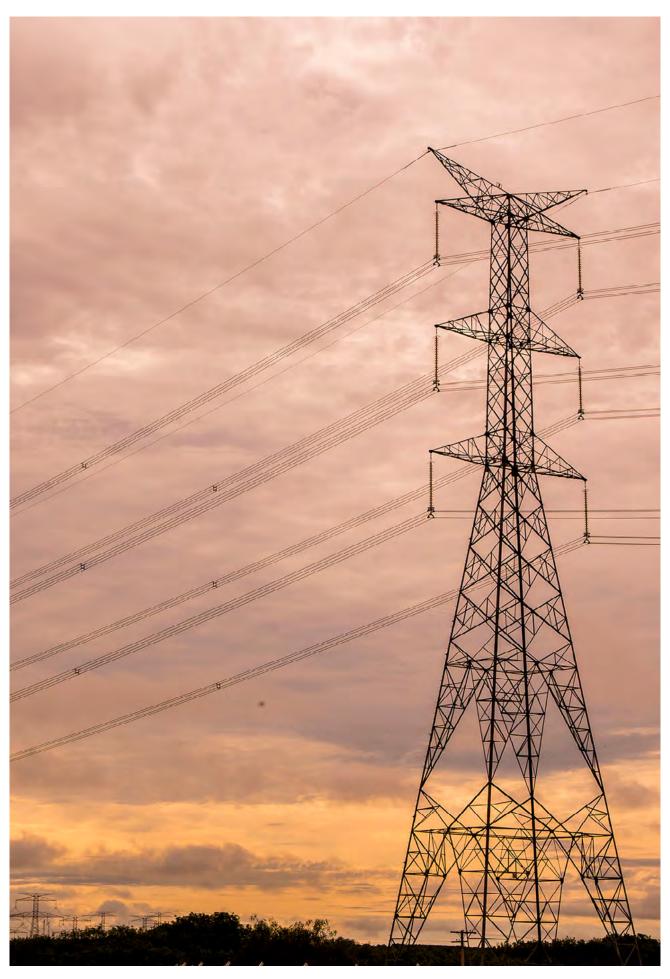


## Integrated Report

April 2024







### 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 Director 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.

• Digital Integrated annual report and ESG+F information

Prepared for 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
- <u>Careers</u>
- Social commitment
- Human rights
- Diversity and Inclusion Report

#### **Environmental**

- Corporate Environmental Footprint Report
- Biodiversity Report
- Greenhouse Gas Report
- Innovation

#### **Corporate Governance**

- About Us
- <u>Corporate Governance</u>
- <u>Shareholders and investors</u>
- Report on Tax Transparency of the Iberdrola group
- Compliance System Transparency Report



Access the annual reports for financial year 2023 and supplementary documentation regarding the lberdrola group by scanning the corresponding QR code using your smart phone or tablet.



## Letter from the Chairman

After more than two decades of implementing a pioneering vision based on electrification as a way to increase energy autonomy and decarbonise production systems, we have unveiled a new plan in 2024 that will enable us to accelerate our growth, further optimise our financial strength and create even more value for our shareholders, our employees and the societies we serve.

Trends in recent years show that electrification is unstoppable: according to the International Energy Agency, electricity consumption in industry will increase by 60% by 2040; road transport demand will increase fourfold by 2030 and almost twentyfold by 2050; and in buildings, electricity will account for 60% of consumption in Europe and 70% in the United States in just 15 years. This growth will be further fuelled by data-related infrastructure, artificial intelligence and cloud-based applications, for which demand will double as early as 2026, reaching 5-6% of total electricity demand in Europe and the United States.

In this context, Iberdrola is once again planning ahead, with a record investment plan of  $\leq$ 41,000 million between 2024 and 2026, focused on the expansion, reinforcement and digitalisation of transmission and distribution networks; selective growth in higher value-added renewable technologies; and a commitment to storage as the backbone of a system with a high penetration of clean energy.

60% of this investment will be in networks. Two thirds of this amount is for distribution networks and one third for transmission networks, which is becoming a new vector of growth for the Group. As a result of this investment effort, our regulated assets will grow by 38% to €54,000 million.

Investment in renewables will account for 30% of the total, with a strong focus on

offshore wind, to which we will devote more than half of this amount. We will commission new projects based on this technology in France, Germany, the United Kingdom and the United States, all of which are already under construction.

In terms of manageable renewables and storage, we will deliver 20 million kWh of new capacity, in addition to the 100 million kWh already in operation and which will continue to grow in an increasingly renewable system. We also have a pipeline of projects totalling 150 million kWh for future construction.

All this will ensure that we can continue to serve our residential and industrial customers safely and competitively (mainly through long-term sales agreements).

The Group's primary investment destination will be the United States, with 35% of investments, followed by the United Kingdom (24%), the Iberian Peninsula (I5%), Brazil and Mexico (I5%), and the European Union, Australia and others (making up the remaining percentage). We continue to focus on geographic diversification in areas with high investment needs and high credit ratings (85% of investments will be in A-rated countries).

Investments and increased activity will enable us to reach a net profit of between €5,600 and €5,800 million by 2026, while continuing to maximise our financial strength through cash generation, expected to exceed our net debt by 24% by 2026. And we affirm our commitment to shareholder remuneration, which will continue to increase in line with earnings, with a minimum equivalent to the dividend of €0.55 per share in 2023. This will result in a dividend between €0.61 and €0.66 per share in 2026.



"All forecasts indicate that electrification is here to stay. Once again, Iberdrola is at the forefront, with a plan based on the development and digitalisation of networks, selective growth in renewables and the consolidation of our position in energy storage, to continue leading the way in the creation of a clean, efficient and competitive energy model that generates value for all".

## Iberdrola, a unique business that creates value for everyone

In line with our mission to deliver even greater social dividends, we will also strive to increase value creation, in terms of not only economic growth, but also industrial activity, job creation and protection of the environment.

Over the next three years, we will hire 10,000 new professionals, and our procurement of goods and services will add to the 500,000 jobs already provided by our suppliers around the world.

And to continue to lead the transformation of the sector, we will invest nearly €400 million a year in innovation, supporting an ecosystem of start-ups, universities and research centres around the world.

We will continue to cut our emissions –attaining carbon neutrality as early as 2030 for our power plants– make a net positive impact on biodiversity by the end of this decade, and continue to contribute to a circular economy model (for example, by recycling 100% of our wind blades and solar panels).

All these milestones will be possible thanks to the 42,000 women and men of 90 nationalities who make up the Group. By embracing diversity and inclusion, we know we can help our people unlock their full potential and get the most out of what they have

to offer. We are paving the way for more and more women to reach top positions (already making up 35% of the total). And we continue to promote talent and professional development through lifelong learning.

This is the Iberdrola model, based on the values of ethics and transparency, supported by a system of governance and sustainability in a process of continuous improvement that is a benchmark in the sector.

This model, together with the daily work of our professionals, makes Iberdrola an increasingly diversified, robust and growing Group, both in size and in the contribution it is making to society. That is why the strategy we have set out for the coming years, which focuses on increasing the use of electricity as the fastest and most effective way to break our dependence on fossil fuels, is the best way to further increase the value we create for everyone.

Today, more than ever, we have the talent, the technology, the resources and the skills to build a fairer, more humane, more caring and, of course, more sustainable world, always with the well-being of people at its core.



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About this report
- About this report
Glossary of terms and abbreviations.

• The company lberdrola, S.A., parent company of the lberdrola group, is referred to as "lberdrola", the "Company" or the "company" in this report. lberdrola (as parent company) and the group of subsidiaries over which lberdrola, S.A. has the power of control or joint control are also referred to as the "lberdrola 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: million euros; \$M: million dollars; £M: million pounds sterling; R\$M: million Brazilian reais.

• IFRS-11 is not being applied in the operational indicators (installed capacity, production etc.).



### A global leader

|7





## A global leader

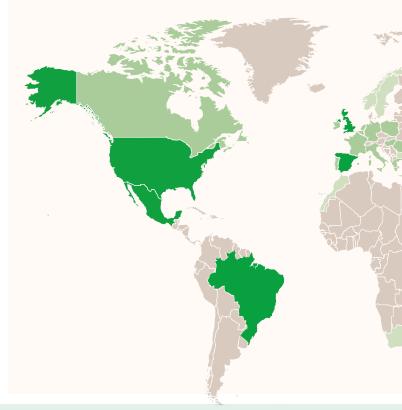
After more than 180 years of history, the Iberdrola group today is a global leader, the leading wind energy producer and the largest European electricity company in terms of market capitalisation and among the two largest in the world. Iberdrola has accelerated the energy transition by two decades in 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 42,000 people, and has assets in excess of €150,000 million <sup>(1)</sup>.

#### Iberdrola in the world







#### Key milestones of 2023

#### JANUARY Iberdrola signs an Through its PERSEO Iberdrola and BP sign Iberdrola México and Iberdrola and the Iberdrola and Birdlife alliance with Norges start-up programme, a strategic alliance Mexico Infrastructure World Bank Group sign a three-year **Bank Investment** Iberdrola is to accelerate electric Partners (MIP) form a partnership strategic alliance Management to supporting Europe's mobility, with the announced a to boost the energy to work together to accelerate Spain's first industrial-scale deployment of 11,700 Memorandum of transition in emerging promote the use of Understanding renewable energy decarbonisation wind turbine blade charging points in countries through a process by corecycling plant in Spain and Portugal. (MoU) whereby green loan linked to that strengthens investing in 1,265MW Spain. Iberdrola undertook sustainability targets. the contribution to The Ethisphere of new renewable to divest a portfolio biodiversity. For the sixth Institute includes Iberdrola evolves its capacity (wind and of 13 generation consecutive year, Iberdrola in the brand to make it more Iberdrola launches an solar). plants, including Iberdrola is included 2023 World's Most €850 million green sustainable, more combined cycle Iberdrola launches a in the Bloomberg **Ethical Companies** digital and closer to bond issue, with the plants and an €1,000 million green **Gender Equality** ranking for the tenth its customers. strong support of onshore wind farm, hybrid bond issue. Index as one of the consecutive time and investors. for US\$6,000 million. AVANGRID for the best companies in The transaction was the world in terms of fifth time. completed February gender equality. 2024.

(1) At the end of 2023.





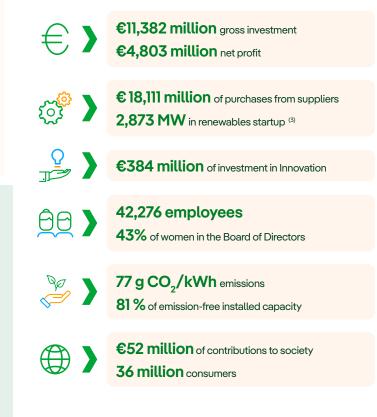
## **Our** capitals

The IRRC's six capitals<sup>(2)</sup> are sources of value creation for the company, which engages in its activities through the appropriate management thereof.

### Social dividend as an increase in the value of capitals

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 feeds back into the value creation cycle, thus effectively linking the operations of the company's businesses and capitals.

#### Key performance indicators 2023



(2) According to the International Integrated Reporting Framework (IIRC) methodology, the 6 capitals are: financial, manufactured, intellectual, human, social and relationship, and natural.

(3) Reaching a total of 3,250 MW after corporate adjustments during 2023







Iberdrola launches Carbon2Nature with the mission to develop projects that reduce the overall carbon footprint, improve biodiversity and promote a sustainable economy.

Iberdrola completes the construction of the first hybrid wind and solar plant in Spain.

Iberdrola and Masdar strengthen their offshore wind alliance with a €1,600 million investment in the 476 MW Baltic Eagle offshore wind farm in the Baltic Sea.

#### Iberdrola signs the largest credit facility in its history

DECEMBER

for €5,300 million, linking the cost to the achievement of sustainability goals.



### 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 of 2023
1.7.Comparative results and recognitions





## 1.1. Purpose and values

**Iberdrola's corporate purpose**, addresses major economic, social and environmental challenges, reflecting the expectations of Stakeholders and defining Iberdrola's role as an agent of social change and transformation in the energy sector. It is expressed as follows:

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

This purpose leads the Company towards the creation of shared value and the social dividend, and 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 electrification 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 the shift away from fossil fuels, the widespread **use of electricity from renewable sources**, **efficient storage**, **smart grids** and the **digital transformation** all contribute to the health of people, whose well-being depends on the environmental quality of their surroundings.
- The aspiration for universal access to electricity, 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 local availability of electricity, thus contributing to security of supply.

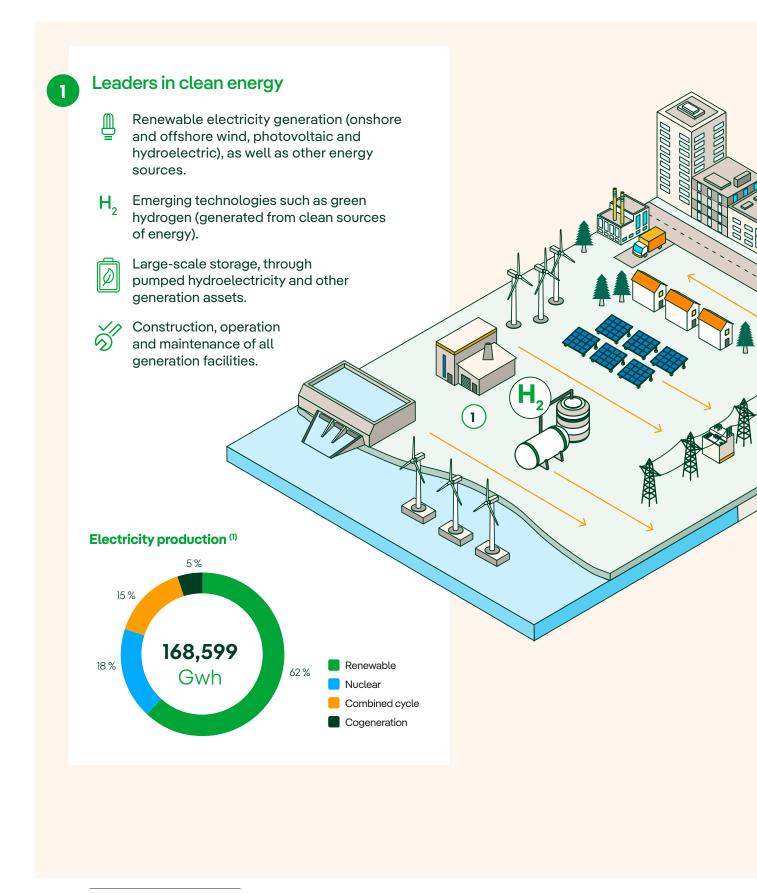
To attain this Purpose, the Iberdrola group has condensed its **corporate values** into the following three concepts:

- 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.



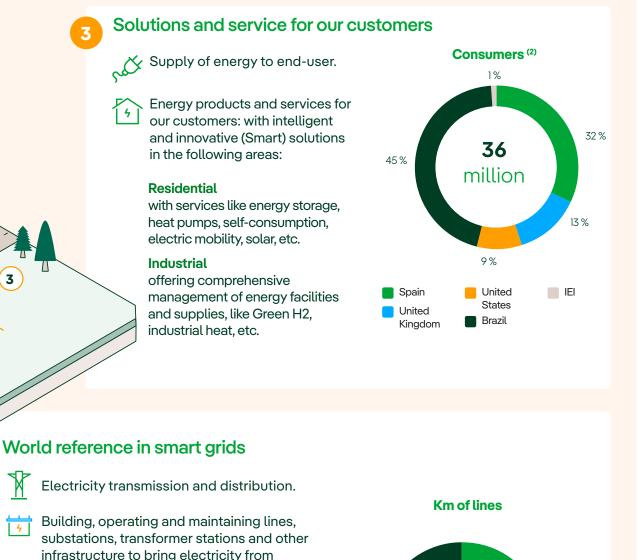
Integrated Report 2024

## 1.2. Main activities



(1) Percentages are based on own production, which totals 128,668 GWh.





4 infrastructure to bring electricity from production centres to end users and to incorporate distributed generation.

#### Electric networks (2)

#### 4,635

3

2

High- to medium-voltage transformer substations

#### 1,056,349 km

Km of overhead distribution lines

#### 19,626 km

Km of overhead transmission lines

#### 203 km

km of undersea transmission lines



distribution transformers

#### 199,164 km

km of underground distribution lines

#### 1,177 km

km of underground transmission lines

21 % 1,276,520 9% 57% Km 13 % United Spain States United Brazil Kingdom

(2) At 31 December 2023.

**Integrated Report 2024** 

## 1.3. Company performance

10,104 10,038

2019

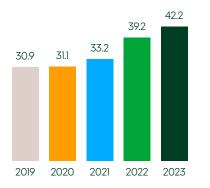
2019

2020

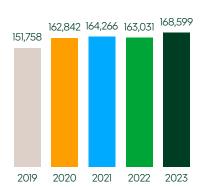
#### 150,114 150,033 141,752 123,025 122,518 2019 2020 2021 2022 2023

Total Assets (€M)

#### **Networks Business asset** base (€ billions)



#### **Net production (GWh)**



#### EBITDA (€M)

12,006

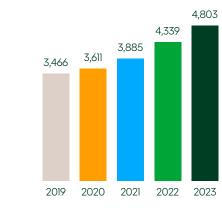
14,417

2023

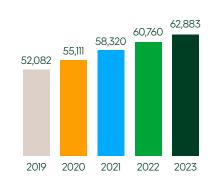
13,228

2022

#### Net Profit (€M)



#### **Total installed capacity** (MW)

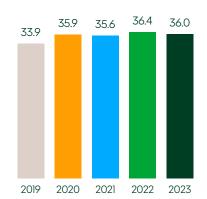


#### **Consumers (millions)**

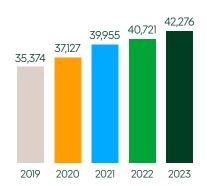
2021

2022

2023



**Employees** 



**Distributed electricity** (GWh) 233,541 224,971 235,506 233,704

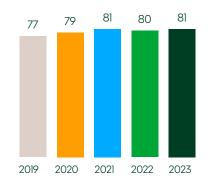
2021

2020

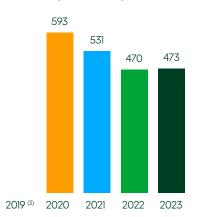
#### Killerdrola www.iberdrola.com



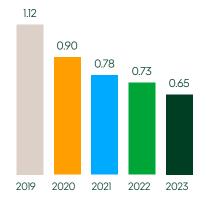
#### Own emission-free installed capacity (%)



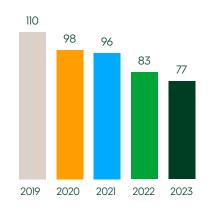
Water use vs. overall production  $(m^3/GWh)^{(2)}$ 



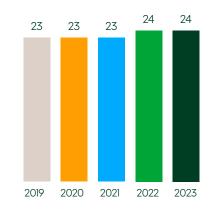
### Rate of recordable work-related injuries (own personnel) <sup>(4)</sup>



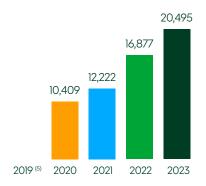
### Own specific CO<sub>2</sub> emissions $(t/GWh)^{(1)}$



#### Gender diversity (% women in workforce)



#### Number of volunteers



(1) In the course of the year, it was found that the emissions reported by a combined cycle power plant in Mexico were incorrectly allocated. This affected the Specific CO<sub>2</sub> emissions (t/GWh) indicator (GRI 305-1), although the total emissions value of the Group's three Scopes was properly reported. The relevant figures for 2022 have been updated in this report.

(2) Following an audit conducted in 2023, a material error was detected in the calculation of the water consumed by the Baja California combined cycle power plant in Mexico. The water consumption was much higher than the actual water consumption due to the data provided by a faulty water discharge sensor. The affected figures have been updated for 2022.

(3) 2019 data not available.

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

(5) 2019 data not available.



## 1.4.Key figures

Financial performance (€M)						
	2019	2020	2021	2022	2023	Δ Annual average 2019-2023 (%)
Revenue	36,438	33,145	39,114	53,949	49,335	7.9
Gross margin	16,263	16,145	17,062	20,199	23,302	9.4
Gross Operating Profit (EBITDA)	10,104	10,038	12,006	13,228	14,417	9.3
Amortisation/depreciation and provisions	(3,910)	(4,227)	(4,474)	(5,244)	(5,444)	(8.6)
Net Operating Profit (EBIT)	5,877	5,564	7,343	7,984	8,973	11.2
Financial income	(1,300)	(991)	(1,003)	(1,838)	(2,187)	(13.9)
Profit(/loss) from equity accounted investees and net income from discontinued operations (net of tax)	(51)	461	(74)	75	218	
EBT and net income from discontinued operations (net of taxes)	4,729	5,034	6,266	6,221	7,004	10.3
Corporate income tax	(914)	(1,083)	(1,914)	(1,161)	(1,610)	(15.2)
Minority interests	(348)	(341)	(467)	(721)	(591)	(14.2)
Net profit	3,466	3,611	3,885	4,339	4,803	8.5
Total assets ()	123,025	122,518	141,752	150,114	150,033	5.1
Shareholders' equity	47,195	47,219	56,126	58,114	60,292	6.3
Gross investments	8,158	9,246	9,940	10,730	11,382	8.7
Funds from Operations (FFO)	8,060	8,292	8,993	11,123	11,096	8.3
Adjusted net bank borrowings <sup>(2)</sup>	37,769	35,142	39,119	43,749	47,832	6.1
Financial ratios						
	2019	2020	2021	2022	2023	Δ Annual average 2019-2023 (%)
EBIDTA margin (EBITDA/ Revenue) (%)	27.7	30.3	30.7	24.5	29.2	1.3
Net Profit margin (Net Profit/ Revenue) (%)	9.4	10.9	9.9	8.0	9.7	0.8
Net Operating Expenses / Gross Margin (%)	26.6	26.5	24.8	25.8	26.3	(0.3)
Adjusted net financial debt/Adjusted EBITDA (ratio) <sup>(2)</sup>	3.74	3.50	3.20	3.31	3.32	(2.9)
Adjusted net leverage (%)	44.7	42.3	41.0	42.8	44.2	(0.3)
Funds from Operations (FFO)/ Adjusted Net Financial Debt (%)	21.5	23.6	23.0	25.4	23.2	1.9
Adjusted Retained Cash Flow (RCF)/ Adjusted Net Financial Debt (%)	20.0	21.4	20.6	22.0	18.9	(1.4)
ROE (Net profit for the last four quarters/ Average equity) (%)	9.2	9.7	9.8	10.2	10.9	4.3
Stock Market Data						
	2019	2020	2021	2022	2023	Δ Annual average 2019-2023 (%)
Stock market capitalisation at year-end (€M)	58,404	74,296	66,271	69,538	75,378	6.6
Number of shares outstanding at year-end (millions)	6,362	6,350	6,366	6,362	6,350	0.0
Period-end closing price (€)	9.18	11.70	10.41	10.93	11.87	6.6
Earnings per share (EPS) <sup>(3)</sup>	0.534	0.551	0.584	0.652	0.719	7.7
Dividends paid <sup>(4)</sup>	0.351	0.405	0.419	0.449	0.501	9.3
Dividend yield (%) <sup>(5)</sup>	3.82	3.46	4.05	4.10	4.22	2.5
Total dividend (Including cash payments) (€M)	2,247	2,517	2,664	2,824	3,149	8.8
Payout ratio (%)	66.0	73.9	75.3	67.7	68.5	0.9
PER (End-period share price / Earnings per share for the last four quarters)	17.32	21.18	17.82	16.77	16.51	(1.2)

<sup>(1)</sup> The comparative information for 2022 has been modified with respect to that published last year, as the Iberdrola Group has changed the presentation of deferred tax assets and liabilities offset by tax group, in accordance with the provisions of the applicable regulatory financial reporting framework.

<sup>(2)</sup> Adjusted for treasury derivatives with physical settlements that are not expected to be settled (€82 M at Dec-23 and €436 M at Dec-22)

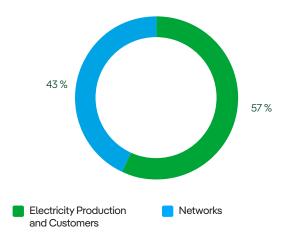
<sup>(3)</sup> Net profit adjusted for interest on perpetual debt.

