The APMs are financial performance measures prepared on the basis of financial information regarding Iberdrola, S.A. and the companies of its group but are not defined or described in the applicable financial reporting framework. These APMs are used for to contribute to a better understanding of the financial performance of Iberdrola, S.A., but they should only be considered as additional information and in no case do they replace the financial information prepared in accordance with the IFRS. Additionally, the way in which Iberdrola, S.A. defines and calculates these APMs may differ from that of other entities using similar measures, meaning that they may not be comparable. Finally, it should be taken into account that some of the APMs used in this Report have not been audited. For more information on these issues, including the definition thereof and a reconciliation between the relevant management indicators and the consolidated financial information prepared in accordance with the IFRS, see the relevant information included in the Report and the information available on the corporate website (www.iberdrola.com).
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Forward-looking statements

- This communication contains forward-looking information and statements about Iberdrola, S.A. Such statements include 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 performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words "expects", "anticipates", "believes", "intends", "estimates" and similar expressions.
- Although Iberdrola, S.A. believes that the expectations reflected in such information or statements are reasonable, investors and holders of Iberdrola S.A.'s shares are cautioned that forward-looking information and statements are subject various to risks and uncertainties, many of which are difficult to predict and generally beyond the control

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- Forward-looking information and statements speak only as of the date on which they were made, are not guarantees of future performance, and have not been reviewed by the auditors of Iberdrola, S.A. You are cautioned not to place undue reliance on the forward-looking information or statements. All the forward-looking statements made by Iberdrola, S.A. or any of its directors, officers, employees or representatives are expressly qualified by the foregoing cautionary statements. The forward-looking statements included in this document are based on information available on the date of approval of this communication. Except as required by applicable law, Iberdrola S.A. undertakes no obligation to publicly update any statements or revise forward-looking information, whether as a result of new information, future events or otherwise.
- Iberdrola, S.A. undertakes to use its best endeavours to meet its goal of achieving carbon neutrality for its Scopes 1 and 2 by 2030. It will align its strategy, investments, activities and public positioning accordingly. Additionally, Iberdrola, S.A. also commits to face the energy transition by ensuring the creation of value for its shareholders, employees, customers, suppliers and the communities in which it does business. Iberdrola, S.A. therefore reserves the ability to adjust its planning to perform successfully in significant material respects such as the value of Iberdrola, S.A., supply quality, and socio-labour conditions and a fair transition. These commitments are aspirational in nature.

NOTICE: This document is a translation of the Spanish-language document named "Informe Integrado Febrero 2023", and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document that this translation is intended to, the Spanish-language version prevails.

Integrated Report, February 2023

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7.2. Glossary of terms and abbreviations

Term	Definition	Term	Definition
ACC	Audit and Compliance Committee	GJ	Gigajoules
AENOR:	Spanish Association for Standardisation and Certification (Asociación Española de Normalización y Certificación), Spain.	GRI	Global Reporting Initiative
AMBER	Ammonia and MOF based Hydrogen for Europe	GWh	<i>Gigawatt hour</i>
ANEEL	National Electrical Energy Agency (Agência Nacional de Energia Elétrica), Brazil.	H.R.	Human Rights
ARSC	Audit and Risk Supervision Committee	ICFRS	Internal Control over Financial Reporting System
BISO	Business Information Security Officer	ICNFRS	Internal Control over Non-Financial Reporting System
bp	Basis points	IEA	International Energy Agency
CAF	Construcciones y Auxiliar de Ferrocarriles (Spanish manufacturer of railway vehicles and equipment)	IFRS	International Financial Reporting Standards
CAPEX	CApital EXpenditure	IIRC	International Integrated Reporting Council
CCEE	Electricity Clearinghouse (Câmara de Comercialização de Energia Elétrica), Brazil.	ILO	International Labour Organization
CDP	Carbon Disclosure Project	IPCC	Intergovernmental Panel on Climate Change.
CENACE	National Energy Control Centre (Centro Nacional de Control de Energía), Mexico.	ISO	International Standards Organization
CEO	Chief Executive Officer	LGBT	Lesbian, Gay, Bisexual and Transgender
CfD	Contract for Difference	MME	Ministry of Mines and Energy (Ministério de Minas e Energia), Brazil.
CFE	Federal Energy Commission (Comisión Federal de la Energía), Mexico.	MW	Megawatt
CISO	Chief Information Security Officer	OECD	Organization for Economic Cooperation and Development
CNMC	National Commission on Markets and Competition (Comisión Nacional de los Mercados y la Competencia), Spain.	OPEX	OPerational EXpenditure
CNMV	National Securities Market Commission (Comisión Nacional del Mercado de Valores), Spain.	PNIEC	Integrated National Energy and Climate Plan (Plan Nacional Integrado de Energía y Clima), Spain.
CO ₂	Carbon dioxide	PPA	Power Purchase Agreement
COP	Conference of the Parties (UN)	PVPC	Voluntary Price for Small Consumers (Precio Voluntario Pequeño Consumidor)
COSO	Committee of Sponsoring Organizations	R&D	Research & Development + innovation
CRE	Energy Regulation Commission (Comisión Reguladora de la Energía), Mexico.	RD	Royal Decree (Spain)
CRM	Customer Relationship Management	RDL	Royal Decree-Law (Spain)
CSRD	Corporate Sustainability Reporting Directive	RIIO	Revenue=Incentives+Innovation+Outputs. (T2 for transmission, ED2 for distribution)
DJSI	Dow Jones Sustainability Index	ROE	Return On Equity
EBITDA	Earnings Before Interests, Taxes, Depreciations and Amortizations	SASB	Sustainability Accounting Standards Board
EBRS	Energy Bill Relief Scheme (United Kingdom)	SDGS	United Nations Sustainable Development Goals
EBSS	Energy Bills Support Scheme (United Kingdom)	SHs	Stakeholders
EC	European Commission	SME	Small- and Medium-Size Enterprise
EFRAG	European Financial Reporting Advisory Group	STEM	Science, Technology, Engineering & Mathematics
EPG	Energy Price Guaranty (United Kingdom)	TOTEX	TOTAL EXpenditures
ESG	Environmental, Social and Governance	TTF	Title Transfer Facility
EU	European Union	UN	United Nations
GDPR	General Data Protection Regulation	UNGPs	UN Guiding Principles on Business and Human Rights
GHG	Greenhouse Gases	VAT	Value-added tax