<sup>(4)</sup> Dividend paid in the last 12 months and engagement dividend.

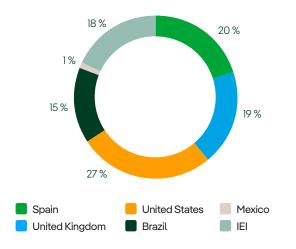
<sup>(5)</sup> Dividend paid in the last 12 months + engagement dividend/period-end closing price



#### Gross margin by business <sup>(6)</sup>



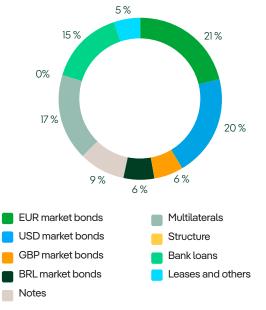
#### Gross investment by geographical area

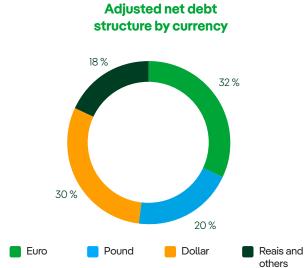


41% 41% Electricity Production and Customers

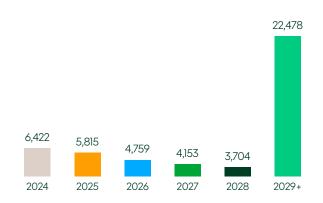
EBITDA by business (6)

Adjusted gross debt by source of financing





#### Maturity of financial debt (€M)



(6) Percentages do not include information relating to "other business" or "corporation and adjustments".



	2019	2020	2021	2022	2023	Δ Annual average 2019-2023 (%)
Total installed capacity (MW) (7)	52,082	55,111	58,320	60,760	62,883	4.8
Net Own Capacity	45,702	47,965	51,174	53,615	55,737	5.
Third-party Capacity	6,380	7,146	7,146	7,146	7,146	2.9
Net Production (GWh) 🕫	151,758	162,842	164,266	163,031	168,599	2.7
Net Own Output	114,250	123,463	129,331	125,540	128,668	3.0
Net Third-party Output	37,508	39,378	34,935	37,491	39,931	1.6
Electricity distributed (GWh)	233,541	224,971	237,752	235,506	233,704	0.0
Km of lines	1,191,288	1,206,783	1,240,137	1,264,641	1,276,519	1.7

Environmental performance						
	2019	2020	2021	2022	2023	Δ Annual average 2019-2023 (%)
Emission-free installed capacity (%) <sup>(8)</sup>	77	79	81	80	81	1.3
Emission-free output (%) <sup>(8)</sup>	72	75	75	78	80	2.7
Specific $CO_2$ emissions (t/GWh)	110	98	96	83	77	(8.5)
Fossil fuel consumption (tep/GWh) <sup>(9)</sup>	173	169	216	180	179	0.9
Energy savings of green products and services (GJ)	49,048,936	222,249,154	266,134,260	245,700,568	273,315,808	53.6
Energy produced under certified environmental management systems (%)	83	78	80	80	80	(0.9)
Water use/overall production (m <sup>3</sup> /GWh)	N/D	N/D	531	470	473	
Direct emissions of CO <sub>2</sub> . Scope 1 (kt)	13,584	13,136	13,207	11,927 (7)	10,588	(6.0)
Direct emissions of CO <sub>2</sub> . Scope 2 (kt)	2,082	1,883	2,162	1,879	1,747	(4.3)
Other indirect emissions. Scope 3 (kt)	N/D	47,646	44,615	42,679 <sup>(8)</sup>	39,304	
CO <sub>2</sub> avoided due to efficiency initiatives	18,543	31,300	27,720	30,741	26,673	9.5
SO <sub>2</sub> emissions (t/GWh)	0.011	0.008	0.007	0.006	0.005	(17.9)
NOx emissions (kg/MWh)	0.363	0.375	0.365	0.354	0.337	(1.8)

<sup>(7)</sup> Data for Production and Installed Capacity include the power stations in which Iberdrola has a stake, based on its percentage interest.

<sup>(8)</sup> Calculated on own production.

<sup>(9)</sup> Conversion factor used: IGJ= 0.023888889 Tep.



Social performance								
	2019	2020	2021	2022	2023	Δ Annual average 2019-2023 (%)		
Consumers (millions) <sup>(10)</sup>	33,9	35,9	35,6	36,4	36,0	1,5		
Electricity	29.8	31.7	31.7	32.1	31.9	1.7		
Spain	10.1	10.0	10.0	10.4	10.2	0.2		
United Kingdom	2.8	2.8	2.8	2.8	2.7	(0.9)		
U.S.	2.3	2.3	2.3	2.3	2.3	0.0		
Brazil	14.0	14.3	15.7	16.0	16.4	4.0		
IEI	0.6	0.7	0.8	0.5	0.4	(9.6)		
Gas	4.1	4.3	4.0	4.3	4.1	0.0		
Spain	1.0	1.1	1.1	1.2	1.2	4.7		
United Kingdom	1.9	1.9	1.9	1.9	1.8	(1.3)		
U.S.	1.0	1.0	0.6	1.0	1.0	0.0		
IEI	0.2	0.3	0.3	0.1	0.1	(15.9)		
Number of employees	35,374	37,127	39,955	40,721	42,276	4.6		
Permanent contracts (%)	99.1	99.6	99.5	99.6	99.7	0.2		
Workers with collective bargaining agreement (%)	78.7	78.7	78.5	77.6	76.5	(0.7)		
Employee turnover (%)	6.6	6.1	7.4	9.7	7.3	2.6		
Diversity (men/women)	77/23	77/23	77/23	76/24	76/24			
Rate of work-related injuries (own personnel) (1)	1.12	0.90	0.78	0.73	0.65	(12.7)		
Hours of training (millions of hours)	1.8	2.0	2.4	2.7	3.1	14.6		
Hours of training by average personnel (h)	N/D	54.9	62.3	67.9	73.5			
Funds for social development (€M)	93.6	123.9	109.2	139.9	109.1	3.9		
Contributions to society (€M)	53.5	81.9	58.1	51.9	51.7	(0.9)		
Rural electrification programmes (€M)	40.1	42.0	51.1	88.0	57.4	9.4		
	280.0	292.5	337.5	362.7	384.4	8.2		
Investments in R&D (€M)								
Investments in R&D (€M) General procurement (€M billed) <sup>(12)</sup>	8,717	8,494	9,424	11,533	12,584	9.6		

(12) Amount awarded in 2023: € 18,111 M.

<sup>(10)</sup> Consumers: for electricity, 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.

<sup>(</sup>II) Rate of recordable work-related injuries = Number of recordable work-related injuries (except first aid) / Number of hours worked x [200,000].



## 1.5. International presence

### Iberdrola in Spain

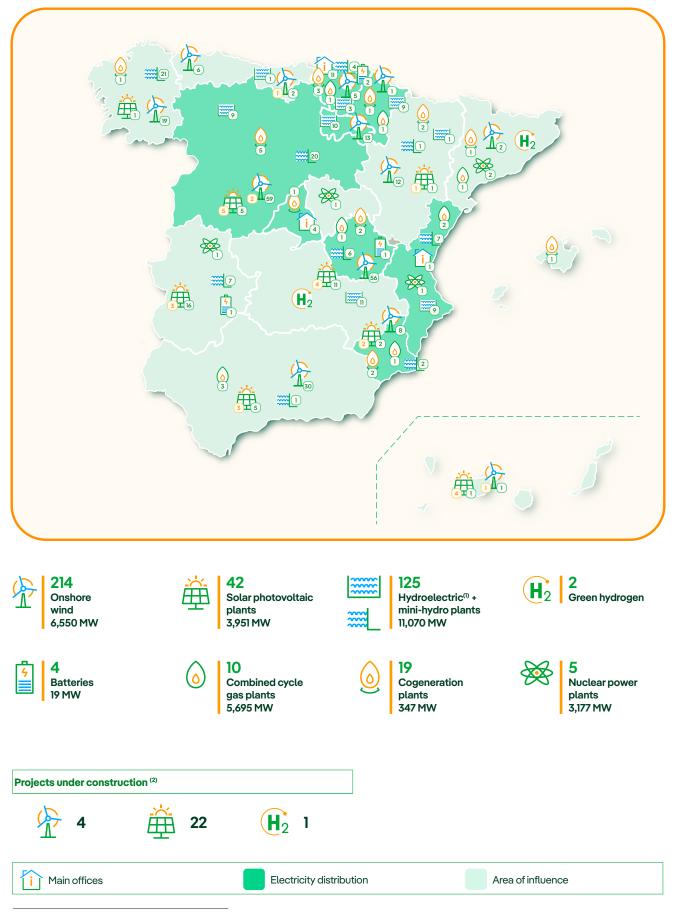


Conso hydroelectric power station, Galicia, Spain



(1) Total number of electricity and gas customers.





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

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

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### Iberdrola in the United Kingdom

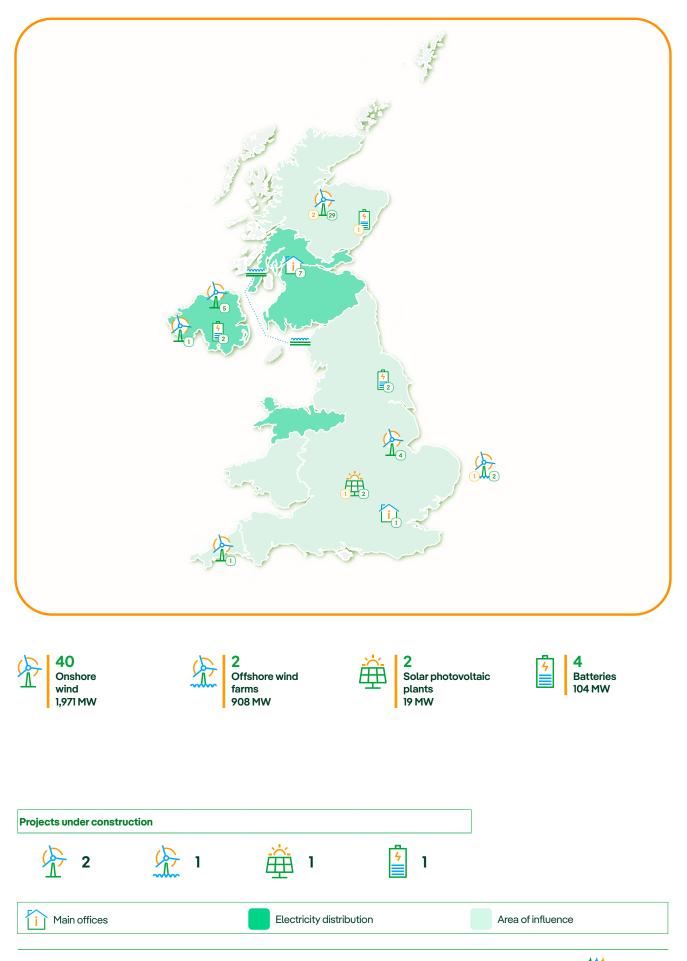


Whitelee wind farm, UK

CottishPower Renewables	K ScottishPower	SP Energy Networks
res 2023	3,002	7,459
3.002		
<b>3,002</b> MW Installed capacity	MW Renewable installed capacity	GWh Net production
MW	MW	GWh

(1) Total number of electricity and gas customers.

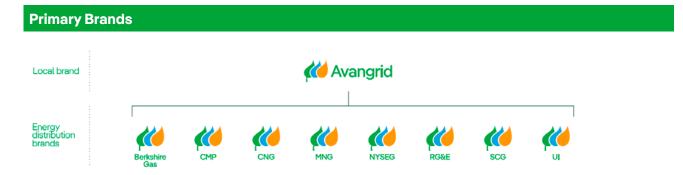




### Iberdrola in the United States



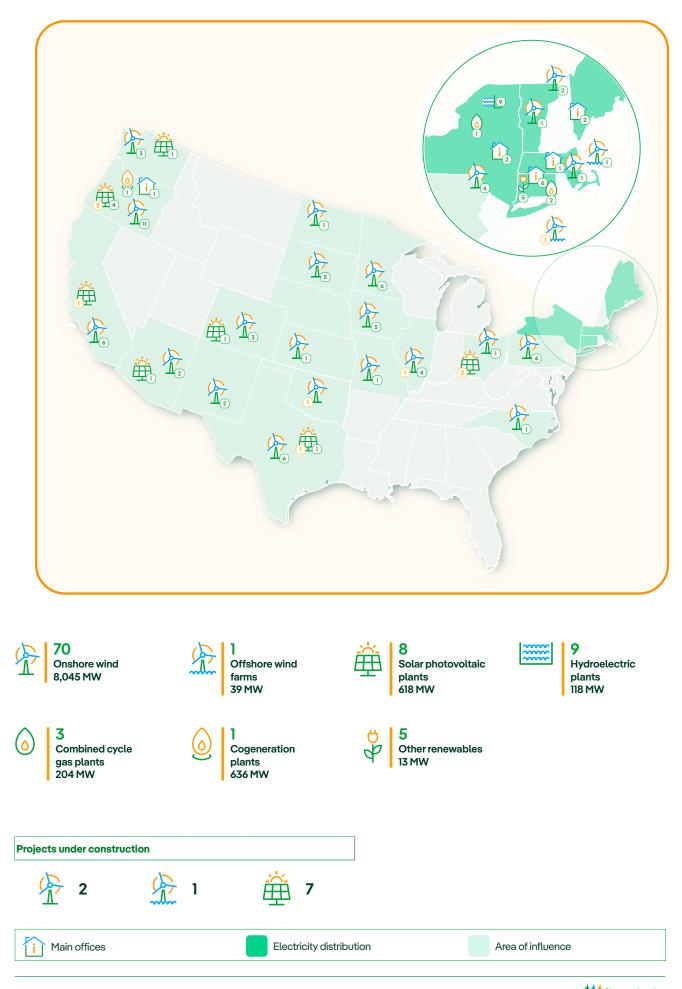
Vineyard Wind offshore wind farm - United States.



jures 2023		
9,673	8,833	23,326
MW	MW	GWh
Installed capacity	Renewable installed capacity	Net production
171,912	<b>37,174</b> gwh	3.4
Km / Power lines	Distributed energy	Million consumers ()
7,999	3,028	1,261
Employees	€M	€M
21100/000	Gross investments	Direct tax contribution

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



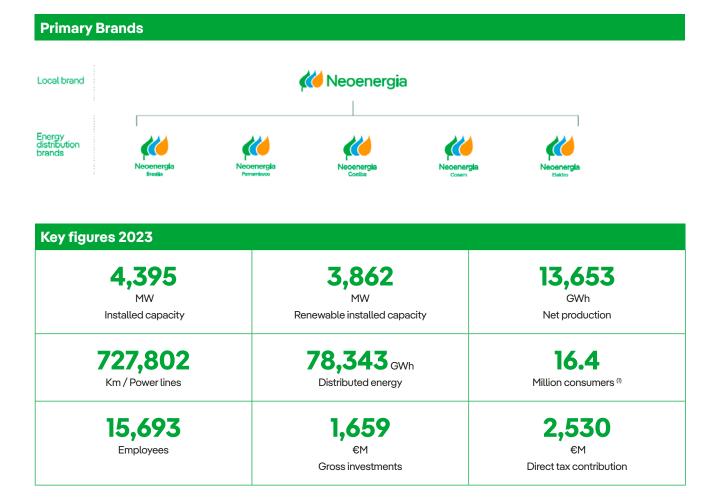




### Iberdrola in Brazil



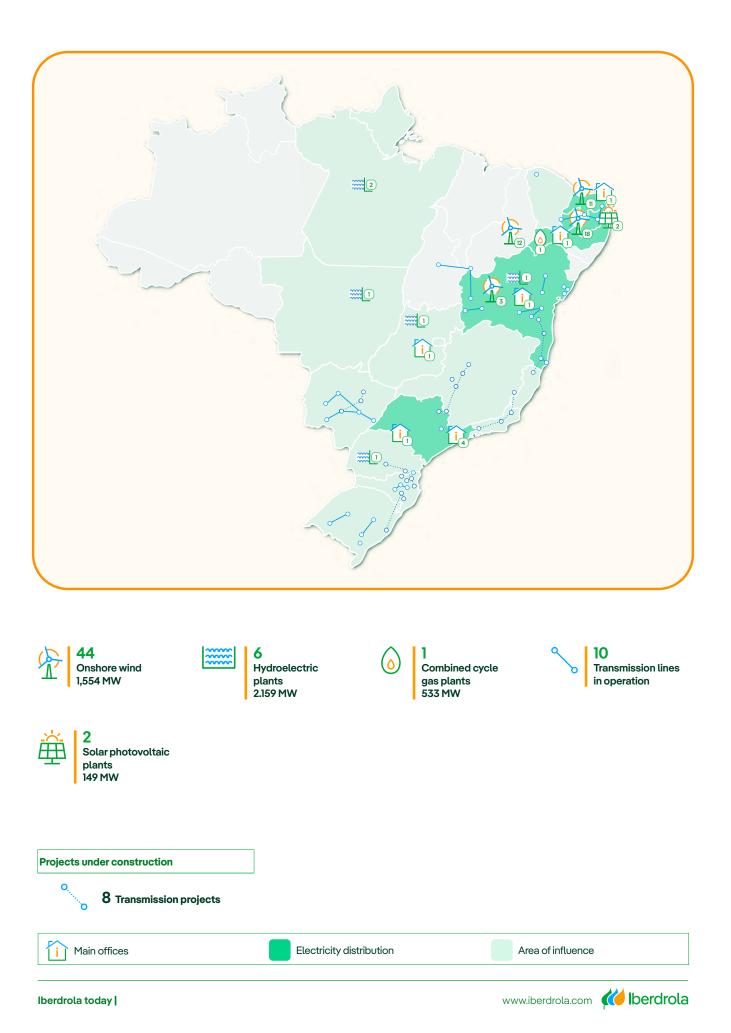
Santa Luzia transmission Line, Brazil



(1) Total number of electricity supply points.





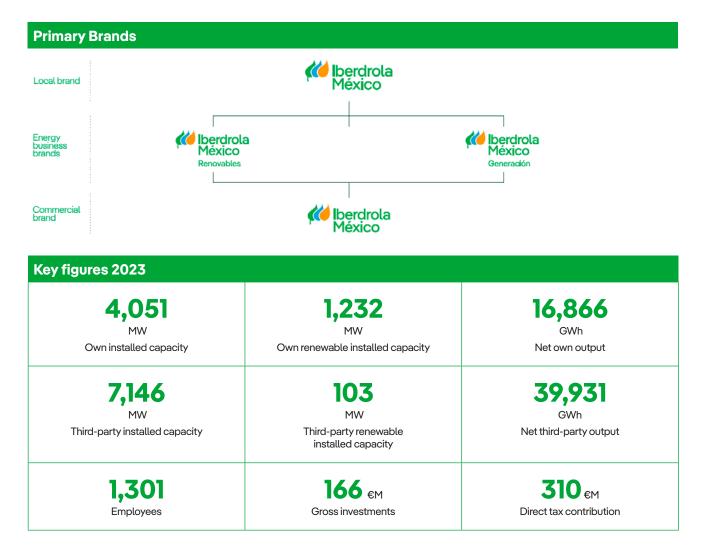




### Iberdrola in Mexico



Hermosillo Solar photovoltaic plant, Sonora, Mexico







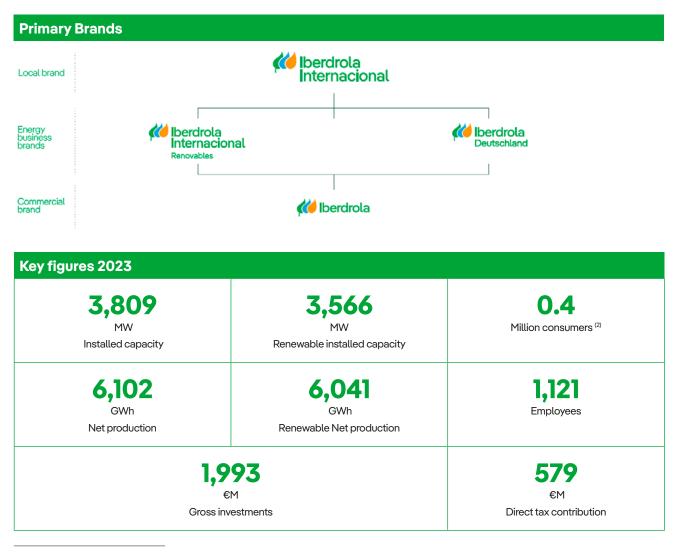


Iberdrola today |

### Iberdrola Energía Internacional (IEI)<sup>(1)</sup>

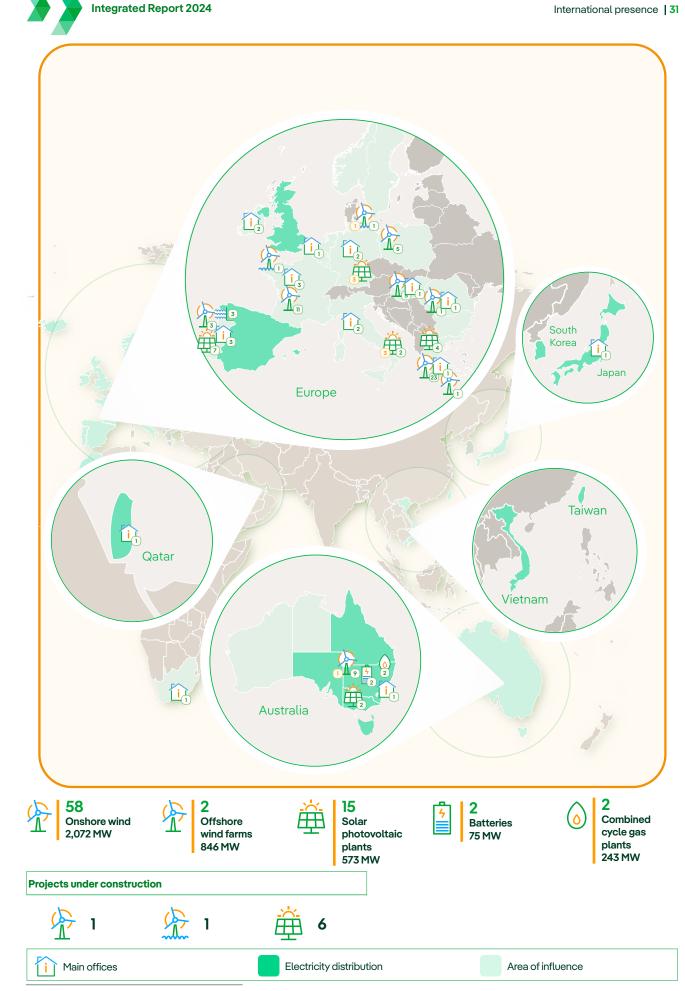


Port Augusta wind farm, Australia



(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).

(2) 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.



(\*) The data on the Daivoes, Gouvaes 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

	Sp	ain	Uni King		Uni Sta		Bra	azil		Mex	cico		IEI		IEI Total	
									01	wn	Thrid-	party				
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Renewable	21,589	19,796	3,002	3,008	8,833	8,701	3,862	4,568	1,232	1,232	103	103	3,566	2,657	42,187	40,065
Onshore wind	6,550	6,209	1,971	1,986	8,045	8,061	1,554	1,394	590	590	103	103	2,072	1,885	20,883	20,228
Offshore wind			908	908	39								846	350	1,793	1,258
Hydroelectric	10,826	10,700			118	118	2,159	3,031							13,103	13,849
Mini-hydro	244	255													244	255
Solar and others	3,970	2,631	123	114	631	522	149	143	642	642			648	423	6,164	4,475
Nuclear	3,177	3,177													3,177	3,177
Combined cycle	5,695	5,695			204	204	533	533	2,617	2,617	7,043	7,043	243	243	16,334	16,334
Cogeneration	347	347			636	636			202	202					1,185	1,185
Coal	0	0	0	0	0	0	0	0	0	0			0	0	0	C
Total	30,807	29,013	3,002	3,008	9,673	9,541	4,395	5,101	4,051	4,051	7,146	7,146	3,809	2,900	62,883	60,760

Net electrici	ty proe	ductic	on (G\	Nh)												
	Sp	ain	Uni King		Uni Sta	ted tes	Bra	azil		Me	cico		1	IEI		tal
									O	wn	Thrid-	party				
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Renewable	29,462	23,826	7,459	7,823	20,176	20,188	13,568	14,737	2,633	2,899	210	222	6,041	5,053	79,549	74,747
Onshore wind	10,726	11,744	3,609	4,424	19,019	19,612	4,976	3,843	1,394	1,662	210	222	4,366	3,910	44,301	45,417
Offshore wind			3,844	3,392									1,229	1,105	5,073	4,497
Hydroelectric	15,460	9,511			245	188	8,350	10,803							24,055	20,502
Mini-hydro	402	420													402	420
Solar and others	2,873	2,150	5	7	912	388	243	91	1,239	1,237			446	38	5,718	3,910
Nuclear	23,784	23,886													23,784	23,886
Combined cycle <sup>(3)</sup>	6,452	7,082			6	7	85	14	12,836	14,145	39,721	37,269	60	58	59,161	58,574
Cogeneration	1,565	1,904			3,144	2,516			1,397	1,403					6,105	5,823
Coal	0	0	0	0	0	0	0	0	0	0			0	0	0	0
Total	61,263	56,698	7,459	7,823	23,326	22,711	13,653	14,751	16,866	18,447	39,931	37,491	6,102	5,112	168,599	163,031

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

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

<sup>(3)</sup> Includes capacity of Peaking in the United States and IEI.



## 1.6.Key milestones of 2023

Μ	- 12	-4	-	
	пе	ST	0	112

	Iberdrola signs an alliance with Norges Bank Investment Management to invest in 1,265MW of new renewable capacity (wind and solar) in Spain. Designed to accelerate the country's decarbonisation process, it will generate enough electricity to meet the needs of more than 700,000 homes every year.	一 中 一
ary	Iberdrola launches a €1,000 million green hybrid bond issue.	€
January	Neoenergia installs solar energy systems for self- consumption at the Oncology Hospital and at the Association for the Support of Disabled Children in Pernambuco, which will allow the centres to save between 23% and 36% of their annual energy consumption.	<b>?</b> 
	Through its PERSEO start-up programme, Iberdrola is supporting Europe's first industrial-scale wind turbine blade recycling plant in Spain.	$\mathcal{O}$
February	For the sixth consecutive year, Iberdrola is included in the Bloomberg Gender Equality Index as one of the best companies in the world in terms of gender equality.	
	Iberdrola is awarded its first floating solar power project in France. With a total capacity of 25 MW, the plant will be built on the abandoned site of an active, flooded gravel pit and will supply green electricity to around 10,000 households in Alsace.	Ě
	The European Investment Bank (EIB) and Iberdrola sign €150 million loan to accelerate Italy's energy transition through the development of new renewable energy plants	€
	Iberdrola and the Asturian business group Exiom join forces to become leaders in the manufacture of photovoltaic solar panels with the installation of the first large-scale photovoltaic construction plant in Spain and one of the first industrial-scale plants in Europe.	Ě
	Iberdrola and BP sign a strategic alliance to accelerate the energy transition to sustainable mobility, investing €1,000 million in a network of 11,700 fast and ultra-fast charging points in Spain and Portugal.	
March	Avangrid commences the startup of Lund Hill, the largest solar PV power plant in Washington State and the largest commercial-scale PV facility of the company in operation to date.	Ě
Σ	The Ethisphere Institute includes Iberdrola in the 2023 World's Most Ethical Companies ranking for the tenth consecutive time and Avangrid for the fifth time.	
	Iberdrola is the first company to obtain AENOR's Renewable Hydrogen Certificate, which covers the process of hydrogen generation, storage and marketing, and extends to the company's management system.	H <sub>2</sub>
	Iberdrola Mexico wins the Sustainable Development Goals (SDGs) Best Practice Award for its Impulso STEM programme, promoting the study of science and technology careers among young people in Oaxaca.	

	Milesione	
	Iberdrola presents its Climate Transition Plan to the United Nations to achieve zero net emissions by 2040, based on a realistic, ambitious and responsible approach.	₽ <mark>0</mark>
April	Neoenergia signs a strategic alliance with GIC, Singapore's sovereign wealth fund, for the development of transmission networks in Brazil for R\$2,400 million (€456 million).	<u>¥</u>
	Iberdrola upholds its commitment to Mexico as a leader in the country's energy transition, signing an agreement to sell more than 8,400 MW of combined cycle power plants for US\$6,000 million.	
May	Iberdrola's Baltic Eagle offshore wind project in Germany is the first to receive AENOR certification for its Health and Safety Management system during the construction phase.	
	Avangrid commissions the Pachwáywit Fields solar PV plant in the United States, with an installed capacity of 205 MW and 470,000 panels, making it the largest in Oregon.	Ë
	i-DE exceeds 130,000 self-consumption installations connected to the grid. They provide the system with a combined total of more than 1,500 megawatts (MW) of green generation, fully integrated into the low- and medium-voltage grids, preventing the emission of more than 500 tonnes of CO <sub>2</sub> into the atmosphere.	1 1
	Iberdrola and the World Bank Group have joined forces to support the energy transition in emerging markets through a green loan of nearly US\$150 million. The loan is linked to sustainability objectives and will finance energy efficiency and digitalisation of Iberdrola's distribution networks in Brazil, green financing for renewable energy projects, and agreements to develop pioneering new clean energy projects (green hydrogen and offshore wind) in emerging markets.	€ H₂
	Iberdrola continues to evolve its brand, creating a more sustainable, digital, accessible and modern brand that reflects the reality of a sustainable and innovative company.	
	Iberdrola sets a new record in Spain with 7 million photovoltaic modules installed.	Ě



Mi	lestone
111	lesione

June	Iberdrola signs two new long-term Power Purchase Agreements (PPAs) with Holcim Group and German steel producer Stahl Holding Saar (SHS) for the supply of clean energy from the Baltic Eagle offshore wind farm, in addition to the PPA signed in April with steel producer Salzgitter Flachstahl GmbH.	<u>A</u>
	Iberdrola and Trammo enter into Europe's largest contract for the procurement of 100,000 tonnes of green ammonia, to begin in 2026. Iberdrola will build the first green ammonia plant for this purpose, which will entail an investment of €750 million.	<b>H</b> <sub>2</sub>
	Iberdrola signs a €1,000 million loan with the EIB to accelerate Europe's energy transition through financing the construction of a significant portfolio of photovoltaic and wind power plants in Spain, Portugal and Germany, with a total installed capacity of 2.2 GW.	Ŷ ₩
	Iberdrola activates the pumping capacity of the Valparaíso hydroelectric plant, contributing to the optimal management of Spain's renewable energy production.	
	Iberdrola and Birdlife sign a three-year strategic alliance to work together to promote the use of renewable energy that strengthens the contribution to biodiversity.	₽ <mark>0</mark>
	ScottishPower Renewables launches meteorological and oceanographic studies for the 2,000MW MachairWind offshore wind farm off the west coast of Scotland.	Æ
July	Iberdrola launches a hybrid green bond issue in the total amount of €850 million, with the strong support of investors.	€
	Iberdrola Deutschland successfully marks the completion of the installation of Germany's first industrial-scale solar power system for self-consumption. The system will be used by Dutch paint manufacturer AkzoNobel and will prevent the emission of 125 tonnes of CO <sub>2</sub> per year.	Ě
	Iberdrola and the Spanish business association for the development and promotion of electric mobility (AEDIVE) sign an agreement to form an alliance for the electrification of heavy-duty road transport in Spain.	
	Iberdrola signs a new €500 million secured green loan with Citi and Eksfin.	€

	Milestone	
August	Avangrid completes the first offshore substation in the United States to collect energy generated by the 62 wind turbines of the Vineyard Wind 1 wind farm, the first project of its kind in the United States.	
	Iberdrola Australia successfully completes start-up of the Flyers Creek wind farm substation, which has an installed capacity of 145 megawatts (MW) and will meet the annual electricity needs of 80,000 Australian homes.	5
	Neoenergia signs its first bilateral green loan with the Japanese bank Mitsubishi UFJ Financial Group (MUFG) for R\$150 million (€28 million).	R\$
	Avangrid begins construction of its first solar power plant in Texas, with an installed capacity of 320 MW, which will deliver clean, renewable energy to Meta, the parent company of Facebook and Instagram, under a long-term power purchase agreement (PPA).	Ě
	Iberdrola launches Carbon2Nature with the mission to develop projects involving high-impact nature-based solutions that reduce the overall carbon footprint, improve biodiversity and promote a sustainable economy.	<mark>₽a</mark>
	Iberdrola begins the startup of its first photovoltaic project in Salamanca, with a capacity of 50 megawatts.	Ě
September	Iberdrola completes the construction of the first hybrid wind and solar photovoltaic plant in Spain, with a 74 MW photovoltaic plant for the hybridisation of the 69 MW BaCa (Ballestas and Casetona) wind complex. The project has a strong local component, thus contributing to the revitalisation of the economy and employment in the community.	Ě
	Iberdrola Greece inaugurates two wind farms with an installed capacity of 37.8 MW and 18 MW, respectively, bringing the country's renewable energy capacity to 420 MW.	1



	Milestone	
October	Iberdrola strengthens its position as having the most widespread public charging network in Spain, with more than 5,000 charging points.	
	Iberdrola is awarded three sites in Germany for the construction of three wind farms with a potential total capacity of between 170 and 200 megawatts (MW).	\$
	Iberdrola signs a long-term clean energy supply agreement (PPA) with TMD Friction Services, the world's largest manufacturer of brake materials. The electricity will come from the Windanker offshore wind farm, which the group is developing in German waters in the Baltic Sea and which is currently in the planning stage, and will cover more than 50% of TMD's total needs beginning in 2027.	£
	Avangrid, as one of the country's leading utilities with the most ambitious carbon reduction targets, becomes a member of the 2030 Club of the Smart Electric Power Alliance.	<mark>с</mark> Ф
November	Iberdrola is the only major electricity company to have passed audit of the National Market and Competition Commission (CNMC) on customer service in Spain, according to a regulatory report on transparency and practices in the communication of pricing changes in electricity supply agreements.	٦گې
	Iberdrola and Masdar strengthen their offshore wind alliance with a €1,600 million investment in the 476 MW Baltic Eagle offshore wind farm in the Baltic Sea.	€ <u>¢</u>
	Iberdrola installs the largest solar community in Spain at the Nexum Retail Park in Fuenlabrada (Madrid). This self-consumption initiative will enable 1,100 families living up to two kilometres from the park to access 100% renewable energy and save up to 40% of their consumption, without needing to have their own installations or to make investments.	Ě
	Iberdrola gathers nearly 100 executives of international companies in Madrid for the presentation of the Global Supplier of the Year Awards 2023, a recognition that highlights its fundamental role in the creation of jobs, wealth and energy transition.	₽ ₽
	Iberdrola inaugurates a pioneering innovation and training centre in Castilla y León (Spain), in the town of Muelas del Pan in Zamora. More than 800 people a year will be trained in the classrooms of these state- of-the-art facilities, contributing to the sustainable economic regeneration of the area.	
	At the UK Global Investment Summit, Iberdrola announces its commitment to the United Kingdom as one of its main markets, after setting out its investment roadmap from 2024 to 2028, totalling £12,000 million (approximately €14,000 million).	£

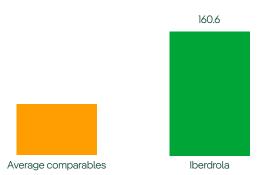
	Milestone	
December	Iberdrola and Masdar expand their partnership to co-invest €15,000 million in offshore wind and green hydrogen in Germany, the United Kingdom and the United States.	
	Installation completed for all wind turbines at the Saint-Brieuc offshore wind farm in France, which has also been named Project of the Year by the International Federation of Consulting Engineers (FIDC).	<b>A</b>
	Iberdrola receives the Environmental Impact Statement (EIS) for the construction of the first hybrid photovoltaic and hydroelectric plant in Spain, with a capacity of 86 MW. This project takes advantage of the storage capacity of the hydropower plant.	
	Successful completion of the Baltic Eagle offshore wind farm transition pieces and cable installation.	
	Iberdrola signs the largest credit facility in its history for €5,300 million with 33 banks, linking the cost to the achievement of two sustainability goals: reducing emissions by 2030 (scopes 1, 2 and 3) and increasing the proportion of women in key positions.	<b>€a</b> (∥)

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# 1.7.Comparative results and recognitions

### **Comparative results**

### Growth in market capitalisation 2013-2023 (%)



Ten years ago, Iberdrola, S.A. held third place among comparable companies in terms of capitalisation<sup>(1)</sup>. It is currently in top place.

#### Iberdrola's performance

Iberdrola has increased its assets by more than 62% and its revenues by more than 50% over the last 10 years. It has also improved its EBITDA by more than 100% and its Net Profit by more than 87%, and shareholder remuneration has increased by more than 63%, improving its financial strength.

Iberdrola	31-Dec13	31-Dec23
Assets (€M)	92,411	150,033
Reven∪es (€M)	32,808	49,335
EBITDA (€M)	7,205	14,417
Net Profit (€M)	2,5712	4,803
Dividends (€/share) <sup>(2)</sup>	0.308	0.501
Net Debt/EBITDA	3.894	3.320



#### Share price

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

(2) Dividend paid during the financial year.

(4) Arithmetic mean of European utilities: Engie, EDP, E. On, Enel, RWE.

(5) Arithmetic mean of US utilities: NextEra Energy, Southern Co, Duke Energy.

<sup>(3)</sup> Total shareholder return, including reinvestment of dividends.



# Recognitions

# Presence on indices and ratings

The only European utility included for the past 24 years, considered to be 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 2023	Global 100
Selected for the index since 2009	FTSE4Good
A LIST rating in the CDP Climate Change Index 2022	A LIST 2022 CLIMATE
Chosen as CDP Supplier Engagement Leader	
Selected AAA	MSCI ESG RATINGS
Selected in several Euronext Vigeo Eiris indices	i EURONEXT
Selected in Forbes 2023 GLOBAL 2000: WORLD'S LARGEST PUBLIC COMPANIES	Forbes 2023 Global 2000 World Largest Public companies
Iberdrola as one of the best performing companies	InfluenceMap
Only Spanish company included. Consecutively selected since 2014 as one of the most ethical companies in the world.	ETHISPHERE" WORLD'S MOST ETHICAL COMPANIES" 2014 - 2023
Leading Spanish company in the ranking due to its investment in clean energies	Carbon Clean 200 You Sow & Corporate Knights
Included in the STOXX Global ESG Leaders index and in the most important indices	STOXX Global ESG Leaders Indices

Top 5% S&P Global ESG Score	S&P Global Sustainability Yearbook 2023
Classified as Prime	Corporate ESG Performance RATED BY ISS ESG
Only Spanish utility selected in all years. Selected in recognition of its equal opportunity and gender policies.	Bloomberg Geader-Gquality Index 2023
Included in the leading indices	Sense in sustainability
In the top 3 of the El Green Utilities Report 2023 ranking	C Energy Intelligence EI NEW ENERGY GREEN UTILITIES REPORT
Gold EcoVadis Medal, Iberdrola as one of the best performing companies	GOLD 2023 ecovadis Sustainability Rating
Among the 500 most valuable brands globally	Brand Finance®
Among the highest-rated utilities	a Morningstar company
Among the world's most influential utilities	WBA Electric Utilities Benchmark
Included in the index	standard ethics *
Iberdrola among the top 10% of companies with the highest scores	WDD: Windfund Discharge Fillander 2022 RESPONDER
Ranked first in 2023	opencorporation

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# **External recognitions**



Ignacio S. Galán. Presidente de Iberdrola

# To the group's companies:

- Iberdrola wins the "EnerTIC Awards" prize for its project to protect birds at wind farms (enerTIC.org): 2023
- Iberdrola recognised as the best utility in the world for ESG disclosure, according to the League of American Communications Professionals (LACP) global ranking:) 2023
- Iberdrola has won the "FT Innovative Lawyers Awards" in the Responsible Business category for its Pro Bono project:) 2023
- Iberdrola recognised as best regulated utility in EMEA (Citywire): 2023
- Recognised as a leader for its commitment to and inclusion of people with disabilities (La Financière Responsable): 2023
- Gold Plaque for Sporting Merit from the Higher Sports Council 2023
- Iberdrola, most innovative company in terms of compliance (Expansión): 2023
- Iberdrola awarded the Enpresan Bardin Prize (large company) for its promotion of equal opportunities between men and women (CEBEK): 2023
- Excellence in Corporate Governance Award (La Razón): 2023
- Iberdrola, Spanish company with the best corporate governance (World Finance): 2023
- Iberdrola, recognised as Company of the Year by Ejecutivos magazine: 2023
- Avangrid recognised by the Edison Electric Institute for how it responded to Hurricane Fiona: 2023
- SP Energy Networks, twice recognised at the Planet Mark Awards in the Milestone and Best Company categories: 2023
- Iberdrola Mexico, winner of the Ethics and Values in Industry Award (CONCAMIN): 2023
- Iberdrola Mexico wins the Ibero-American Quality Award (Ibero-American General Secretariat) for the third consecutive year: 2023
- Iberdrola Mexico is recognised as an Exceptional Company for its social projects (Business Coordination Board and Quality Promotion Institute): 2023

- Neoenergia Cosern recognised as the best distributor in Brazil (Abradee Award): 2023
- Neoenergia recognised with two Aberje Awards for corporate communication in Brazil: 2023
- Iberdrola, awarded in Italy for promoting the country's ecological transition and energy security (Spanish-Italian Chamber of Commerce): 2023

# To the chairman:

- Included in TIME100 Climate, the 100 most influential business leaders driving corporate climate action: 2023
- Considered Best CEO of the top European electric utilities, for the twelfth time, by the Institutional Investor Research Group: 2023
- Medal of Honor from the World Jurist Association for his commitment to ESG: 2023
- ESG Leadership Award by the Foreign Policy Association: 2023
- Best Business Leadership in Energy Transition award from the El Periódico de la Energía: 2023
- José Echegaray Award for his outstanding professional career and profile (El Economista): 2023
- 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
- 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 2024-2026
2.5.Networks Business
2.6.Electricity Production and Customers Business
2.7.ESG+F targets





# 2.1. Operational context

Conflicts in the Middle East and the ongoing war in Ukraine continue to threaten the global recovery. They also affect the volatility of commodity prices and transport costs. This volatility is exacerbated by increasingly frequent extreme weather events.

This situation highlights the need to **move towards electrification and decarbonisation** of the economy, which **will strengthen** self-sufficiency, **energy security, efficiency and competitiveness**, and allow progress towards greater price stability.

This is reflected in the changes that are taking place in energy policy around the world to promote electrification, as well as in consumer behaviour, which is moving in this direction every day. This social, economic and political consensus took shape in the **agreements reached at the last climate summit in Dubai (COP28)**, where all countries pledged to **triple renewable energy by 2030**, mobilising **investments of US\$2.2 trillion per year**.

Consequently, even on the assumption that current policies remain unchanged, the **International Energy Agency expects** direct electrification to drive **a 60% increase in demand from the industrial sector by 2040**, with additional consumption coming from green hydrogen and its derivatives. **Electricity demand in the transport sector** is also expected to **increase fourfold by 2030** and almost **20-fold by 2050**, with a shift towards green hydrogen derivatives from shipping and aviation. In **buildings, electricity will account for 60% of total energy consumption in Europe in 15 years' time**, with huge additional demand coming from data centres, which will double by 2026 and grow exponentially thereafter, driven by the energy needs of artificial intelligence and cloudbased applications.

The increased use of energy to replace fossil fuels and meet new demand could see the **share of electricity in total energy consumption rise** from approximately 20% in recent decades to **28% in 2030 and over 40% in 2040**. This process will involve a major expansion of electricity grids, the need to prepare in advance to maintain electricity supply, and a strong expansion of renewable capacity driven by the substitution of fossil technologies and additional demand. And, finally, **storage technologies will play an increasing role in preserving the balance between supply and demand 24 hours a day**<sup>(1)</sup>.

To address this situation, those who produce, consume and manage energy need to join forces to create a stable and predictable framework with clear rules to accelerate the necessary investments in clean energy, while recognising the key role that grids and storage technologies play in this electrification process.

(1) According to the Announced Pledges Scenario (APS) of the International Energy Agency (IEA)



# The challenge of climate change

**Climate change is one of the most significant and urgent challenges confronting humanity**. Temperatures around the planet have continued to rise, with the average global temperature increasing by 1.45°C in 2023 compared to pre-industrial levels, making 2023 the hottest year on record. 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 (COP2I) 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 increased by 12%, with the concentration of CO<sub>2</sub> in the atmosphere now 50% higher than at pre-industrial levels. According to the latest report of the **Intergovernmental Panel on Climate Change (IPCC)**, for the world to limit the temperature increase **to a maximum of 1.5°C** by the end of this century, **it needs to achieve a 43% reduction in emissions 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 electricity 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**.

In the decarbonisation scenarios, the **long-term growth opportunities for the electricity sector** as a result of the energy transition are clear. The Net Zero Emissions (NZE) 2050 scenario, developed by the International Energy Agency (IEA) as part of the World Energy Outlook (WEO) 2023, shows how **electricity from 90% renewables will provide more than half of final consumption by 2050**. Specifically, the power sector would reach net zero globally by 2045 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 below:



In the course of 2023, most of the proposals in the legislative package have been finalised in the **"Fit for 55"** package launched in July 2021, which aims to set targets and instruments for 2030 that are consistent with climate neutrality by 2050.

At the same time, other highly relevant initiatives were discussed in Brussels, such as the proposals outlined in the **Green Deal Industrial Plan for the Net-Zero Age**, the EU's response to the US Inflation Reduction Act (which heavily subsidises industry for the energy transition in the United States) and the **adjustment of the electricity market design**, related both to the high investment needs for the transition and the need to seek a harmonised exit after the experience of the Ukraine crisis and its impact on energy prices.

In addition to the **update of the state aid framework**, this Industrial Plan includes regulatory measures such as the **Net-Zero Industry Act**, which aims to promote European technological independence in the energy transition, and the **Critical Raw Materials Act**, which aims to ensure the supply of raw materials necessary for the manufacture of these technologies (both bills are at an advanced stage).

The main objectives of the reform of the electricity market design are: a) to facilitate the **free forward contracting** of renewable energy and its integration into the market, supported by **contracts for differences**; b) to increase the **liquidity of forward markets**; c) to promote **flexibility through demand-side participation** and investment in storage; and d) to promote **investment in networks on a proactive basis**. In late 2023, a **provisional agreement on market design** was reached between the Council and the Parliament, which must be formally ratified and published in the Official Journal of the European Union (OJEU) in the early months of 2024.

The European standards published in the OJEU in 2023 include the following:

### • National plans and anti-crisis measures

- Guidance to Member States for the update of the National Energy and Climate Plans (NECP) for 2021-2030. In this regard, the Spanish NECP proposal was submitted to the Commission before 30 June and, following an evaluation by the Commission, it was published on 18 December.
- Amendment of the Recovery and Resilience Facility allowing for an increase of €20,000 million in funding for the REPowerEU Plan, agreed in 2023 to accelerate the achievement of the 2030 targets and the EU's independence from Russian gas.
- Extension of the voluntary reduction of gas demand in each Member State (15%), which was applied from 1 April 2022 to 31 March 2023. The reduction may be mandatory in the event of an emergency.
- Carbon emissions
- Reform of the carbon emissions trading system (ETS), aimed at reducing emissions in the EU by 55% by 2030 (Climate Law), and with the goal of achieving climate neutrality by 2050.
  - Entails emission reductions of 62% vs. 2005 for the ETS sectors (electricity, industry, etc.).

- Member States must allocate 100% of auction proceeds to decarbonisation.
- A new CO<sub>2</sub> market (ETS2) is created for fuel supplied for road transport, buildings and heat, which is independent from the current emissions market (ETSI).
- Maritime emissions are to be phased in and aviation emissions gradually toughened.
- Establishment of a Carbon Border Adjustment Mechanism to shift the carbon price to EU imports of products from a selection of industrial sectors. It envisages the phasing out of free allocations of emission allowances to these sectors
- New binding allocation between Member States of the overall commitment to reduce CO<sub>2</sub> emissions in those sectors not covered by emissions trading (transport, buildings, agriculture, some industry and waste management, which account for 60% of total emissions).

### Renewables and hydrogen

- Update of the European framework for renewable energy, to increase the renewables target, including more ambitious targets in transport and the creation of new ones in industry and construction. The renewables target as a share of total primary energy raised from a binding 32% to a binding 42.5% by 2030. This percentage can reach up to 45%, taking into account an additional 2.5% indicative top up.
- Procedure and methodologies necessary to enable deployment of the production of renewable hydrogen and its by-products.
- Energy efficiency
- New framework for energy efficiency, which sets a binding EU target final energy consumption savings by 2030 of 21.2% compared to 2021 (guidance of 24.3% of primary energy consumption) and promotes electrification.
- Mobility
- Regulation on CO<sub>2</sub> emissions from new passenger cars and light commercial vehicles which establishes a gradual reduction of emissions from light vehicles, until their total elimination by 2035 (end of the registration of fossil-fuelled internal combustion vehicles).
- Regulation on the deployment of alternative fuels infrastructure, which sets national targets for charging facilities at roads, ports and airports, covering electric charging, hydrogen and liquified national gas (LNG) facilities.
- Limits on specific emissions from ships (up to 80% between 2020 and 2050) and requires ships in port to be connected to an onshore power supply Sustainable fuel blending obligations for aviation (minimum of 70% sustainable fuel by 2050).

### Sustainable finance

 Setting of a standard for the issuance and registration of European green bonds and providing the necessary standards for sustainability reporting as from 1 January 2024.





At the beginning of 2023, the crisis resulting from the invasion of Ukraine was still being felt, with a first quarter of high gas prices, causing some volatility in the electricity markets. However, throughout the rest of the year **energy prices gradually stabilised and began to fall**. Nevertheless, the Spanish Government chose to keep in place most of the interventions introduced in 2022 to mitigate the effects of the crisis:

- Continuation of rebates on taxes (5% VAT and 0.5% excise tax) and electricity system charges and suspension of the tax on electricity generation until December 2023.
- Continuation of price limit on sales of electricity of €67/MWh for infra-marginal production (RDL 6/2022 and RDL 18/2022), also until December 2023.
- Continuation of the Iberian exception (or "gas cap") mechanism until 31 December 2023 under RDL 3/2023, which also updated the path for gas reference prices. Although it remains in effect, it has not been activated since February 2023.
- Continuation of the expansion of scope and the discount of the subsidised electricity rate (bono social) for vulnerable consumers until 31 December 2023 (RDL 18/2022).
- The temporary tax on energy companies' revenue is retained, with the possibility of tax relief for strategic investments in transition measures (RDL 08/2023).

Cost reduction and social protection measures were also continued in other energy subsectors: tax reductions for natural gas consumers, limiting the increase in the last resort tariff for natural gas, special gas tariffs for homeowners' associations, measures to reduce energy demand, etc.

Other major regulations approved:

- Reform of small-scale consumer voluntary price (Precio Voluntario para el Pequeño Consumidor) (PVPC) (RD 446/2023) to index prices to forward signals.
- Energy Savings Certificates (Certificados de Ahorro Energético) (CAEs) scheme (RD 36/2023), as a means of proving total or partial compliance with energy saving requirements.

In addition, favourable rulings were obtained for Iberdrola in the public interest and lambda parameter claims affecting the calculation of the basic remuneration of the distribution networks for 2016, as well as the favourable ruling for CURENERGÍA on the compensation corresponding to the financing of the Subsidised Rate for the 2017-2021 period.



- The Electricity Generator Levy (EGL) came into effect on 1 January 2023, implementing a 45% levy on merchant electricity generation revenues from renewable (and nuclear) generation above an annual benchmark of £75/MWh (with inflation indexation based on CPI) until 31 March 2028. (Note: 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 on commercial terms).
- In the 2023 Spring Budget, the Chancellor introduced "full expensing" under the capital allowances regime on a time-limited basis, running from 1 April 2023 to 31 March 2026. This support for investment was further extended in the 2023 Autumn Statement with the Chancellor announcing that "full expensing" would now be put on a permanent basis.

- In the 2023 Autumn Statement, the Chancellor announced that the UK Government will introduce legislation for a new exemption under the EGL, covering "new projects" for which the substantive decision to proceed is made on or after 22 November 2023.
- Among other measures in the Autumn Statement 2023 to support investment, the UK Government announced a £4.5 billion fund to support manufacturing in key strategic sectors, including £960 million for a 'Green Industries Growth Accelerator' to support investment in clean energy sectors (including offshore wind, lowcarbon hydrogen, carbon capture, use and storage mechanisms, electricity grids and nuclear power) from April 2025.
- Following the results of Round 5 of the Contract for Difference (CfD) allocation in September 2023 (which did not include offshore wind bids), on 16 November 2023 the UK Government published the key auction parameters for Round 6 of the CfD allocation. This included a price (administrative strike price - ASP) of £73/ MWh (2012 prices) as the baseline for offshore wind, representing a 66% increase over the ASP in Allocation Round 5. The move was designed to accelerate the pace of large-scale offshore wind deployment in the UK and help meet the Government's goal of 50GW of offshore wind by 2030.
- In February 2023, the Government announced the launch of the British Industry Supercharger to provide electricity price support to Energy Intensive Industries (EIIs). As part of this initiative, the Government announced that it will introduce a 100% exemption from the cost of Taxes on Renewables (covering Contracts for Difference, the Renewables Obligation and the small-scale Regulated Tariff) and the Capacity Market Supplier Obligation Charge. The Government also plans to introduce a network charging cost compensation of 60%, and Ells will be eligible from April 2024. This compensation scheme is expected to be financed by a Supplier Obligation Levy to be introduced in April 2025.
- On 20 September 2023, the UK Government announced that the grant under the Boiler Upgrade Scheme (BUS) would increase from £5,000 for an air source heat pump and £6,000 for a ground source heat pump to a general grant of £7,500 in England and Wales.
- In December 2023, the UK Government announced that it will introduce a UK Carbon Border Adjustment Mechanism (CBAM) by 2027, which will place a carbon price on goods imported into the UK from the aluminium, cement, ceramics, fertiliser, glass, hydrogen and steel sectors. The importer of the products within the scope will be responsible for CBAM reporting.
- In March 2023, the UK Government announced that it would maintain the level of its Energy Price Guarantee (EPG) support scheme, which caps household customers' energy bills at £2,500, for a further three months from April to June 2023, with the level changing to £3,000 from July 2023 until the mechanism ended on 31 March 2024.
- In November 2023, following the report published in August 2023 by the Electricity Networks Commissioner, Nick Winser, the UK Government published its Transmission Acceleration Action Plan. The Action Plan seeks to halve the end-to-end build time of electricity transmission network infrastructure, from 14 to 7 years. A joint Government and Ofgem action plan to accelerate grid connections was also published.





### United States and Canada

- In its second year, the Biden Administration continued its efforts to increase federal investment in clean energy and critical infrastructure through new legislative and regulatory actions, including guidance for the implementation of the Inflation Reduction Act. The environment and the economy continue to be the focus of his administration and his re-election campaign.
- Federal agencies continued to issue regulations and guidance throughout the year. The **Department of Energy** announced **more than US\$80,000 million in stimulus** through the Inflation Reduction Act and the Bipartisan Infrastructure Law, including funding in 2023 for batteries, weatherisation, **electricity transmission**, heat pumps and **electric vehicle charging stations**. There are no new energy-related regulatory developments in 2023. Some issues, such as siting and licensing, attracted a lot of national attention, but there has been no real progress.
- Both houses of Congress had narrow majorities. A divided Congress resulted in little being done in 2023 apart from "must pass".



The following legal and regulatory developments regarding the energy sector occurred in 2023:

 Reform of the Electricity Industry Law (LIE): This reform, published in March 2021, seeks to prioritise the energy generated by the federal electricity commission (*Comisión Federal de Electricidad*) (CFE) over energy produced by private-sector generators.

A group of senators filed an action challenging the constitutionality of the measure and the Federal Economic Competition Commission also raised a constitutional dispute. Both appeals were resolved in April 2022 by the Supreme Court of Justice of the Nation (SCJN), which concluded that there were insufficient grounds to declare the reform unconstitutional.

The affected parties filed legal appeals, most of which are still pending. In addition, in 2023 the SCJN accepted the review of the amparo petitions filed by a number of private citizens, which are still pending. The reform therefore remains suspended due to the injunctions with general effect granted to those individuals.

• Consultations under the 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, particularly in electricity, oil and natural gas. In 2023, it was reported that the Mexican Government and its counterparts had held talks and consultations had taken place. The outcome of the consultations is expected to be announced in 2024.

- Power Balancing Market (Mercado para el Balance de Potencia) (MBP) in production year 2022: The MBP is conducted annually in February, ex post, in order for load serving entities to acquire the capacity required to comply with the requirements of the Energy Regulation Commission (*Comisión Reguladora de Energía*) (CRE). In production year 2022, a net power price in the national grid system (SIN) of US\$149,000/MW/year was recorded; it was highest in Baja California (BCA), at US\$80,000/MW/year. This contrasts with the SIN price for 2021, which was zero. The observed increase is primarily due to the recovery of demand following the COVID-19 pandemic. In addition, the BCA and Baja California Sur systems suffered power shortfalls, continuing the trend observed in previous years.
- SENER and CRE resumed deadlines suspended by COVID-19: On 1 March 2023, the Mexican Ministry of Energy (SENER) and the CRE resumed the deadlines for formalities and procedures, which had been suspended due to COVID-19. SENER's deadlines had been suspended since March 2020, while in the case of the CRE it dated back to January 2021. The resumption of deadlines by SENER provides that proceedings will be resolved according to the order in which they were submitted. For its part, the CRE initially stated that the resolution of procedures would be gradual until 2024, but in July 2023 it announced that it would reinstate the deadlines as provided for by law.
- Modification to the methodology for calculating fuel-free energy: In May 2023, the CRE introduced significant changes to the methodology for certifying efficient cogeneration and refineryassociated plants as efficient cogeneration.

The revised methodology allows fuel-free energy certification for a portion of the energy generated by combined cycle power plants using natural gas-based production. Compliant energy will be eligible for Clean Energy Certificates.



- On 23 February 2023, ANEEL issued Regulatory Resolution No 1059, implementing Law 14 300/2022, considered as the statutory framework for Micro and Mini-Distributed Generation. The approved regulations cover procedures relating to charges for use of the distribution grid for such projects and the deadline for distributors to complete distribution system connection works.
- On 18 December, Law No 14,755 was published, establishing the National Policy on the Rights of Populations Affected by Dams (PDPAB), discriminating the rights of Populations Affected by Dams (PAB), establishing the Programme for the Rights of Populations Affected by Dams (PDPAB) and establishing corporate social responsibility rules. The aim of the law is to prevent violations of rights and excessive delays in the compensation of families and the environment.
- ANEEL Regulatory Resolution No 1,081 dated 12 December 2023 was published, aiming to improve the regulatory framework governing retail sales. The regulation makes the retail agent responsible for the intermediation between CCEE and the consumer, including the exchange of information and the monitoring of contracts.
- On 23 August 2023, Decree No 11,628 was published on the resumption of the national programme for the universalisation of access to and use of electricity: "Light for All". The publication of the Decree makes it feasible to sign up for a new tranche for exceptional targets, including already universalised distributors such as Neoenergia Coelba.



# 2.3. Business model

The current Operational context continues to confirm Iberdrola's pioneering vision, which began more than 20 years ago: that electricity is the only way of achieving self-sufficiency and energy security, ensuring greater efficiency and competitiveness, and guaranteeing price stability, while at the same time making progress towards the goals of decarbonising the world's economies.

Responding to this growing demand for electricity will require not only a major expansion of renewable capacity to replace fossil sources and meet growing demand, but also a massive expansion of electricity distribution networks and increased storage to maintain a permanent balance between supply and demand. In addition, this process will need to be strengthened with new solutions like green hydrogen for processes that are difficult to decarbonise.

# A unique mix of businesses and geographies

Iberdrola views networks as a key factor in the energy transition, given their important role in ensuring security and quality of supply, as well as integrating the growing penetration of renewables and self-consumption facilities. Today, the group operates one of the largest and most efficient distribution systems in the world, with 1.3 million kilometres of distribution and transmission lines, more than 4,500 substations and over 1.6 million transformers, built and operated to provide reliable, high-quality service to more than 30 million electricity supply points.

Iberdrola is also a world leader in renewable energy today, with more than 42GW of capacity in place by yearend 2023. As part of its renewables portfolio, offshore wind is one of the company's key growth vectors, with a robust portfolio of projects focused on the United States, the United Kingdom, France and Germany.

The company also has an installed capacity of 4 GW of pumped hydro, the most technically and economically efficient method of energy storage, and will continue its commitment to this system, which is essential to provide flexibility and security to the market.

The selection of the geographies 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.

# Financial strength and sound dividend policy

Iberdrola's business model maintains the soundness of its financial model, which is based on cash recovery as a key investment criterion, fixed-rate financing, long-term debt maturities, active liquidity management and high diversification, maximising the use of green finance instruments.

All these factors drive a dividend policy that proposes a strong minimum dividend that grows in line with the increase in the company's results.





# Integrated sustainability in the business and shared value

The key pillar of the **long-term value creation strategy** is the combination of **financial and social dividends**, which aims to **meet Stakeholder expectations** by integrating **ESG+F factors** into **corporate strategy and management**.

On the environmental level, the company will continue to pursue its **decarbonisation strategy**, with the goal of becoming **Carbon Neutral by 2030 in Scopes 1 and 2 and in all 3 scopes by 2040**.

In line with this objective, Iberdrola will continue to give preference to green finance instruments, given the very high level of **alignment of the investment plan with the EU Taxonomy**.

In the social dimension, Iberdrola expects through its investments to formalise **10,000 new hires by 2026**, complemented by the creation of additional supply chain jobs.

The company also expects to make further progress in the areas of **equality, diversity and inclusion**, and will continue to step up its support for **employee learning and development**.

All of this is made possible by a **governance system based on ethics and transparency**, which continues to incorporate best market practices.

Details on these objectives can be found in section 2.7. ESG+F targets.

# A business model that enables acceleration of the creation of value for all





# 2.4.Outlook 2024-2026

The **2024-2026 strategic plan** reaffirms the pillars announced in November 2022: **expansion of networks**, **selective focus on renewables and focus on countries with high credit ratings**; reinforcing the commitment to **financial strength and shareholder remuneration**.

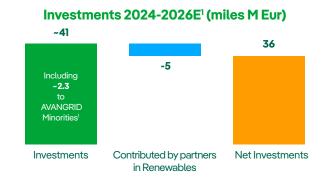
Under this plan, **gross investments of €41,000 million are planned for the period 2024-2026**<sup>(1)</sup> to accelerate the electrification of the economy in the face of new uses of energy demand.

# Strategic Plan in figures:



# Investments and growth

Of the  $\notin$ 41,000 million gross investment,  $\notin$ 21,500 million (60%<sup>(2)</sup>) will go to the **networks** business,  $\notin$ 12,000 million (approximately 30%<sup>(2)</sup>) to the **renewables** business, and the rest will be allocated to the **storage and maintenance** of assets.



The United States will continue to be the top destination for investment, with 35% of total net investment, followed by the United Kingdom with 24%, Spain, Brazil and Mexico with 30% of the total; and the remaining 11% will go to Australia and other European countries, mainly Germany and France.

In the **networks business**, the **investment will mainly** be made in the **expansion**, **reinforcement or modernisation** of networks. The United States will absorb 45% of the total investment, followed by the United Kingdom and Brazil, with approximately 25% each, and the rest allocated to Spain.

Investments in transmission will reach €6,500 million, one third of total investments in the network business, a substantial increase driven by new projects in the United States (NECEC), the United Kingdom (Eastern Green Link) and Brazil.

<sup>(1)</sup> Including equity interest in Avangrid.

<sup>(2)</sup> Of net investments (excluding the contribution of minoritary partners that amounts €5,000 million)



The RAB will reach €54,000 million, an increase of 38%, distributed between the United States, with a third of the total, the United Kingdom with 26%, and Brazil and Spain with 20% each. 85% of the framework for this RAB is fully closed until 2025, with a large part also secured for 2026.

Gross investment in renewables will reach €15,500 million between 2024 and 2026, 54% of which will go to offshore wind projects already under construction: Vineyard Wind in the United States; Windanker and Baltic Eagle in Germany; and the last stage of Saint Brieuc in France. Of the remaining 45%, almost two thirds will be invested in onshore wind and the rest in photovoltaic solar.

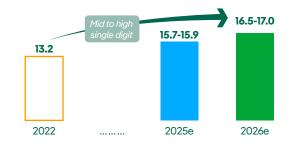
The plan also includes €1,500 million for pumped hydro storage projects, a technology the company decided to invest in more than 20 years ago and which plays a key role in the system's stability and reliability. The company currently has 20 million kWh under construction in three projects on the Iberian Peninsula and 150 million kWh offuture projects in development. It also has several battery projects, mainly in countries such as Australia and the United Kingdom.

Investments in traditional generation and customers will reach €2,500 million, of which €500 million will go to asset maintenance and the remaining €2,000 million to customers; 60% to industrial customers, mainly through PPAs with an average duration of 11 years, 15% through regulated contracts with an average duration of 16 years, and 25% to retail customers.

# **Financial strength**

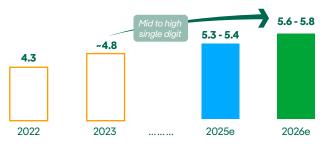
It is estimated that **EBITDA will reach between** €16,500 and €17,000 million by 2026, driven by a combination of planned investments and increased operational efficiency, with 70% not linked to energy prices. The geographic diversification of EBITDA will be high, with 20% coming from the United States, another 50% from the United Kingdom and the Iberian Peninsula, and the remaining 30% from Latin America and Australia.

### Expected growth in EBITDA (€ thousand million)



Net profit will stand at between €5,600 and €5,800 million by 2026...

### Expected growth in net profit (€ thousand million)

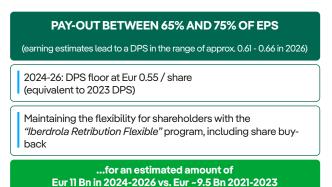


...which will allow **FFO over net debt** to remain at around **24% in 2026**.



# Shareholder remuneration

This will allow shareholder remuneration to grow in step with earnings, with a payout ratio of 65% to 75% of earnings per share, resulting in an **estimated dividend per share** in the range of  $\bigcirc 0.61$  to  $\bigcirc 0.66$  by 2026.



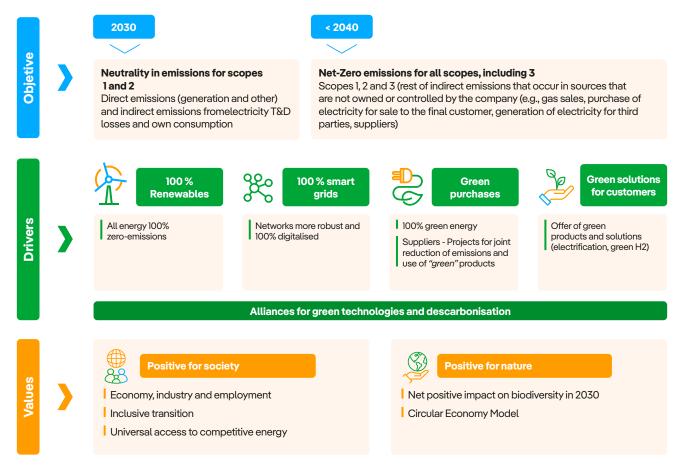
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Flexibility for shareholders will also be maintained through the *Iberdrola Retribución Flexible* optional dividend programme, which includes share buybacks. In total, dividend payments are expected to reach €11,000 million between 2024 and 2026, compared to €9,500 million paid in the previous three years.

# **Energy transition and 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, as reflected in its Climate Action Plan.



This 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.





# 2.5.Networks Business

# **Regulatory environment**



# Spain

- The provisional remuneration of the distribution networks for 2023 has been approved, setting a value equal to the provisional remuneration for 2019. Once the final amount of the basic remuneration for 2016 has been recalculated due to the application of various rulings, the annual amounts for the period 2017-2023 will have to be revised.
- The 80% reduction in tolls for high-consumption customers will be maintained, financed by contributions from the general state budgets and surpluses from previous years.
- Due to the use of surpluses from previous years' settlements, the charges for 2023 were reduced by 6%.
- RD 314/2023, which regulates closed distribution networks that allow the supply of electricity to customers with related industrial activities in nearby locations, was published in April.
- In June, Order TED/567/2023 was published for the first call for access to the regulatory sandboxes to which i- DE submits its proposals.

A hearing on the proposed Circular commenced in 2023 to determine the methodology and conditions for access and connection to demand facility networks, as well as a draft resolution establishing the calculation methodology for the adjustment to be made to the annual remuneration of electricity transmission and distribution companies for the use of fibre optics, to which lberdrola has made comments.

In addition, in December the process began for the specific modification of the electricity plan for 2021-2026 and the transmission network plan for 2026-2030, with Iberdrola participating in both.



- The new five-year RIIO-ED2 Distribution regulatory period started in April 2023. Following intense negotiations with Ofgem, the UK regulator, a Cost of Equity of 5.23% and a Cost of Debt of 3.07% were established, approving a TOTEX of almost £4,000 million.
- The regulatory framework has created new opportunities, including a new incentive for Distribution System Operators (DSO). At the same time, however, it has set more ambitious targets for the rest of the regulatory incentives.
- In the transmission business, work continued on the RIIO-T2 commitments, which are expected to result in associated costs of £2,900 million between 2021 and 2026. Derived from the Holistic Network Design (HND) report –a key policy document of the UK government's Department for Energy Security and Net Zero (BESS, now called DESZN)–, additional investment in the transmission network will be needed, amounting to £5,000 million in projects in southern and central Scotland up to 2030.
- The investment in these projects represents a significant increase in grid capacity, which will facilitate the integration of the abundant renewable generation expected to come online in Scotland over the next few years.



- On 25 August 2023, Connecticut's regulatory authority, PURA, issued its final decision on United Illuminating's (UI) rate pricing plan for the September-2023 / August-2024 period. The approved rate plan assumes a revenue increase of US\$23 million, an ROE of 9.1% (reduced to 8.63% for certain adjustments) and an equity ratio of 50%. On 18 September 2023, UI appealed this decision to the Connecticut Superior Court on the basis of factual and legal inconsistencies in the classification of deferred assets and the recognition of assets placed in service and operating expenses.
- On 3 November 2023, Connecticut Natural Gas (CNG) and Southern Connecticut Gas (SCG) submitted their application to PURA for new rates covering the period from November-2024 to October-2025. The companies requested revenue increases of approximately US\$19.8 million (CNG) and US\$40.6 million (SCG) and included in their request various measures to mitigate the impact on customers' bills (e.g. special discounts for low-income customers). Finally, the application included a request to keep revenues decoupled from demand and to lock in efficiency gains.
- On 12 October 2023, the New York State Public Service Commission (NYPSC) approved the joint proposal by New York State Electric and Gas (NYSEG) and Rochester Gas and Electricity (RGE) for new rates for the period from May 2023 to April 2026. The proposal includes a clause allowing the companies to recover the collection rights generated by the companies between May 2023 and October 2023 as a result of the delay in the approval of the new rates in the November 2023 to April 2026 period. The approved rate plan assumes an increase in revenue of US\$430 million, a return on equity of 9.20%, an equity ratio of 48% and a capital expenditure plan of US\$6,400 million: US\$1,100 million in 2022 and US\$5,300 million in 2023-2026. These figures include US\$634 million for Phase I of the CLCPA. In addition, the new pricing plan will allow investments to improve the resilience and reliability of the grid and its resistance to cyber-attacks, as well as to increase energy efficiency, heat pumps and electric vehicles.
- On 6 July 2023, the Maine Public Utilities Commission (MPUC) approved Central Maine Power's (CMP) proposed new rates for the period from July-2023 to June-2025 (in the past 15 years, no electric *utility* has been able to negotiate a multi-year plan). The approved rate plan assumes an ROE of 9.35%, an equity ratio of 50% and more ambitious targets for quality of supply and customer service.



- In August 2023, Decree No 11,628 was published on the resumption of the national programme for the universalisation of access to and use of electricity: "Light for All". The publication of the Decree aims to complete the process of universal electricity coverage in Brazil and includes distributors such as Neoenergia Coelba, already universalised.
- In 2023, three distributors of the Neoenergia Group (Neoenergia Coelba, Neoenergia Cosern and Neoenergia Elektro) carried out their Regular Tariff Review. The factors with the greatest impact on calculating the tariff review for customers were the purchase of energy and transmission and the withdrawal of previous financing.



# **Key business information**

Iberdrola is a pioneer in the development of innovative projects to improve the reliability, safety, resilience and digitalisation 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 is working to maximise the system's operating efficiency through operational excellence and the digitalisation of its assets. The company, as a leading player in the energy transition, advances towards a more decarbonised model due to the massive deployment of its smart grids which, thanks to the information they provide, facilitate more proactive, remote and secure management, favouring more efficient integration of (centralised and distributed) electric power generation and the deployment of electric vehicles and heat pumps, among other things.

		Spain		United Kingdom		United States		Brazil		Total	
Item	Unit	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Gross margin	M€	1,909	1,933	1,415	1,658	3,939	3,749	2,646	2,637	9,909	9,976
EBITDA	M€	1,608	1,553	1,093	1,232	1,889	1,400	1,936	1,826	6,526	6,011
Distributed energy	GWh	89,622	87,866	31,020	30,321	38,757	37,174	76,107	78,343	235,506	233,704
Supply points (Electricity)	Millones	11.4	11.4	3.6	3.6	2.3	2.3	16.0	16.4	33.3	33.7
Gas supply	GWh					64,892	59,900			64,892	59,900
Supply points (Gas)	Millones					1.0	1.0			1.0	1.0
Gross investments	M€	801	656	678	1,014	1,692	1,980	1,506	1,980	4,677	5,178

# **Key figures**

# Main activities during the year

# **Planning and development**

• Spain: In 2023, facilities totalling €600 million were brought into service, continuing the digitalisation of the networks and the capacity expansion programmes to support the connection of new customers and renewable generation, which are required to meet the objectives of the National Energy and Climate Plan (PNIEC). Projects have also been launched to optimise tools and processes to further develop the concept of flexible connections, recently introduced in access and connection regulations, with a view to increasing the connection capacity of our networks. With regard to access and connection studies, requests for more than 10,900 MW of capacity were received during the year, mainly from Datacentres and storage batteries, which were analysed in order to prepare connection proposals. Many of these connections required the planning of new access points to the transmission network, which were submitted to the Ministry to be included in the modification of certain aspects of the Transmission Network Plan.

• United Kingdom: The RIIO-ED2 and RIIO-T2 regulatory periods are ongoing, investing over £4,000 million in distribution and over £2,000 million in transmission. The programme of transmission projects is aligned with the objectives published in the "National Grid Holistic Network Design (HND)", to achieve the decarbonisation targets by 2030. This encompasses major grid investments to integrate offshore and onshore wind, which will require additional HVDC connections, including the Eastern Link project. This project, proposed by ScottishPower Transmission and National Grid Electricity Transmission, will connect Scotland and England via a 2 GW undersea cable.

The agreed business plan for the RIIO-ED2 regulatory period includes an extensive work programme focused on the low-voltage grid, which





will free up grid capacity and enable around 5 million electric vehicles and 2 million heat pumps to be connected to the network. The business is transitioning to the role of Distribution System Operator (DSO), which, through more active and dynamic network operation, will enable it to prioritise network reinforcement and operation in an efficient manner and to provide customers with access to the network.

- United States: Development has continued on the transmission and distribution network to achieve electrification and decarbonisation targets, improve resilience and customer service quality, and support the integration of renewables. The rollout of smart meters is under way in New York, in line with Avangrid's plans to reach 100% smart metering by 2025.
- **Brazil:** The construction of 812 kilometres of new transmission lines was completed in the Lagoa dos Patos, Vale do Itajaí and Morro do Chapéu projects in 2023. With these additions, Neoenergia has a total of 18 projects in its portfolio, covering almost 9,000 kilometres of transmission lines and 17 substations. Of these, 10 are already fully operational, with approximately 3,300 kilometres of lines and 9 substations, while 5,700 kilometres of lines and 8 substations are under construction.

### **Customer service**

• **Spain:** i-DE further improved the quality of supply in 2023 and is an industry leader, thanks to investments in electricity infrastructure and the digitalisation plan for its electricity networks. These plans are aimed at promoting the energy transition, the electrification of the economy, and the revitalisation of the territories in which it is present.

The customer experience is also a strategic priority for i-DE, with world-class leadership and drive In 2023, in recognition of its efforts to put the customer first, i-DE was awarded the Best Customer Experience Strategy Award by the Customer Experience Development (*Desarrollo de las Experiencia del Cliente*) (DEC) association, making it the first energy distributor in Spain to be recognised for its customer-centric approach.

• 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 it to serve customers in a more personalised and proactive way, while providing teams with access to a single view of their customers, and greater automation to drive efficiency and quality. This programme has been launched in several key processes in 2023 and will be continued in 2024.

- Brazil: Neoenergia won the "Era del Diálogo" award, which recognises the twenty companies that most value harmony in their relationships with consumers. It also won gold at the Latam Awards (Latin American Alliance of Organisations for Customer Interaction) in the category Best Operating Strategy for the Citizen Sector with the project End-to-End Management: Personalisation and Customer Welcome, and a silver award at the ClienteSA and SMART Awards with the project Humanising Digital Transformation. In addition, the Brazilian National Electric Energy Agency (Aneel) awarded the Ombudsman Award to Neoenergia Elektro, which was among the most outstanding in Brazil last year.
- Neoenergia Cosern was also recognised as the best energy company in Rio Grande do Norte at the third annual "Regional Leaders of Brazil" awards.
- Neoenergia also received recognition for its management and customer-centric approach, maintaining quality (ISO 9,001 management system) and customer satisfaction (ISO 10,002 management system) certifications for its five distributors.
- United States: AVANGRID Networks has further accelerated the digitalisation of its customer base, increasing the number of customers using the mobile application to more than 1 million. The number of customers registered to use digital self-service options increased by 8.2% in 2023, representing 68.2% of AVANGRID's customer base. In addition, more than 79% of customers (1.82 million) are now signed up to receive outage alerts.

# **Operational excellence**

• Spain: In Spain, i-DE continued to improve its incident handling processes and achieved the best quality of service in its history, exceeding the industry average in the country. This milestone was achieved thanks to continuous development of the grid automation plan, the use of artificial intelligence to prioritise investments in grid renewal, and the use of information from smart meters to faults in the grid and reduce outage times. Grid resilience was put to the test during heavy rains and flooding in September last year, which affected the centre and east of the Iberian Peninsula and resulted in



high- and medium-voltage grid disruptions. Of the 257,000 customers affected, 70% had their supply restored in less than 30 minutes.

- UnitedKingdom:SPEnergyNetworks,inconjunction with the global network team, has been working with i-DE on its operational excellence approach to secondary communications and electronic devices. SP Energy Networks has replicated this approach and used as the basis for further development but also to combine new industrial technologies like the IoT Hub, edge computing and machine learning.
- **Brazil:** In Brazil, two Neoenergia companies won the ABRADEE Award 2023. The ABRADEE Award is the most important recognition in the sector, awarded by the Brazilian Association of Electricity Distributors ABRADEE. Neoenergia Cosern was recognised as the best distributor in Brazil, in the northeast region and for best operational management. Neoenergia Elektro won the awards for quality management, performance trend and best distributor in the southeast region.
- United States: the Distribution Transformer Refurbishment Programme has been implemented, as has the Cybersecurity Operations Center. Following a detailed audit, AVANGRID Networks also retained its ISO 45001:2018 certification from AENOR, a mark of excellence in AVANGRID's health and safety programmes.

# Network digitalisation and Flexibility

- Spain: In terms of flexibility and digitalisation in Spain, i-DE has led a proposal for regulatory innovation to make the electricity system more agile, with a consortium that includes most of the domestic electricity distribution companies. Since 2023, the company has also been coordinating the EU-funded BeFlexible project, which includes up to 12 pilot programmes with other companies in the industry. The project aims to identify flexibility resources and assess grid and customer capacities and match customer demand to peak and off-peak periods in order to meet the operational needs of the grid.
- United Kingdom: In order to improve visibility and enable active operation of the network, monitoring capabilities continue to be developed, through the installation of new metering points and the development of a new solution capable of capturing exponential volumes of data. An open data portal has also been launched, allowing customers and stakeholders to search, download and use data via an API to support their own decarbonisation goals.

- United States: digitalisation is a key enabler to overcome some of the obstacles AVANGRID is currently facing. The number of remote automated devices deployed across the network will continue to grow (400+) and will be coordinated with the digitalisation of substation systems. This coordination will not only allow for remote operation but also for the first large-scale deployment of self-healing technology. By integrating data from smart meters (more than 1 million meters will be deployed in New York by the end of 2024) with automation and advanced distribution monitoring, local control logic can be used to support troubleshooting, minimise substation interventions and increase the flexibility of distribution networks to meet local targets.
- **Brazil:** in 2023, the first six automation islands with centralised self-healing technology were implemented in the AGR (Automatic Grid Recover) module at Neoenergia Pernambuco and Neoenergia Cosern, benefiting more than 465 customers. In addition, the focus on the robustness of the telecommunications network has led to the installation of 14 new towers (bringing the total to 345), 290 km of optical fibre (for a total of approximately 1,800 km of optical fibre) and more than 2,400 new telecommunications devices, resulting in more than 17,500 automated devices throughout Neoenergia.

# Outlook 2024 - 2026: networks as the cornerstone of secure and quality service, enabling the energy transition

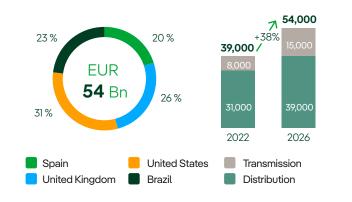
Networks are essential to enabling the energy transition, and the urgency of multiplying investments to deliver secure and reliable transmission and distribution networks is becoming increasingly clear.

More than €21,000 million will be invested within the framework of the strategic plan, mainly in networks in the United States, the United Kingdom, Brazil and Spain. Of this amount, more than €15,000 million will be invested in distribution, and approximately €6,500 million in transmission.

Regulated business growth is well defined, supported by regulatory frameworks that provide **highly stable and predictable results**. Pre-approved tariff schemes with a positive outlook will drive 90% of the investment by 2025 and 80% by 2026. Network digitalisation will account for 20% of investment in distribution, increasing the share of digital networks from 78% in 2023 to 86% in 2026. In terms of quality of service, the aim is for an 11% improvement in quality by 2026.

One of the main drivers of this plan is the growth of the transmission business, to which €6,500 million are expected to be allocated in the United Kingdom, the United States and Brazil, all under clearly defined remuneration conditions.

This investment will lead to a **regulated asset base** of €54,000 million by 2026, of which 30% will be in transmission assets. As a result of this investment, the company will have a more resilient and smarter grid with 36 million connections and more than 20 million smart meters across approximately 1.3 million kilometres.



2026 Asset Base (EUR Bn)

### Networks investment allows a ~38% increase in the asset base vs 2022

# 36 M connections 36 M connections 20 M smart meters by 2026 11% improvement in quality of service 1.3 M km distribution lines 1.3 10 TWh distributed energy

2026 Key metrics





# 2.6.Electricity Production and Customers Business

# **Regulatory environment**

Following the events of 2022, which were dominated by the war in Ukraine and its impact on the management of raw materials and energy, 2023 saw markets return to partial normality. This stabilisation has made it possible both to reduce regulatory intervention and to gradually step up the regulatory initiatives that drive the energy transition: setting targets for renewables, restructuring the market, streamlining and simplifying administrative procedures, and promoting energy and industrial independence in strategic sectors.



- The process for the creation of a capacity mechanism is under way. Under this umbrella, MITECO launched a public consultation on a draft decision setting the value of the lost load (VOLL) and the reliability standard (RS).
- The regulatory basis was published for renewable production incentives for cogeneration and waste treatment.
- Order TED 741/2023 was approved, updating the parameters of the specific remuneration regime for the 2023-2025 semi-period.
- Royal Decree Law 5/2023 adopts and extends certain measures in response to the economic consequences of the war in Ukraine. Among other measures, the 80% reduction in tolls for electricity intensive customers is extended until 31 December 2023, promoting sustainable mobility by simplifying the administration of charging points and approval of tax incentives for the purchase of electric vehicles and charging points.
- The 7<sup>th</sup> Radioactive Waste Management Plan was approved. The plan estimates an increase of €2,000 million in future costs for plant decommissioning and waste treatment.
- RDL 8/2023 extends the milestones (dates) set for the construction of renewable plants with access and connection permits already granted.



- In 2023, the government continued the support schemes introduced before the winter of 2022-23 to help households and businesses with exceptionally high energy bills:
- The **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), i.e. £67 per month.
- An Energy Price Guarantee (EPG) for domestic customers. This EPG limited a household's energy bill to £2,500 between October 2022 and June 2023 and £3,000 between July 2023 and March 2024. The energy price cap has remained below £3,000 since July 2023, but the government is using the EPG scheme to equalise prepayment meter and direct debit tariffs, which will be in place from July 2023 to March 2024. This has been complemented by direct government assistance for low-income households.
- The Energy Bill Reduction Scheme (EBRS) and the subsequent Energy Bill Discount Scheme (EBDS) for non-household customers. The EBRS provided a discount for non-domestic customers from October 2022 to March 2023, and the EBDS provided a lower level of support from April 2023 to March 2024, allowing suppliers to give non-domestic customers a discount on energy prices.

- In February 2023, a moratorium on the use of prepayment meters to collect debts without the customer's consent (involuntary prepayment) was introduced and remained in place throughout 2023. During this period, Ofgem introduced new, enhanced consumer protection rules, including tighter restrictions on who qualifies and, in particular, a 'do not install' category of customers who can no longer be subject to involuntary prepayment meters installations (or conversions from smart to prepayment meters).
- In line with its focus on suppliers' financial resilience, in 2023 Ofgem announced a new common minimum capital requirement for energy suppliers to ensure they have the financial cushion to absorb severe but foreseeable market disruption. The requirement will apply from 31 March 2025.
- In 2023, the Government introduced the Great British Insulation Scheme (GBIS), a new energy efficiency programme focused on providing relatively low-cost cavity wall and loft insulation to qualifying low-income households. The new scheme will run in parallel with the existing supplier scheme until March 2026.



- The Administration has continued to support the burgeoning US offshore wind industry and has expressed strong support for the renewable energy industry. Despite promises from the administration and serious discussions in Congress, little progress has been made in streamlining the permitting process for new energy projects.
- The States also upheld and broadened their commitments to renewable energy development, not only through targets but also by stimulating the development of the entire regulatory and supply chain environment. Federal agencies continued to issue regulations and guidance throughout the year.
- At the state level, state governments continue to support **renewables** through legislation and the implementation of programmes made possible by **new federal funding**. Many of the states that are the biggest beneficiaries of these funds are under Republican control, pointing to an interesting election landscape in 2024.



- Brazil has a **consolidated auction system for renewables**, but there were no auctions in 2023 and there are no Ordinances providing for auctions in 2024.
- No progress was made in 2023 on the regulations for the liberalisation of sales to low-voltage customers by 2026 for the industrial and commercial segment, and by 2028 for residential.
- In February 2023, ANEEL issued Regulatory Resolution No 1,059/2023, implementing Law 14 300/2022, regarded as the



statutory framework for micro- and mini-distributed generation. The approved regulations cover, among other things, procedures relating to charges for use of the distribution grid for and the deadline for distributors to complete grid connection works. Several bills to establish the legal framework for hydrogen were presented in the legislative sphere during 2023. Two bills have progressed further, one in the Chamber of Deputies (PL 2,308/2023) and the other in the Senate (PL 5,816/2023). Both bills were approved in their respective houses of origin and are still being processed in parallel, but it is not known which of the two will finally be enacted. The statutory framework for hydrogen is expected to be published in 2024.

# Mexico

- In April 2023, Iberdrola Mexico and Mexico Infrastructure Partners (MIP) announced a Memorandum of Understanding (MoU) whereby Iberdrola undertook to divest a portfolio of 13 generation plants, including combined cycle plants and an onshore wind farm, for US\$6,000 million.
- Iberdrola and MIP subsequently executed the binding sale and purchase agreement (SPA) in June 2023. The transaction includes generation assets (8,539 MW of installed capacity), of which 8,436 MW is in combined cycle plants and 103 MW of wind power from La Venta III. For its part, Iberdrola will retain 2,600 MW, all of its commercial activities with residential customers and its portfolio of renewable energy projects (wind and solar).
- All the paperwork has been filed with the Federal Competition Commission (Cofece) for approval. The following related permits have been obtained as part of the sale agreement:
  - Topolobampo III. In November, the Energy Regulatory Commission (CRE) authorised a change in the startup date (COD) to 15 December. The plant has been in operation since 1 December of the same year.
  - Enertek reconnection. On 15 December 2023, the plant was reconnected to the national electricity grid.
  - In November, the CRE authorised the modification of the permits from the Public Electricity Service Law (LSPEE) to the Electricity Industry Law (LIE) for the additional capacities of Altamira III and IV, Altamira V, La Laguna and Tamazunchale I. In December, interconnection contracts were signed with CFE Transmisión.
  - Reconnection of Monterrey III and IV. On 17 November, the CRE authorised the modification of the LSPEE permit to LIE rules. They are due to be reconnected in 2024.
  - Migration of the Monterrey cogeneration plant (PCM) and the Dulces Nombres II power plant (DNO). The CRE authorised the modification of the LSPEE permit to LIE rules for both plants
  - Corporate spin-offs. In November, the CRE authorised the transfer of Cuyoaco, El Carmen, PCM and DNO permits from companies that will be transferred to MIP to newly created companies that will remain with Iberdrola.
- Transmission tariff for the use of network infrastructure (Porteo estampilla): In November 2023, the competent court upheld the injunction granted on appeal against the increase in transmission charges (known as the "porteo estampilla") published in May. The increase, authorised in 2020 by the CRE, affected renewable power plants and efficient cogeneration in self-supply.
- Resumption of operations at the Santiago Eólico wind farm: In June 2023, the CRE approved the generation permit under LIE rules. Following this, the interconnection contract and the required environmental permits were obtained.
- Supply of last resort in November 2023, the CRE approved the model contract and the supply of last resort tariff for Iberdrola Clientes.



# International

- Internationally, renewables continue to flourish, driving decarbonisation while at the same time achieving energy independence and stabilising prices for end-customers.
- With declining prices in the wholesale gas markets and, by consequence, also in electricity markets, most governments are now withdrawing revenue reduction mechanisms.
- The global deployment of renewables must go hand in hand with a simplification and acceleration of the project pipeline. In this regard, the European Commission approved an ambitious package of measures in the revision of the RED III Renewable Energy Directive, which was published on 30 October 2023. In parallel, and in order to meet the deadlines required in Europe, Member States have developed various initiatives to accelerate the deployment of renewable energy, including the designation of acceleration areas and other initiatives to facilitate the deployment of renewable energy projects. This includes initiatives in Germany (effective application of the public interest override), Portugal (Simplex) and, to some extent, Spain (sensitive areas). The measures adopted in 2023 will be implemented by Member States during 2024.
- A growing number of countries are looking to offshore wind to help meet their decarbonisation targets, with some setting up schemes for early development (Greece, Italy, Portugal, Australia, Japan) and others gearing up for large-scale deployment (France, Germany).
- Inflation triggered by the war in Ukraine has led some countries to make upward adjustments to tariffs already awarded in previous auctions (Portugal) or to allow longer lead times than originally planned (Germany) and, in addition, to raise the ceilings on the prices allowed in future auctions (Germany, Italy).
- In several countries (Greece, Hungary, Italy, Germany), steps are being taken towards the next phase of renewables integration with the launch of tenders to support large-scale battery storage investments.
- Elsewhere, the first regulations on renewable hydrogen transport networks, as well as support schemes for their production, are being implemented (Germany, France, Portugal).



# **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

Item		Sp	ain	United <b>K</b>	Cingdom	United	States	Br	azil	Mex	<b>cico</b>	IE	თ	То	tal
	Unit	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
Gross margin	M€	5,340	7,010	1,636	3,104	1,120	1,119	465	443	1,158	1,131	602	645	10,323	13,456
EBITDA	M€	3,459	4,277	836	2,087	722	686	402	348	854	786	427	420	6,699	8,601
Electricity contracts	Millones	10.4	10.2	2.8	2.7							0.5	0.4	13.7	13.2
Gas contracts	Millones	1.2	1.2	1.9	1.8							0.1	0.1	3.3	3.1
Smart solutions contracts	Millones	9.5	10.4	2.5	2.8			0.5	0.7			0.5	0.3	12.9	14.1
Gross investments	M€	1,982	1,523	735	1,156	949	1,009	342	129	254	161	1,602	1,993	5,862	5,97

# Main activities during the year

# New installed capacity

**2,873 MW of renewal capacity** was installed during the year, broken down as follows:

- **Onshore wind:** 104 MW in Spain, 160 MW in the United States, 96 MW in Brazil, 13 MW in Greece and 79 MW in Poland.
- **Photovoltaic solar: 1,339 MW** in Spain, 109 MW in the United States, 9 MW in the United Kingdom, 6 MW in Brazil, 120 MW in Australia, 7 MW in Italy and 98 MW in Portugal
- Offshore wind: 496 MW from the St. Brieuc project in France, where the installation of wind turbines has been completed; and 78 MW corresponding to the first seven wind turbines of the Vineyard Wind project, which will reach 806 MW in the United States.
- Hydroelectric: 160 MW from the Alto Tâmega power plant in Portugal.

During the year, 45 MW of mini-hydro plants in Spain were divested and there was also a rotation of hydro assets in Brazil, where 100% of Dardanelos, with an installed capacity of 261 MW, was consolidated and, in turn, the stake in the Teles Pires (51%) and Baguari (51%) plants was divested. A package of operational wind farms in Spain totalling 296 MW, in which it had a 20% stake, will also be fully consolidated. Including these transactions, total installed capacity in 2023 would reach 3,250 MW.

The group currently has more than 6,000 MW of projects under construction and projects with approved investment:

- **Onshore wind:** more than **730 MW** in Spain, the United Kingdom, the United States and Australia.
- Photovoltaic solar: more than 2,700 MWdc in Spain, the United States, the United Kingdom, Italy and Germany.
- Offshore wind: Growth continues with the construction of the 806 MW Vineyard Wind project in the United States, the 476 MW Baltic Eagle project in Germany and the 1,397 MW East Anglia 3 project in the United Kingdom. An investment decision on the 315 MW Windanker project in Germany is also imminent.

In offshore wind, work also continues on the development of the **804 MW New England 1 and 1,232 MW New England 2** projects in the United States, representing some 2,000 MW of capacity.

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



# Green hydrogen

- Commissioning of Europe's largest green hydrogen plant for industrial use in Puertollano (20 MW capacity), in addition to Spain's first public and commercial hydrogen plant in Barcelona (2.5 MW capacity), which became operational in 2022.
- First company in Spain to obtain the AENOR Renewable Hydrogen Certificate for the Puertollano and Barcelona plants, and the first company in Spain to obtain the Enagás Renewable Hydrogen Producer Certificate for the Barcelona plant, in accordance with the regulations of the Ministry of Ecological Transition and Demographic Challenge.
- Progress is also being made on developing 60 projects in 8 countries, including green ammonia and green methanol, in regions like Spain, the United Kingdom, Australia, Brazil and the United States, to meet the electrification and decarbonisation needs of sectors such as industry and heavy transport.
- Public funding has now been secured for the following projects:
  - **Green methanol:** the Green Meiga project (24,000 t/year of H2) has been selected by the EU in the Innovation Fund call.
  - Green hydrogen in Spain: the project in Castellón with BP (25 MW capacity) has received confirmation of support for H2 under the strategic economic recovery and transformation project (PERTE).
  - Green hydrogen in the United Kingdom: two green hydrogen projects have been awarded in the first call for DESNZ grants, Whitelee and Cromarty (with Storegga), making them the first green hydrogen plants to be built by the Iberdrola Group in the UK.
- Several agreements have been signed during 2023, aiming to promote the export of green hydrogen from Spain to Central Europe. These include the one signed with Trammo, the world's largest ammonia trader, and the agreement signed with ACE Terminal and Hynetwork Services to deploy the green hydrogen maritime corridor between Spain and the Netherlands. In Brazil, work continues on cooperation agreements with the governments of the states of Pernambuco and Rio Grande do Sul and with the company Prumo Logística.

## 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 14 million smart solutions in use during 2023.
- In 2023, a Joint Venture was created with BP to deploy 12,000 fast and ultra-fast charging points in Spain and Portugal by 2030.



# 2024-2026: cleaner energy and decarbonisation solutions for customers

In the Electricity Production and Customers business, investments totalling €15,500 billion will be made by 2026, adding 9 GW of renewable capacity, of which 6 GW corresponds to projects under construction, as described above.

More than half of this investment will be in offshore wind, with projects already under construction in Germany, the United States and the United Kingdom. In the onshore wind business, projects in the Iberian Peninsula, the United States, the United Kingdom and Australia will account for around 1.2 GW. In solar technology, the construction of 4 GW will be completed in the United States, Italy and Spain during this period.

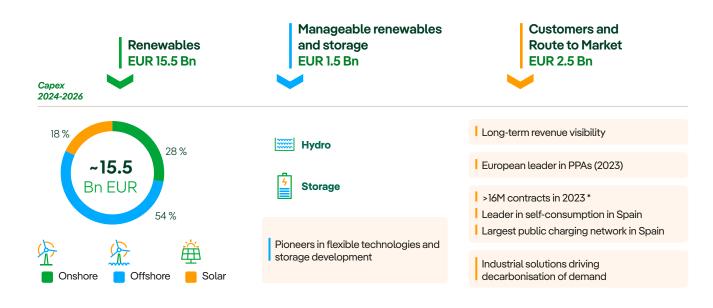
The Strategic Plan also includes an investment of  $\pounds$ 1,500 million in storage, which will increase capacity to 120 million kWh by 2026, with the construction of three new pumping facilities expected to be operational before 2026 and which will add 20 million kWh of storage to the current capacity. In addition, lberdrola has various grid-connected battery projects in place, mainly in the United Kingdom and Australia.

Stable income from generation assets is primarily ensured by the growth in demand for electricity,

driven by the continuing electrification of the economy. For example, the **technology sector**, and especially data centres, is **increasing the demand for long-term contracts (PPAs)**, a market in which **Iberdrola is currently the European leader** and where it **continues to build alliances with strategic customers**. Secondly, with a base of **14 million electricity customer contracts by 2026**, Iberdrola is the leading supplier in the Iberian Peninsula and among the top six in the United Kingdom, with **efficiency, excellence, digitalisation and personalisation** as the group's main competitive advantages. This customer portfolio provides a stable counterpart to the company's own production.

Iberdrola is able to sell value-added solutions, such as smart solutions, through its retail business strategy. The company currently has more than 14 million services, **14,000 public charging points and 37,000 private charging points and is the leader in the selfconsumption market in Spain**. The company expects the number of **services** to reach **16 million by 2026**.

The company also has a portfolio of projects to sell the energy produced by green hydrogen at a price that ensures profitability and, where appropriate, is backed by incentives.



(\*) Includes electricity and gas contracts



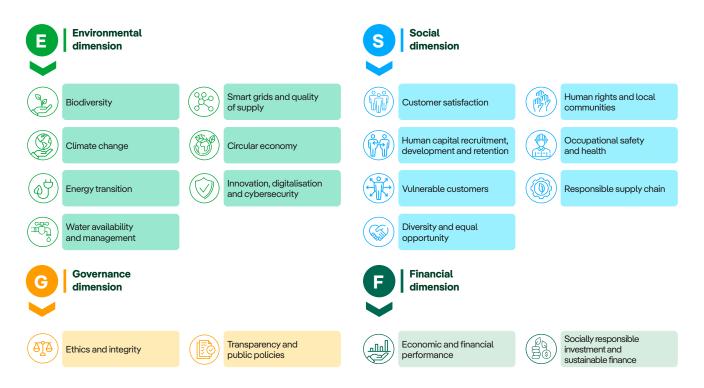
# 2.7.ESG+F targets

# **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. The **methodology applied** considers **the nature of the industry in which the company operates**, the **activities it performs**, the **policies** that it applies in the field of sustainable development, **long-term objectives**, particularly **ESG objectives**, and its **engagement with its Stakeholders**.

As a result of the above, it is concluded that the material issues continue to be those identified in prior years, dealing with the following 18 issues:

# **Material Topics**



According to this materiality analysis, the material issues for Iberdrola, grouped into large blocks, continue to be decarbonisation, biodiversity, efficient use of resources, innovation, diversity and inclusion, safety and health, products and services, contribution to local communities, and respect for human rights. In the field of governance, ethical culture and transparency. All bearing in mind the importance of financial sustainability that cuts across all the above priorities.



# ESG + F Targets: Sustainability roadmap

Integrating sustainability into the business model has been a constant at Iberdrola for more than 20 years, and has become a pillar of growth.

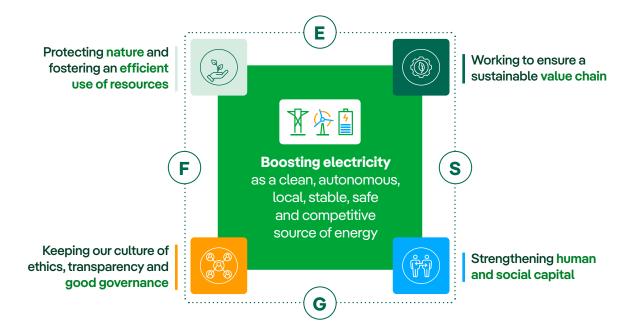
The company's determination to play an active role in creating a sustainable energy model is reflected in the setting of ambitious environmental, social and governance goals, which are regularly reviewed and monitored. These goals reflect the group's priorities and its aspiration to maintain its leadership position.

Mindful of this, during Capital Markets & ESG Day held in March 2024, Iberdrola presented a review and update of its ESG+F objectives already announced in 2022, structured around its five priorities. The first is at the very core of our business, namely our commitment to the promotion of electricity as the best possible source of energy. The cleanest, most self-reliant, local and secure source of energy available, capable of providing competitiveness and stability in the long term. To achieve this, Iberdrola has made commitments in the areas of decarbonisation of its operations, innovation and digitalisation, all underpinned by its leadership in sustainable finance, through which it is able to articulate these commitments.

In addition, the company has four other priorities integrated into its operations:

- The protection of nature through the development of a sustainable energy model, where the conservation, protection and promotion of biodiversity and the sustainable and efficient use of resources are integrated in all its activities and processes.
- Commitment to a sustainable value chain, seeking to ensure that its suppliers accompany the company on this journey, while at the same time integrating sustainability into the products and services offered to customers.
- Strengthening human and social capital in pursuit of mutual benefit.
- A strong culture of ethics and good governance, integrating stakeholder management and Human Rights due diligence system.

# Five main priorities: reaffirming our roadmap in sustainability







### The company's 40 targets are structured around these five priorities and are set out below:

			2023	2025	2026	2030
osting electrici	<b>ty</b> as a	clean, autonomous, local, stable, safe and co	mpetitive so	urce of ener	ду	
	6	Carbon Neutral in electricity generation in 2030 Specific emissions global mix (g $CO_2/kWh$ )	77	60 (<70) (1)	55	Carbon Neutral <sup>(2)</sup>
	S)	Net Zero in scopes 1, 2 and 3 before 2040	ln p	rogress	SBTi mile	stone fulfilled (3)
CARBONISATION		NOx emissions kg / MWh	0.34	0.17 (new)	0.15	< 0.10
	Ģ	Sustainable light vehicle fleet % of total light vehicle fleet	31%	48% (new)	56%	100%
		Storage capacity Cumulative installed storage capacity (GWh)	101.9	108 (102) (1)	118	136
	X	Smart Grids % automation of high and medium voltage assets	78%	83%	85%	90% (new)
NNOVATION AND DIGITALIZATION	5	(Investment in R&D Million euros (annual)	384.4	420	443	550
		Green hydrogen Annual production (kt H2)	0.42	2 <i>(35)</i> <sup>(1)</sup>	5	120 <i>(350)</i> <sup>(1)</sup>
		Cybersecurity assessments Number of annual assessments or external verifications	2,497	2,000	2,000	2,000
SUSTAINABLE	€	CAPEX Aligned (new) % of Taxonomy aligned CapEX <sup>(4)</sup>	88.8%	~90%	~90%	~90%
FINANCE	$\langle \mathcal{A} \rangle$	Sustainable financing % of total financing	90%	Min. 80% <sup>(5)</sup>	Min. 80% <sup>(6)</sup>	-
rking to ensure	a susta	inable <b>value chain</b>				
USTAINABLE	×-	Purchases from sustainable suppliers % of total purchases	90%	≥ 85%	≥ 85%	≥ 85%
UPPLY CHAIN		Percentage of sustainable suppliers (new) % of main suppliers subject to sustainable development policies and standards	88%	> 85%	> 85%	> 85%
		Quality of supply Reduce the Global SAIDI (vs 2019-21 period avg)	-8.6%	-10%	-11%	-16% (new)
	$\bigcirc$	Smart solutions portfolio Million solutions	14	18	19	21
CUSTOMERS	چ ا	Public charging points <sup>(7)</sup> Thousands	~14	~32	~38	~60
	පිරි	Customer accessibility solutions <sup>(8)</sup> Number of solutions	43	62 (30)	63	63 (new)
	( B	Digital customers % of total commercial customers	73%	75% (73%) <sup>(1)</sup>	76%	80%

<sup>(1)</sup> Previous target established in CMD 2022.

<sup>(2) &</sup>lt;10 gCO<sub>2</sub>/kWh

<sup>(3)</sup> Intermediate target as certified by SBTi (Science-based targets initiative).

<sup>(4)</sup> Organic capex; according to European Taxonomy Regulation.

<sup>(5)</sup> Average ESG financing for 2023-25 period.

<sup>(6)</sup> Average ESG financing for 2024-26 period.

<sup>(7)</sup> Calculated as logic terminals. Considering this target and current forecasts for electric vehicle penetration, the total number of public and private charging points projected would reach 400k.

<sup>(8)</sup> Including Neoenergia solutions from 2023 onwards.



			2023	2025	2026	2030
rotecting <b>nature</b>	and fos	tering an efficient use of resources				
	Pe	Conservation, restoration and plantation of trees	3.4	8	10	20
BIODIVERSITY PRESERVATION		Number of trees (Million) & No Net Deforestation in 2025	5.4	0	10	20
PRESERVATION	Æ	Net positive impact in 2030 % assets with biodiversity assessment and neutrality plan	0%	20%	25% 10	00% (Net positive)
EFFICIENT USE OF	$\bigcirc$	Specific water consumption % reduction of water consumption Intensity vs 2021	-10.9%	-32% (-19%) (1)	-36%	-63%
RESOURCES		Blade and Solar Panel Recycling % of blades and panels recycled of total Blades and panels dismantled <sup>(?)</sup>	87% (10)	50%	50%	100%
trengthening <b>hu</b> i	<mark>man</mark> and	social capital				
	(88)	External EDGE certification (11) Attainment	In process	√ (2024)	-	-
DIVERSITY AND INCLUSION		Presence of women in relevant positions		700/	71.00/	750/
	$  \rightarrow$	% women	27.8%	30%	31.2%	35%
		Presence of women in positions of responsibility % women	34.4%	35%	35.3%	36%
		External EDGE plus certification (12) Attainment	In process	In process	~	-
			\ \			
HEALTH AND	P	Green mind Global deployment	] -	Implementation	Certification	ı -
		Occupational Safety TRIR (reduction vs 2021)	-17%	-10%	-13%	-21%
EMPLOYEE		Green skilling Program deployment	-	√	$\checkmark$	-
UPSKILLING		Training in cybersecurity and protection of information Annual hours of training completed	94,915	63,000	64,480	68,000
		Beneficiaries of the "Electricity for all" program Million beneficiaries (cumulative)	12.4	14	15	16
	ដេះ ភូមិ	Beneficiaries of the Foundations programs Million annual beneficiaries	7.2	8	8	10
	ନ୍ଦିର	Corporate volunteering No of annual volunteers (thousands of employees and companions)	20.5	19 <i>(15)</i> <sup>(1)</sup>	19.5	23
eeping our cultu	re of eth	ics, transparency and good governance				
CORPORATE GOVERNANCE	କୁଁ୍	Corporate Governance Maintain best practices	) v	V	V	V
	Ê	Percentage of independent directors Over 50%	√ (71%)	V	V	V
COMPOSITION OF THE BOARD OF	î	Gender balance Maintain	√ (43%)	V	$\checkmark$	V
THE BOARD OF		Diversity in the Board of Directors Promote	√	V	$\checkmark$	$\checkmark$
THE BOARD OF			)	√ √	√ √	√ √
THE BOARD OF DIRECTOS		Promote Compliance system				



<sup>(9)</sup> Includes blades and panels out of operation with a destination decision different from disposal.

<sup>(10)</sup> Only includes blades.

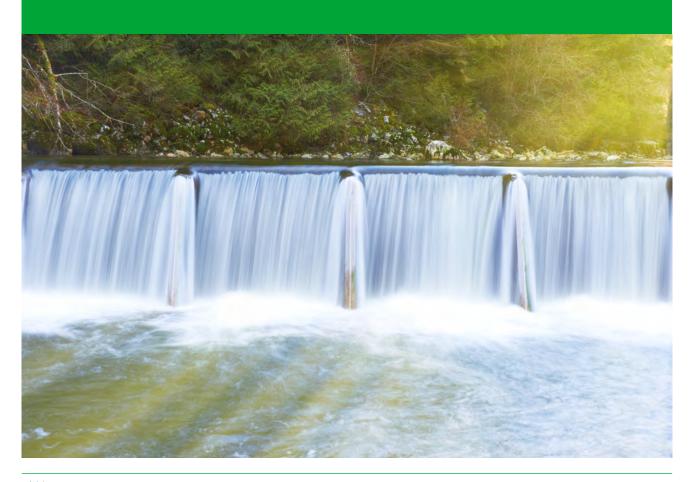
<sup>(11)</sup> External Certification of equal gender (EDGE Certification) by December 31, 2024.

<sup>(12)</sup> External Certification on Diversity and Inclusion, including generational diversity, disability inclusion, Race/Etnic, Nationality and LGTBQ+ (EDGEplus Certification) by 2026.



# 3.Environment

- 3.1.Decarbonisation
- 3.2.Biodiversity
- 3.3. Circular economy and efficient use of resources
- 3.4.Innovation

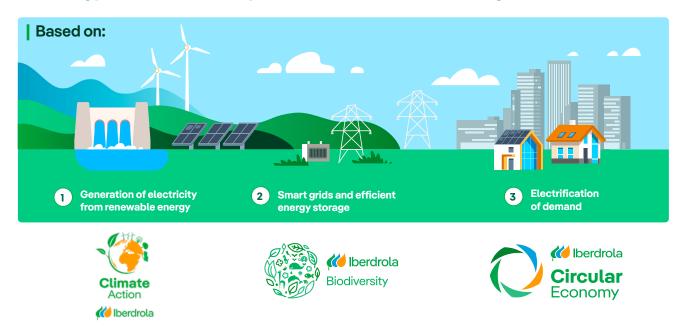




Several decades ago, lberdrola made a **firm commitment** to developing a **sustainable energy model**, in which the **reduction of emissions, the conservation, protection and promotion of biodiversity and the sustainable and efficient use of resources** are integrated into all its activities and processes. This is a model in which lberdrola is a leader and is based on using renewable energies, smart grids, efficient energy storage and driving the electrification of demand as an energetic vector for competitive and efficient decarbonisation.

To ensure that the group's activities are carried out in harmony with nature, Iberdrola works on three fronts that make up the **"Iberdrola, Positive towards Nature"** vision:

- Climate Action Plan: establishes an ambitious roadmap aimed at achieving zero net CO<sub>2</sub> equivalent emissions by 2040. This Plan describes the levers, actions and associated metrics that contribute to the decarbonisation of Iberdrola's businesses and promote the electrification of the economy.
- Biodiversity Plan: sets a goal for a net positive impact on biodiversity by 2030 and envisages mechanisms to measure, act and support transformation to curtail and reverse biodiversity loss. 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.
- Circular Economy Plan: defines the work guidelines and targets that will steer the company towards reducing the use of raw materials, advocating a greater use of renewable and recycled materials, improving the efficiency of our processes, products and services, and committing to maximising the value of waste so as to head into a future without unused waste. 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.



# An energy model in harmony with nature and human being

**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.

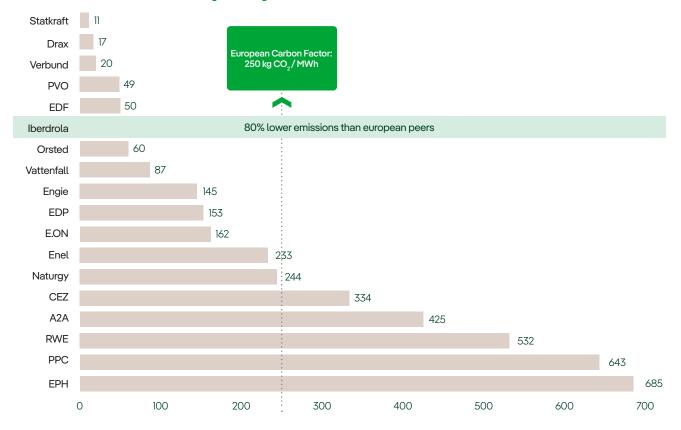


# **3.1.Decarbonisation**

Iberdrola is a global leader in the energy transition and the fight against climate change within the energy sector. The <u>Climate Action Plan</u> 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 I 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 **zero net CO**<sub>2</sub> equivalent emissions (Net Zero) 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 CO**<sub>2</sub> **emissions at 55 g/kWh in Europe, 80% lower than its European competitors**.



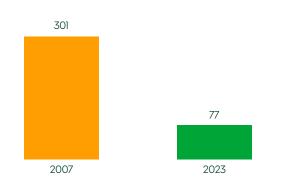
### Specific CO<sub>2</sub> (kg CO<sub>2</sub>/MWh) emissions from facilities in Europe <sup>(1)</sup>

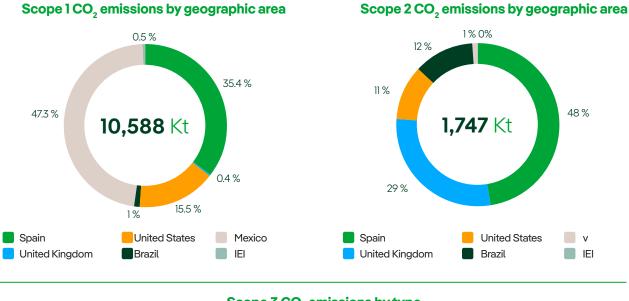
The company continues to successfully advance towards achieving its decarbonisation targets, as reflected in the following charts.

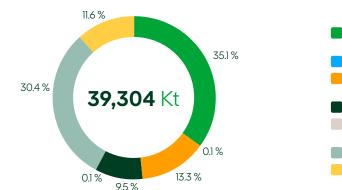
<sup>(</sup>I) The figure of 55 g CO<sub>2</sub> in this chart refers to emissions generated by Iberdrola's facilities in Europe during 2023. The data on the "European average carbon factor" and the data for the other companies are sourced from Climate Change and Electricity: European carbon factor. PwC France. Dec. 2023 and, in the case of companies, include only the European area for 2022.



Intensity of the group's global emissions (g CO, / kWh)







### Scope 3 CO<sub>2</sub> emissions by type



Of note is the binding agreement between Iberdrola Mexico and Mexico Infrastructure Partners (MIP), under which MIP acquired a total of 8,539 MW, 99% of which are gas-fired combined cycle plants, mainly corresponding to plants operating under the Independent Power Producer regime (87%), contracted with the Federal Electricity Commission (CFE).

The agreement included a provision under which Iberdrola Mexico would continue to operate the plants until 2023, pending the completion of the sales process. For this reason, the emissions associated with the assets to be divested continue to form part of Iberdrola's emissions inventory in this report.

Excluding emissions from divested facilities, the group's Scope 3 emissions would be reduced by 35% to 25.5 Mt CO<sub>2</sub>eq in 2023.



# 3.2. Biodiversity

**Iberdrola believes that biodiversity is a material issue for its business model**, and for this reason has placed respect for biodiversity and ecosystems at the forefront of its business strategy for more than 15 years.

This is reflected in its <u>Biodiversity Policy</u>, approved in 2007 and reinforced in 2021, through which 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 the 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.

In accordance with the commitments made in its Biodiversity Policy, Iberdrola publishes a <u>Biodiversity Report</u> every two years, in which the company presents its management approach to biodiversity, the interactions of its activities with biodiversity, and its actions in the areas of conservation, knowledge improvement, collaboration with stakeholders and awareness-raising initiatives carried out during the period.

# **Targets and Biodiversity Plan 2030**

Iberdrola has strengthened its commitment to nature and set itself the target of having a positive net impact on biodiversity by 2030, which means that its activities will have contributed to the conservation and improvement of biodiversity by that year.

As part of its actions to achieve this goal by 2030, **Iberdrola also commits to ensuring that its activity does not generate net deforestation by 2025**. This commitment applies both to direct actions and to actions in the group's supply chain.

To achieve this ambitious goal, Iberdrola implemented the **Biodiversity Plan 2030** (the "Plan"), which was approved in October 2022 following its presentation to the company's corporate decision-making bodies. This Plan applies to all of the Iberdrola group's facilities and activities, and has **three areas of action: measure, act and transform.** 





This approach is **aligned with the Science-Based Targets for Nature (SBTNs)** and its vision of the Framework for Action "AR3TI" and with the **landmark pillars** provided by the **Taskforce on Nature-related Financial Disclosures (TNFD)**.

The Biodiversity Plan 2030 is a continuation of years of work on the protection and preservation of biodiversity, and its integration into the strategic planning and decision-making of the group. The **commitments** and procedures derived from this Plan are:

- Conservation hierarchy;
- Equal compensation for impacts (i.e. with the same type of habitat and species affected);
- Application of solutions based on the preservation of nature; and
- Supply chain involvement.

All of them, together with other measures, constitute adequate tools to guarantee the achievement of the objectives of the Plan in 2030.



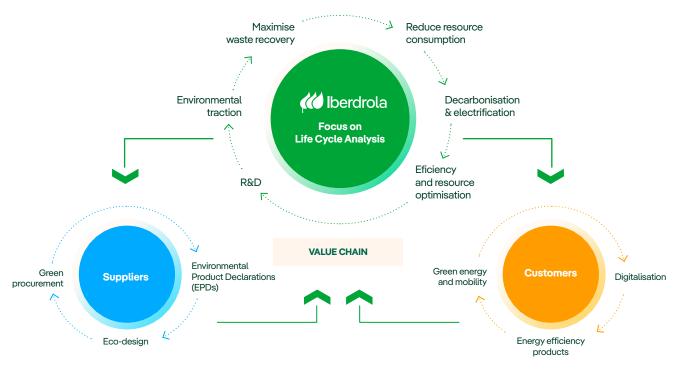
# 3.3. Circular economy and efficient use of resources

The circular economy is a cultural shift in the way we understand the production and consumption system to address resource scarcity, environmental impact, value creation and employment. This economic model is based on the following pillars:



The circular economy covers many different aspects of the company's business in three key areas:

- An internal area within the company, to improve processes in pursuit of efficiency in using resources and energy, which is backed by R&D to develop products and services with a smaller environmental footprint.
- An area for working with suppliers to improve the supply chain and to deliver products and services to Iberdrola with higher rates of secondary raw materials, lower energy consumption and better reuse and recycling rates.
- An area for customers, providing better products and driving the energy transition associated with less use of resources.





### The milestones reached in 2023 include the following:

EnergyLoop	EnergyLoop is a company created by Iberdrola together with FCC to provide a commercial and scalable solution to recycling wind turbine blades.
	Construction of its plant in Navarra (Spain) began in 2023. EnergyLoop will play a key role in ensuring blade recycling.
LATEM Aluminio	Iberdrola invests in LATEM to develop a recycled and low-emission aluminium production facility.
ChargingTogether	ChargingTogether is a company that was set up together with BP and that will install 11,700 charging points by 2030.
Alliances	Iberdrola continues to foster and support alliances working towards decarbonisation in major economic sectors, including Spain's AEDIVE and NetZero Mar aimed at promoting the electrification of heavy road transport and decarbonising maritime transport, especially in port operations.
I+D	Iberdrola participates in the European RETRIEVE project to research solar panel recycling processes that provide higher value products.

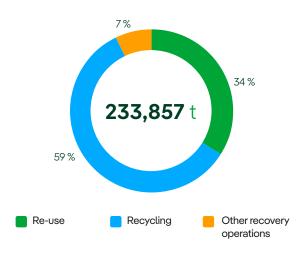
All of these actions are framed within Iberdrola's Circular Economy Plan, which sets out the global goals and guidelines to be implemented locally by each of the country subholding companies.

# Waste generation and management

As part of its dedication to the circularity of its activities, Iberdrola has made the following commitments:

- 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.

Along these lines, the volume of waste treated in 2023, accounting for 69% of the total waste generated, was distributed as follows:





# Rational water use

Water is a fundamental and irreplaceable natural resource in many of Iberdrola's activities, especially in the generation of hydroelectricity, where water energy is converted into electricity and the same water is returned to the environment, and in thermal power plants, which rely on water supply as a coolant. 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.

As part of its commitment to the responsible use of natural resources, Iberdrola closely monitors the use and specific consumption of water, comparing it from year to year and seeking to optimise production processes, using recycled water, reusing water in its cycles, etc.

To achieve this, Iberdrola identifies the most appropriate method to avoid significant impacts and implements various measures to ensure a more sustainable use of water. 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 and environmental programmes as required by the competent authorities at hydroelectric generation facilities.
- **Conducting awareness-raising campaigns** to achieve a more efficient and responsible use of sanitary water by employees at offices.

The following table shows Iberdrola's total water consumption, considered as the difference between total water withdrawn and water discharged, with a breakdown of total water withdrawal by the group by source and water stress area. The areas are classified according to the *Aqueduct Water Risk Atlas*<sup>(1)</sup>.

Water withdrawal, discharge and consumption											
	20	23	202	<b>22</b> <sup>(2)</sup>	2021						
	All areas	Water stress areas	All areas	Water stress areas	All areas	Water stress areas					
Withdrawal by water source	1,745,363	1,187,148	1,719,052	740,449	1,874,401	718,544					
Water discharge by destination (ML)	1,665,559	1,130,324	1,642,422	673,092	1,787,111	648,383					
Total water consumption (ML)	79,804	56,824	76,629	67,357	87,289	70,161					
Total Consumption/Withdrawal (%)	4.6 %	4.8 %	4.5 %	<b>9.</b> 1%	4.7 %	<b>9.8</b> %					

<sup>(</sup>I) A water stress area is considered as: An area with a score of more than 40% according to the Aqueduct Water Risk Atlas.

<sup>(2)</sup> Following an internal audit conducted in 2023, a material error was detected in the calculation of the water consumed by the Baja California combined cycle power plant in Mexico. The water consumption was much higher than the actual water consumption due to the data provided by a faulty water discharge sensor. The affected figures in indicators 303-4 and 303-5 have been updated for 2022.



# 3.4.Innovation

Iberdrola is the leading private utility company in R&D investment worldwide, with more than €2,000 million of cumulative investment over the last decade.

The company is committed to promoting the transition to a sustainable, competitive and safe energy model based on electrification, by incorporating new clean, efficient and innovative technological solutions. With a portfolio of more than 250 projects underway, in 2023 Iberdrola invested a total of € 384.4 million in R&D, in order to drive forward key areas for the transformation of the sector: decarbonisation of electricity generation, integration of the system through smart grids and digitalisation, and electrification of demand through emission-free technologies such as electric vehicles and heat pumps.

Through its open innovation model, Iberdrola promotes training and research in R&D projects by collaborating with outside entities. It has a network of centres of excellence to drive innovation, including the Global Smart Grids Innovation Hub, the Smart Mobility Lab, the Artificial Intelligence (AI) Centre of Excellence and the Research and Training Campus.

The company works closely with the academic world through the **Iberdrola U University Programme**, a network made up of students, researchers and professors from top institutions in the countries where it operates, with the aim of promoting training, entrepreneurship and research.

In addition, for more than 15 years, Iberdrola has been committed to supporting start-ups, with the PERSEO international start-up programme setting the benchmark in the energy sector.In 2023, there were 22 pilot projects with start-ups, and investments were made in companies such as Kyoto Group, Exiom Solar and LATEM.

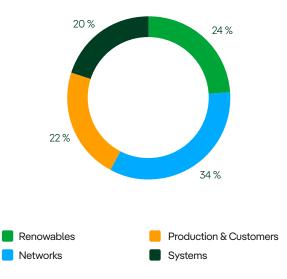
Investments in R&D projects have gradually increased each year. They are structured into four strategic areas: Renewables, Networks, Systems and Generation and Customers..



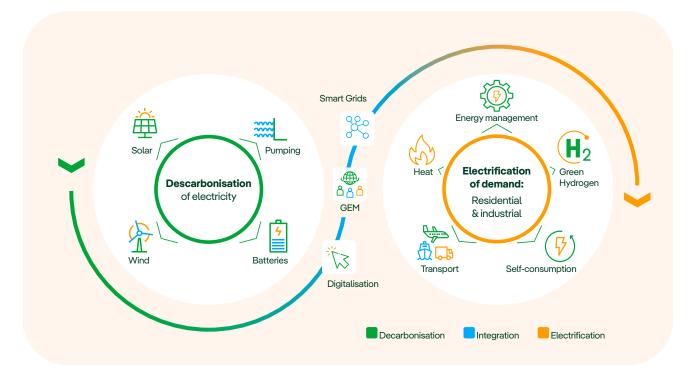
Investment in R&D (€M) Iberdrola is the world's



% Investment in R&D by strategic areas







### Iberdrola's most important innovation projects are grouped into three strategic areas:

### Decarbonisation

- Wind: one of the main innovative projects is the MEGAWIND project, which aims to improve the most commonly used foundation systems with the best market potential, i.e. monopiles, by integrating them with the new generation of large offshore wind turbines, developing innovations in the design and manufacture of the monopile itself, the transition piece and the coupling systems between both components.
- Solar: in the field of hybridisation projects, HIBRIDAR is studying the hybridisation of solar plants with wind, hydro and storage technology. In addition, new know-how has been generated in floating photovoltaic technology and new technologies have been studied in agrovoltaics based on the combination of renewables with agricultural and livestock energies. Finally, it is worth highlighting the new developments in photovoltaic generation analysed in the NUEVASOLAR project, with new panel technologies, dry cleaning of panels and new, more efficient structures.
- Energy storage, batteries and pumping: lberdrola is implementing its storage plan to integrate hybrid batteries in renewable and stand-alone generation plants. With regard to hydroelectric power, **NEWPUMPING** has continued to analyse future power requirements with variable speed turbines. The **HYDROSES**

project also aims to increase the storage capacity of pumped hydroelectricity through performance-enhancing techniques.

• Operation and Maintenance: work continued on the application of Big Data techniques to improve weather forecasting and calculate wind producibility, together with AI techniques and digital twins to simulate turbine response and improve turbine maintenance, as part of the ENERPREDIC project. In terms of solar resources, of particular note is the NEXT GEMS project, which applies HPC computing and Earth-system Models to analyse solar resource variations.

# System integration: Smart grids and digitalisation

- Smart grids: further steps have been taken towards the *digitalisation of the low-voltage grid*, which will enable active operation of the low-voltage grid and thus more efficient use of the networks. In addition, the ASTRA-CC project has been launched to develop a public direct current grid architecture that will facilitate the connection of renewables, storage or fast charging.
- GEM (Global Energy Management): in the field of energy management, work continues to focus on making the electricity system more flexible



and to explore participation in new energy markets and the incorporation of new forms of flexible demand. **Virtual Power Plants** make it possible to participate in the demand response service. Another element is research into new services for the system and testing of emerging markets. Of particular note in this area are the **DEFINER** project to develop a tool for flexible electricity demand management, the **AVANHID** project to model, control and optimise the integration of advanced hydraulic generation systems, and **ONE SYSTEM**, which aims to develop a simulation model representing three energy vectors: electricity, decarbonised gases and green hydrogen.

• Digitalisation: development continues on the IA4TES project, which is exploring the potential for the integration of AI technologies to facilitate the transformation of the electricity sector. Several use cases have been finalised, including sustainable production, network optimisation and new customer services. In addition, a major transformational digitalisation project, the Digital Boost initiative, has been launched, which will streamline the digital optimisation of all the company's processes and integrate the latest technological advances, both in support infrastructures and in the hyper-automation of applications.

### **Electrification of demand**

- Electrification of transport: Iberdrola plans to develop 12 projects to implement very highpower public charging stations specifically for trucks, and a charging hub with 48 high and low-power charging points. In addition, for heavy transport, Iberdrola and AEDIVE have signed an agreement to form an alliance for the electrification of heavy road transport in Spain. In the ports sector, Iberdrola is focusing on decarbonisation through the implementation of innovative infrastructure. The Onshore Power Supply (OPS) system allows ships to shut down their engines when moored and thus reduce air and noise pollution.
- Electrification of heating systems: the aim is to electrify production processes in the industrial sector. Of particular note is the project launched with the AN Group to implement an **industrial heat pump**. In addition, a **biomass plant** with two 14 MW boilers will be implemented to produce the steam required for the processing of the material extracted from the Cobre las Cruces mine. Iberdrola has launched the company's

first **Heating Network in Spain**, supplying air conditioning and hot water to more than 9,000 people using renewable energy.

- Self-consumption: highlights include the Solar Cloud project, which allows residential customers to use their surplus energy to reduce the bills of other supply points owned by the same customer. In addition, Iberdrola has some 500 solar communities, through which customers located close to a solar community can now access 100% renewable energy and save on their bills without the need for investment.
- Energy Management: of note in this area is the Advanced Smart Assistant, which allows all the customer's Smart Solutions to be connected and managed autonomously thanks to an innovative control algorithm. The platform is designed to shift consumption to the most cost-effective time slots of the tariff. It also optimises the charging of electric vehicles, reduces air conditioning consumption by taking into account the thermal inertia of the home, and automatically controls the electric water heater.
- Green hydrogen: Iberdrola is committed to the development of green hydrogen obtained by electrolysis from clean energy sources. The company has been awarded the Important Project of Common European Interest (IPCEI) label from the European Commission, to build an ambitious project with a total electrolysis capacity of 780 MW. This year saw the launch of the GREEN MEIGA project, which will enable the development of a 151 MW hydrogen plant to ultimately produce 100,000 tonnes of green methanol per year, reducing CO<sub>2</sub> emissions by nearly 3 million tonnes over 10 years. Of particular note are the FEDECOM research projects to develop tools for optimising the Puertollano plant and the Barcelona hydrogen bus plant; HyLICAL to explore new hydrogen liquefaction technologies; and ANDREAH to develop an ammonia cracking system for the production of high purity hydrogen.



# 4.Social

4.1.Stakeholders

4.2.Commitment to human rights

4.3.Our people

- 4.4. Products and services
- 4.5. Supply chain
- 4.6. Support to local communities
- 4.7. Corporate reputation and brand strength





The integration of sustainability into operations entails **creating shared value** for all stakeholders. The group focuses on **continuous improvement of its engagement** with its various **Stakeholders and on respect for Human Rights** in all its activities and those of its partners in the value chain.

On the one hand, Iberdrola contributes to the **creation and maintenance of high-quality employment**. Its people management pillars are diversity, health and safety, and improving the skills of its employees. This is shown by the public commitments made in these areas, such as improving the presence of women in significant positions of responsibility and improving accident rates. As part of its dedication to quality training, Iberdrola has also created a specific project to increase strategic training for its employees.

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 driven by the company itself, its majority- and minority-owned subsidiaries, and its foundations in various countries. The Group strives to progressively increase the number of people benefiting from the initiatives and programmes it supports, thereby **producing an ever greater positive impact**.

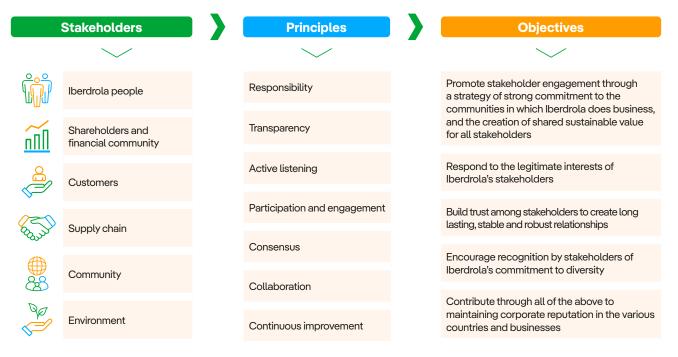
The conduct of the different companies in the Group in relation to their Stakeholders shapes their reputation, which in turn influences the choices that they make vis-à-vis Iberdrola.



# 4.1.Stakeholders

Iberdrola works to increasingly engage its <u>Stakeholders</u> (SHs) in all of the company's activities and operations. *Iberdrola's Stakeholder Engagement Policy* –approved by the Board of Directors in February 2015 and last amended in December 2023– defines the Company's Stakeholders as "those groups and entities whose decisions and opinions have an influence thereon and who, at the same time, are affected by the Iberdrola group's activities".

The value chain comprised of Iberdrola's businesses means that there is a large number of these groups and, therefore, the company has grouped them into categories of Stakeholders: For this reason, the latest review of the Policy sought to update the categorisation and naming of Stakeholders, with the aim of enriching the segmentation and adapting it to the Company's new needs and the current business context. As a result, **six categories of Stakeholders have been established**, reflected in the following chart:

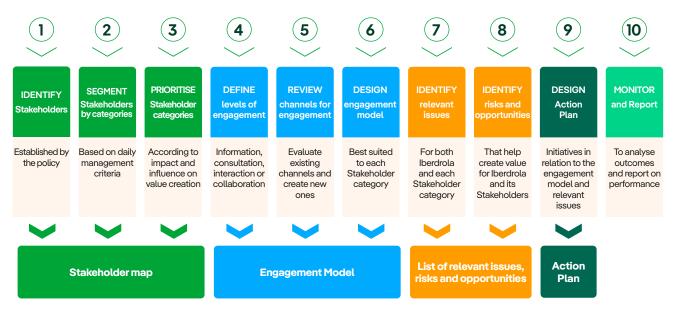


To meet its objectives in this area, Iberdrola has a Global Stakeholder Engagement Model based on the AA1000 Stakeholder Engagement Standard 2015 (AA1000SES, 2015), on the AA1000 AccountAbility Principles 2018 (AA1000AP, 2018), and on its four principles of inclusion, relevance, responsiveness and impact. This Model aims for all areas and businesses of Iberdrola to have an in-depth understanding of their Stakeholders; have suitable channels for communicating with them; analyse their expectations, and establish appropriate action plans to minimise and mitigate potentially negative impacts while maximising the potentially positive ones for Stakeholders (and the related risks and opportunities for the Company). Iberdrola's ambition is for the Model to be effectively implemented at all of the group's facilities.

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 potential negative and positive impact of significant events on Stakeholders. This last aspect was introduced in the Model, taking into account the latest reporting trends and standards.



### Stakeholder engagement model ensuring a process of continual improvement



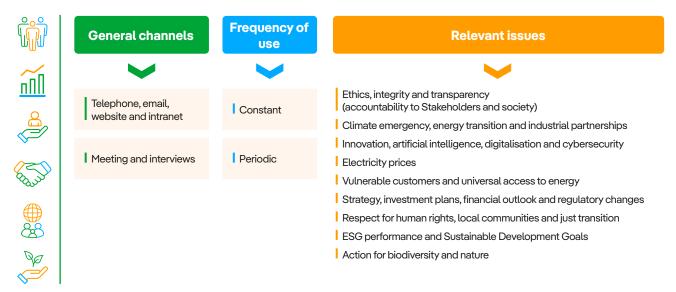
## Iberdrola Stakeholders' Hub

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.

## Relationship channels, significant 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:

### Significant overarching channels and issues for all Stakeholders





The company identifies best practices in stakeholder management that are shared across the Iberdrola group using internal communication channels. In **2023**, the following **best practices**, among others, **have been identified**:

Best practic	ces by country
<b>S</b> pain	<b>Cedillo solar community: involvement and acceptance of Stakeholders.</b> Iberdrola España has launched Spain's first solar community for an entire village in Cedillo (Extremadura). By installing small photovoltaic plants, which generate 355 kW, Iberdrola is contributing to developing this community and combating depopulation by attracting new residents to the area. As a starting point, the Company arranged outreach days with residents to explain what an Energy Community means and the benefits of belonging to one. Based on the positive feedback, Iberdrola España informed the residents and shopkeepers, currently more than 305 members, that the community solar system was being implemented and that it would bring savings equivalent to 50% of the municipality's annual consumption. The Cedillo Solar Village has recently received the accolade of Best European Initiative at SolarPower Europe's Solar Sustainability Award 2023.
United Kingdom	<b>Barrhill pilot project: collaborative leadership for decarbonisation.</b> Throughout 2023, various ScottishPower departments contributed to delivering smart solutions to the communities in which it operates and, in turn, contributed to the goal of net-zero emissions. One example is the pilot project in Barrhill (South Ayrshire), where the company has three operational wind farms. ScottishPower has spent the last two decades building relationships with this community and it was therefore selected for launching the initiative to provide smart solutions and personalised advice to the local population, and to support the achievement of net-zero emissions. It has also assisted the community in applying for funding from the Scottish Government's Community and Renewable Energy Scheme (CARES) towards installing solar panels, battery storage and heat pumps at a community-owned hotel that will create local job opportunities in the area and encourage tourism in the village.
United States	New York: joint climate change resilience strategy. Aiming to better understand the vulnerability of the electricity grid to climate risks in businesses, Avangrid subsidiaries New York State Electric & Gas (NYSEG) and Rochester Gas and Electric (RG&E) completed a "Climate Change Vulnerability Study" for New York State. The study involved gathering the views of numerous stakeholders, including experts in the field, to jointly identify the strengths and shortcomings in the impact of climate change. Throughout the process, not only were stakeholders and multi-sectoral partnerships identified in detail, but a prioritisation exercise was performed based on their vulnerability and exposure to risk. Based on the findings of this project, a Climate Change Resilience Plan has been developed for joint implementation.
Brazil	Project in Xique-xique to meet the needs of an isolated community. Thanks to its pioneering Remanso microgrid system, Neoenergia ensures round-the-clock energy access to Xique- xique, an isolated community of 244 inhabitants near the São Francisco river, thus supporting its economic and social development. The system comprises 26 kilometres of primary distribution network and 9 kilometres of secondary network, as well as lithium-ion storage batteries, 387 electricity poles and 32 transformers. Neoenergia's project, which is part of the "Electricity for All" programme, not only benefits the community, which relies on family farming and the production of self-produced honey, but also includes education on responsible consumption, energy efficiency and power grid safety.
Mexico	Supporting local suppliers to promote diversity and inclusion. Iberdrola Mexico promotes diversity and inclusion by supporting its suppliers in implementing specific policies in this area and setting ESG goals. To this end, Iberdrola holds working sessions where it shares its knowledge and experience, thus exerting a driving force on its suppliers to address diversity and inclusion in their own workforces. The initiative was well received and appreciated by the suppliers, and the agreed actions are now being followed up with them.





# 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 the protection of people, in order to prevent, mitigate and redress negative impacts in this area. These tools are aligned with the main international standards (UN Guiding Principles on Business and Human Rights, 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, sets out the mandatory principles in this area:

- 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.

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 is a continuous review process used to identify and manage the risks and impacts associated with the performance of all phases of operations (design, construction, operation, maintenance and decommissioning of electricity facilities), taking into account the geographical 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 subsystems 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.



### The regulatory framework is ensured through:



Governance and Sustainability Model



Integration of due diligence systems into human rights framework

3

Three lines of defense control model

### International Human Rights Framework

- Policy on respect for Human Rights of Iberdrola Group
- Specific policies related to relevant human rights issues
- Human rights policies of each of the countries
- Regulations that respond to the most relevant issues that impact on human rights business areas and corporate holding
- Rules, procedures and protocols that respond to the most relevant issues that impact on human rights from the business and corporate areas of the countries





- I By-Laws, Purpose, Code of Ethics, General Sustainable Development Policy, Stakeholder Engagement Policy and ESG rules and policies
- ইই

### Regulatory framework for Sustainable Development

- General Sustainable Development Policy
   Innovation Policy
- Human Resources Framework Policy

### The human rights regulatory due diligence framework of the Iberdrola group is based on:

Recognition of the duty of multinational companies to respect human rights.

Differences in the laws of the countries in which the group does business.

## **Identification of impacts**

The first step in the due diligence system is to identify human rights impacts. The methodology adopts the UNGP recommendations at three levels, allowing for the assessment of potential impacts, material issues and priority issues in relation to human rights.

The company relies on analyses conducted by independent experts to identify actual and potential impacts, as well as consultations with potentially affected groups, in which the Stakeholder Engagement Model plays a key role. Precisely in 2023, as detailed in section <u>Stakeholders</u>, a new segmentation of the stakeholders covered by this model was undertaken, prompted inter alia by a human rights perspective and the need to capture more precise information on vulnerable groups and other key stakeholders such as environmental and human rights defenders.

In addition, Iberdrola has a **human rights risk map** that identifies the main potential risks in this area, both in the countries in which the group does business and in those from which it sources its inputs. 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

In order to strengthen transparency, Iberdrola has a <u>Human Rights Report</u> that describes 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 <u>Statement of Non-Financial</u> <u>Information (SNFI-SR)</u>; 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 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**.

Strengthening due diligence on human rights in the supply chain was one of Iberdrola's priorities for 2023. The company fostered new behaviours and completed an analysis of further opportunities for improvement, which will be implemented in future years.

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 on the <u>Suppliers' Code of</u> <u>Ethics</u>. In addition, the supplier management process includes other measures such as an analysis of the potential risk of new suppliers in various areas related to human rights during the registration process; an <u>assessment based on ESG criteria</u>, including human rights, in the selection of suppliers; specific improvement plans to incentivise suppliers who fail to demonstrate an adequate level of management; specific clauses in the terms and conditions of contracts as well as in contracts for certain products; and compliance reviews during the term of contracts.

In addition, Iberdrola draws up an annual ESG audit plan for its main suppliers in order to verify that they are complying with the criteria laid down by the company. To complement these audits, Iberdrola also commissions specialised consultants to verify the origin and traceability of certain supplies that are critical from a human rights point of view. In this area, the company has implemented a number of measures to ensure responsibility in the solar module supply chain, which are described in section Supply chain of this report.

Similarly, to **monitor** the human rights risks that may exist in its supply chain, Iberdrola regularly analyses purchases made in countries that are considered to be at risk in a range of issues, such as forced labour, freedom of association and collective bargaining, and child labour.

Finally, in order to reinforce the training of its suppliers, the Company provides them with various resources, such as the online awareness module on human rights and business.

## External recognitions/ awards regarding human rights

As a result of the work carried out to date in this area, Iberdrola is a leader in the sector, having been included in the Dow Jones Sustainability Index, with the highest score, for the second consecutive year in 2023.



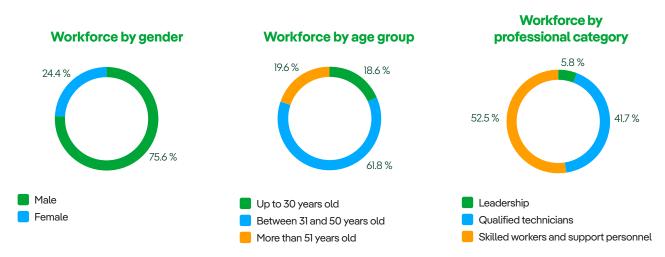
# 4.3.Our people

The people who make up Iberdrola are the key to the company's ability to continue to be a global leader, capable of tackling the challenges of the energy transition through the implementation of its ambitious investment plan for the years ahead.

The company is committed to **promoting a healthy working environment**, supporting the creation of stable, quality jobs and strengthening a culture based on **non-discrimination**, **diversity and inclusion**, so that its business objectives can be achieved efficiently and sustainably. To achieve this, Iberdrola's people management approach is based on the following pillars:

### Commitment to creating quality jobs

Iberdrola is a global leader in **creating quality green jobs**, hiring between 4,000 and 5,000 people since 2015, and with plans to **hire more than 10,000 new employees by 2026**.



The group had **42,276 employees at year-end 2023**, with the following breakdown:

# Developing the talent pool for a just and sustainable transition

In a context of competition to attract talent for the energy transition, effective and inclusive **initiatives must be promoted** to ensure that the **skills required** by the labour market **are developed**, matching people's aspirations and skills with the opportunities presented by the green transition.

This is reflected in the company's **domestic and international internship programmes**, which this year involved 1,011 students, as well as its collaborations and partnerships with universities and its presence at a wide range of employment forums and events, bringing the company closer to the talent pool of tomorrow. At the same time, the group has strengthened its international graduate programme with the dual aim of providing a unique employment opportunity for local talent and ensuring a pipeline of global leaders to meet the challenges of the future.

Furthermore, Iberdrola maintains its strong commitment to **postgraduate training** through **more than 1,000 scholarships** awarded since 2017 in fields with prospects and impact on the business, especially in STEM, with a particular emphasis on the participation of female talent.

As part of its external commitment to sustainability, a just energy transition and social contribution, the company launched **Global Green Employment** (**GGE**) in 2023, a new digital platform that aspires to become the global benchmark for green employment guidance, training and opportunities, bringing the skills and job offers demanded by the industry within everyone's reach.



### Improving the employee experience

The company also firmly believes that innovation and digitalisation are key levers for transforming human resources management, putting them at the service of its professionals and enabling it to provide a responsive and value-added solution to both the needs and aspirations of its teams and its business strategy, regardless of where the business is located.

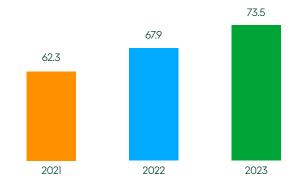
This commitment to people is what makes Iberdrola a different, sustainable and unique company, which it has sought to translate into a value proposition throughout 2023 that will continue to make it one of the best places to work, both for its professionals and for society as a whole.

This ongoing commitment to its employees, always on-hand but with a special focus on the key moments of each career path, seeks to achieve excellence in their internal experience from the moment they are recruited and during their first weeks with the company. This is reflected in the update of the onboarding programme in 2023 and the extension and improvement of listening capacity, going beyond the predefined review points (annual climate survey), to cover other significant moments and/or specific groups.

All of this without losing sight of the commitment to professional development, which was reinforced in 2023 with the transformation of the performance review model into a "People Review" model focused on personal growth and a training strategy based on continuous and collaborative learning (Keep Learning). In 2023, this initiative included expert Masterclasses and Knowledge Communities, which, together with other consolidated models such as digital mentoring. are promoting the shared management of knowledge between companies and countries. . This line includes the creation of the Green Skilling programme, which is focused on improving employees' strategic skills through education and training. Iberdrola's commitment to training has yielded more than 70 hours of learning per person, ranking Iberdrola amongst Europe's leading companies in this field.

Hours of training by country 3% 1% 21% 12 % 51% 12 % 📕 Spain United States Mexico United Kingdom Brazil IEI 

Hours of training by average personnel



The company also promotes internal mobility, both domestically and internationally, thanks to the Global Mobility and Talent Committee created this year to align individuals' aspirations and skills with international business needs and objectives.





## **Diversity and inclusion**

**Iberdrola is a diverse company** from many perspectives: it has **more than 42,000 people** 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 Policy and the Diversity and Inclusion executive committees.

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 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 27.8 % and is committed to reaching 35% by 2030 and achieving certification in pay and gender equality before 2025. In this area, the HerEnergy programme was launched in 2023, which is specifically designed to raise the visibility, promotion and development of female talent and leadership. As a result of this commitment, the company has been included in the 2023 Bloomberg Gender-Equality Index for the sixth consecutive year. Through external certification, the company also seeks to further endorse its commitment to other areas of diversity.

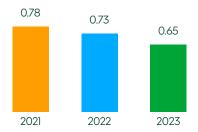
The culture of diversity also extends to the company's relationships with third parties, through initiatives such as developing inclusive solutions for customers, supporting **women's empowerment through sport and volunteering activities**.

Through the Corporate Volunteering programme, Iberdrola employees participate in actions aimed at improving the quality of life and integration of vulnerable groups. There are also projects focused on SDG 5, promoting the social and labour inclusion of women who are victims of gender violence and/ or severe exclusion, training in STEM subjects for girls and young women, and the training and employability of vulnerable youth. The 1st Edition of the International Volunteers of the Year Awards was held in 2023.

# Occupational safety and health

The health and safety of people is a top priority for Iberdrola, reflected in the various tools and initiatives that the company continually develops and updates: the <u>Occupational Safety and Health Policy</u>, 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 is to become the best company in the industry in terms of health and safety, and it has been working towards this in recent years, gradually improving its accident rates.

### Rate of work-related injuries (own personnel)<sup>(1)</sup>



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. Iberdrola has also **broadened the scope of its health and safety commitments** to embrace not only **health and safety at work**, but also the **overall health** and **well-being of its employees, through the creation of the Green Mind programme**.

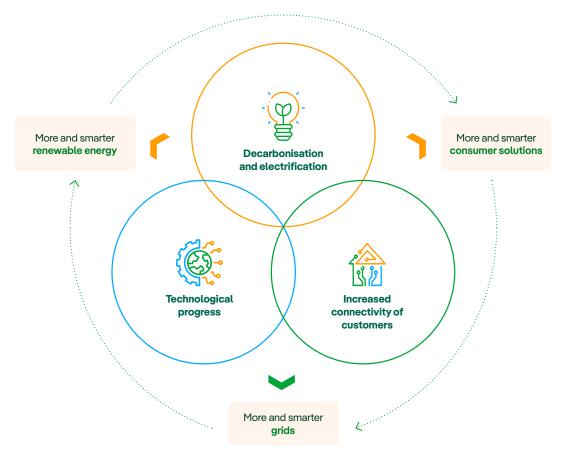
(1) Rate of recordable work-related injuries = Number of recordable work-related injuries (except first aid) / Number of hours worked x [200,000].



# 4.4.Products and services

Iberdrola strives to 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.



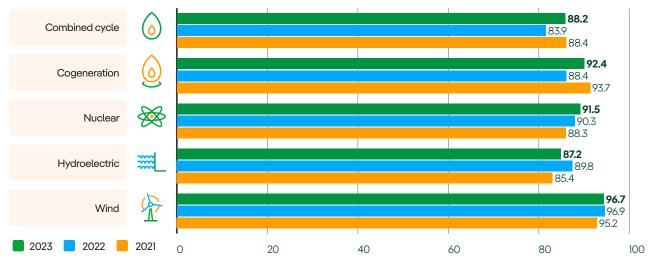
Its commitment to the ongoing improvement of its products and services is shown by the ambitious objectives that the company has defined in this area, based on the fundamental cornerstones of sustainability, quality and digitalisation.

## 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 power plants (%)

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	2023	2022	
Spain <sup>(1)</sup>	TIEPI (min)	< 36 min	< 38 min
United Kingdom	CML (min)	30.2	26.2
United States	CAIDI (h)	1.8	1.8
Brazil	DEC (h)	9.7	10.0
Power outage frequency	2023	2022	
Spain <sup>(1)</sup>	NIEPI (N°)	< 0.7	< 0.9
United Kingdom	Cl (ratio)	33.4	32.4
United States	SAIFI (index)	1.2	1.3
Brazil	FEC (frecuency)	4.6	4.6

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

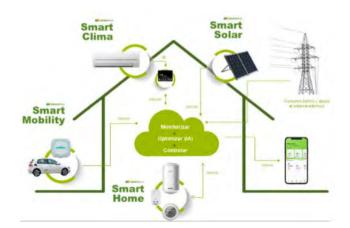


# Digital, intelligent and innovative solutions

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<sup>(2)</sup>:

- 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: heating and cooling solutions using different systems, including aerothermal energy.



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. In this respect, green hydrogen — hydrogen produced from renewable sources to be used as a feedstock or as a fuel— is a solution for the electrification and decarbonisation of sectors such as industry or heavy goods transport. As part of its strategy to lead the energy transition, lberdrola is at the forefront of green hydrogen development with two plants in operation:

- The Puertollano plant (Spain), which is Europe's largest green hydrogen plant for the production of zeroemission fertilisers, is the result of an alliance between Iberdrola and Fertiberia.
- The Barcelona hydrogen plant (Spain), the first large-scale commercial facility for producing and distributing green hydrogen in Spain, intended for use in metropolitan public transport.

It also has a portfolio of more than 50 projects in different countries that are expected to produce around 120,000 tonnes of green hydrogen per year by 2030. It has also signed alliances with several industrial partners in different regions (bp, Masdar, Trammo, Zero Alvia, ACE Terminal and Hynetwork Services, etc.).



<sup>(2)</sup> Not all products are offered in all geographical locations in which the company operates.



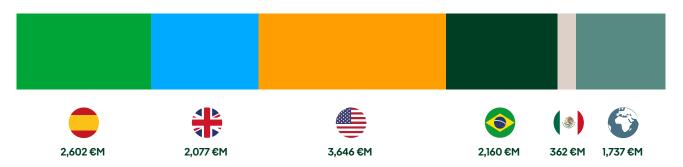
# 4.5. Supply chain

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

- The procurement of equipment and materials and the contracting of works and services, which is the responsibility of the Group's Purchasing and Services Division.
- The procurement of fuel, which is handled by the Wholesale and Retail Business.

Iberdrola placed **orders with more than 19,000 suppliers during 2023**. A breakdown of the economic and geographic volume is set out in the following table:

### General supply of equipment, materials, works and services (more than €12,500 million)



### 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 sustainability also extends to its main suppliers, as evidenced by the ambitious goal of ensuring that at least 85% of the Group's main suppliers and of the value of purchases adhere to sustainable development policies and standards by the end of 2025.

The significance of this goal is reflected by its inclusion in the 2023-2025 Strategic Bonus objective approved by General Shareholders' Meeting in 2022.

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:



In 2023, €17,121 million were allocated to suppliers evaluated on the basis of this ESG model. This amount represents 95% of the total amount awarded to the different suppliers making up the Iberdrola group's supply chain. Of this amount, €16,340 million (90.2% of the total) was awarded to suppliers surpassing the level of sustainability required by the Group.

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

The <u>contracting terms of the group</u> 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.

In addition, Iberdrola has successfully required the inclusion of specific clauses to mitigate the risks of forced labour or modern slavery for all suppliers exposed to forced labour risks with which it has signed a supply contract. Furthermore, the necessary clauses have been included in PV module supply contracts to allow for the right to conduct social, sustainability and traceability audits of both module manufacturers and third parties in their supply chains to ensure the quality and traceability of 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.

In 2023, the company also set up a multidisciplinary working group to monitor the risk of forced labour in the solar panel supply chain, with the aim of further assessing the risk, interpreting legislative developments and defining the measures needed to strengthen the company's due diligence in this area.

The effective integration of sustainability in Iberdrola's supply chain, which promotes interaction with suppliers in a continuous and transparent manner, has been externally recognised through ISO 20400:2017 certification. Iberdrola also received an award at SAP Spend Connect Vienna for sustainability and automation in Iberdrola's procurement process.

AENOR
SUSTAINABLE PROCUREMENT STRATEGY
EA ISO 20400



# **Supplier diversity**

As part of the company's policy, the Purchasing Division promotes equal opportunities within its area of competence, applying objective and impartial criteria in its dealings with suppliers, promoting public and competitive selection procedures, based on management efficiency principles.

This commitment to equal opportunity in its supply chain is exemplified by Avangrid's Supplier Diversity Program, which promotes an inclusive environment through fair and competitive business practices that increase the participation of minority, women, veteran, disabled and LGBTQI+ suppliers in Avangrid's procurement of goods and services. The volume of contracts signed with these groups during the 2023 period amounts to approximately US\$284 million.

In this spirit, in 2023, the Iberdrola group in Spain achieved a contractual volume of €2.2 million among special employment centres in its network of regular suppliers, so as to help and collaborate with the group of people with disabilities.

## Other initiatives with suppliers

One of the main mechanisms used by the company to interact with its suppliers is the supplier survey. This survey, carried out every two years with suppliers in all sectors, makes it possible to identify those aspects of the Iberdrola group and its procurement processes and tools that are most valued by suppliers, as well as to identify areas for improvement and define mediumand long-term action plans. More than two thousand suppliers participated in the last edition in 2022, and supplier satisfaction levels have been consolidated over the years.

The company also pursues other initiatives to foster an active relationship with its suppliers and promote best practices among them. One such example is the Global Supplier of the Year Awards 2023, which recognises the contribution of suppliers to a greener, fairer and more sustainable economic model that creates opportunities for all, highlighting their essential role in creating jobs, wealth and transitioning to more sustainable energy.

In this context, several initiatives aimed at supporting small and medium-sized enterprises to improve their knowledge and performance in the field of sustainability stand out in 2023, such as the first edition of the Sustainable Suppliers Training Programme and the Sustainable SME Day.

Iberdrola has also supported the creation and consolidation of new business projects. This is evidenced by the Group's acquisitions of companies less than five years old for a total of € 518 million and the consolidation of the Iberdrola Ventures - Perseo programme, which since its creation has invested more than €150 million worldwide to support open innovation and create synergies with start-ups developing innovative technologies and business models.

For more information on how sustainability is integrated into supplier management and relationships, see the "Sustainable value chain" section of the corporate website.





# 4.6. Support to local communities

Iberdrola has a number of activities and projects to avoid, mitigate and offset the potential socioeconomic 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 2023 can be guantified from various points of view. In addition to the fiscal impact (see the "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 €51.7 M to the community measured according to the Business for Societal Impact (B4SI) international standard, in the countries in which Iberdrola operates. This amount is equal to 1.1% of net profits for the year.
- Volunteer activities. A total of 20,495 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.
- Support for entrepreneurs: € 518 million of purchases from companies in operation for less than 5 years, and over €150 million in 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 12 million users by year-end 2023.

## Main activities of the foundations of the Iberdrola group in 2023

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 2023 reached a total of €13.3 million.

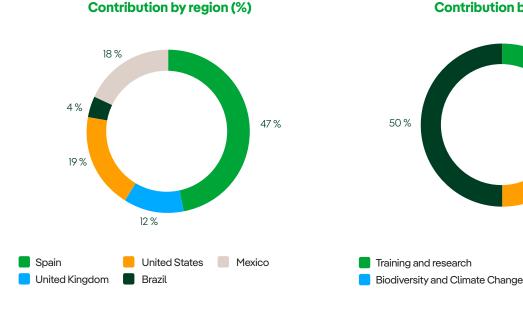
- The training and research area includes the INSPIRA III Green Economy training programme for social and labour insertion for young people at risk of social exclusion and school dropouts in Castilla - La Mancha. In addition, the second year of the "Energy for Future" research grant programme was complete. Co-funded by the European Commission, it awarded 13 international scholarships on the first call and funded a further 13 research grants 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. The Avangrid Foundation has awarded more than 10 scholarships to women to promote STEM careers. The Balcão de Ideias e Prácticas Educativas project in Brazil consolidates a network for the dissemination of innovative ideas and practices in education through ongoing teacher training. To date, Fundación Iberdrola México has awarded 21 scholarships at the Instituto Tecnológico de Monterrey to students with limited resources.
- 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 lighting projects were the CESEDEN, the Capitanía General de Sevilla, the church of the Colegio de Monforte de Lemos

and Guadalajara's Arab bridge. In addition, many lighting projects are currently underway and are due to be inaugurated in 2024, such as Lisbon's City Hall. In Brazil, Instituto Neoenergia has engaged in the illumination of the Senhora Santana Church (Rio de Contas - Bahia). As far as exhibitions are concerned, the travelling exhibitions "El Prado en las Calles" in Andalusia and another new exhibition in collaboration with the Junta de Castilla-La Mancha called "Museorum" stand out.

 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  $CO_2$ . The reforestation projects at the Conde de Gazola Military Base in León and the Barbanza Air Base in Coruña were inaugurated in

late 2023. Also noteworthy are the multi-year project with WWF (World Wildlife Foundation) to restore seagrass and oyster beds by the ScottishPower Foundation, Avangrid's project in collaboration with the National Fish & Wildlife Foundation to carry out bird protection projects (bats and freshwater birds in New England) and habitat conservation projects, the conservation of the Fernandez Canyon and mangroves by Fundación Iberdrola Mexico and the CORALIZAR project (coral restoration) and Flyways Brazil (conservation and monitoring of wading birds) by the Neoenergia Institute.

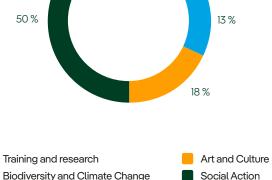
 The Social Action area includes support for the most vulnerable individuals and groups. Over 300 partnerships have been established in the five countries with an impact on over 250,000 people. A key initiative was the raft of calls for proposals for social programmes aimed at supporting and funding more 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.



### 2023 programmes of the foundations: €13.3 million



Contribution by area (%)



**Integrated Report 2024** 



# 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 shape 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 six 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, such as the recently approved Manual on the Management of Reputational Issues in Crisis Situations, the Global Reputation Working Group and employee training initiatives.

## Robustness and strength of the brand

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.

The brand evolved to better reflect its commitment to the planet and its commitment to digitalisation in 2023. This is why the brand identity is more sustainable, with a logo designed to reduce energy consumption by 50%. An identity that maintains its essence by reinforcing the association with the values of sustainability.

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

### \$9,709 million 2023

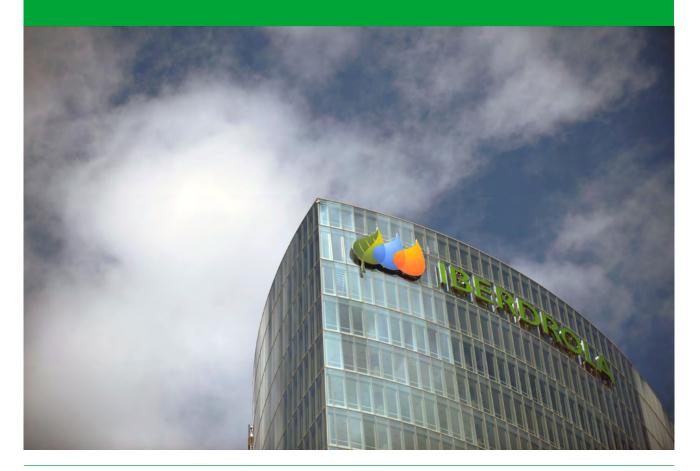
Value of the Iberdrola brand according to Kantar BrandZ





# 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.Cybersecurity and information privacy
5.7.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.

Along this line, the company has once again been recognised by the Ethisphere Institute as one of the world's most ethical companies.

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 fostering a culture of ethics, transparency and good governance, lberdrola continues to implement market **best practices**, to which end the company has set **objectives** in the areas of **corporate governance**, **composition of governing bodies**, **compliance** and **cybersecurity**.

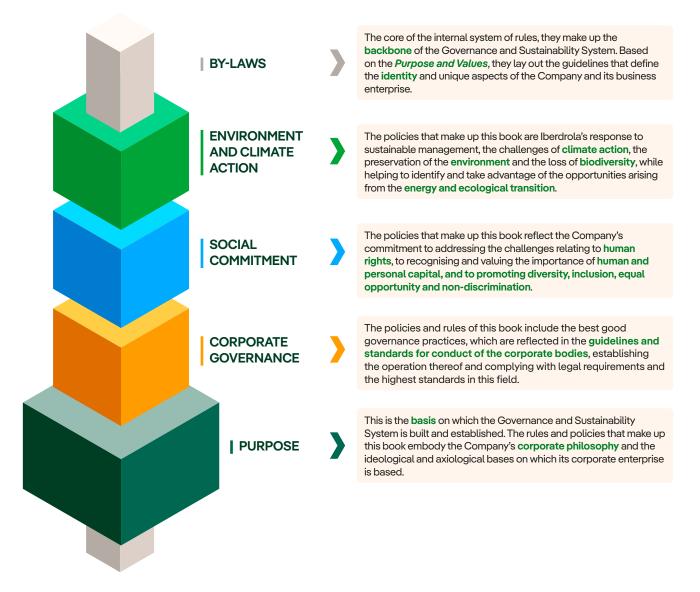


# 5.1.Governance and Sustainability System

The Company has a <u>Governance and sustainability system</u> that 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 **comprehensive 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 <u>Governance and</u> <u>sustainability system</u> 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:

Position	Director	Status	Date of last appointment	End of term <sup>(2)</sup>	Membership on Board Committees
Chairman	José Ignacio Sánchez Galán (Salamanca, Spain, 1950)	Executive	28-04-2023	28-04-2027	Chair of the Executive Committee
Chief Executive Officer	Armando Martínez Martínez (Miranda de Ebro, Spain, 1968)	Executive	28-04-2023	28-04-2027	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
Second Vice- Chair	Anthony L. Gardner (Washington D.C., United Stated, 1963)	Independent	17-06-2022	17-06-2026	Chair of the Remuneration Committee
Member	Íñigo Víctor de Oriol Ibarra (Madrid, Spain, 1962)	Other external	02-04-2020	02-04-2024	Member of the Executive Committee, Member of the Appointments Committee
Member	María Helena Antolín Raybaud (Toulon, France, 1966)	Other external	28-04-2023	28-04-2027	Member of the Remuneration Committee
Member	Manuel Moreu Munaiz (Pontevedra, Spain, 1953)	Independent	28-04-2023	28-04-2027	Member of the Appointments Committee
Member	Xabier Sagredo Ormaza (Portugalete, Spain, 1972)	Independent	28-04-2023	28-04-2027	Member of the Executive Committee
Member	Sara de la Rica Goiricelaya (Bilbao, Spain, 1963)	Independent	28-04-2023	28-04-2027	Member of the Remuneration Committee
Member	Nicola Mary Brewer (Taplow, United Kingdom, 1957)	Independent	02-04-2020	02-04-2024	Member of the Audit and Risk Supervision Committee
Member	Regina Helena Jorge Nunes (São Paulo, Brazil, 1965)	Independent	02-04-2020	02-04-2024	Chair of the Sustainable Development Committee
Member	Ángel Jesús Acebes Paniagua (Ávila, Spain, 1958)	Independent	18-06-2021	18-06-2025	Member of the Executive Committee
Member	María Ángeles Alcalá Díaz (Albacete, Spain, 1962)	Independent	17-06-2022	17-06-2026	Chair 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

Deputy Secretary (non-member): Ainara Elejoste Echebarría



<sup>(1)</sup> Secretary (non-member): Santiago Martínez Garrido

Legal Counsel (non-member): Rafael Sebastián Quetglas

<sup>(2)</sup> In accordance with the provisions of Section 222 of the Spanish Companies Act, the appointment of the directors whose term of office has expired at the date of this report remains in force until the General Shareholders' Meeting called for 17 May 2024, on first call.



### **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 with group-wide scope; 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 of Iberdrola, S.A. 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 the management of the businesses of the Group's companies, as the person with overall responsibility for all of them and with the most senior functions in this area.

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.

Subholding companies

Iberdrola S.A.

(Holding

companies)

The country subholding companies strengthen strategic organisation and coordination in relation to their respective territories, countries or businesses through the dissemination, implementation and supervision of overall strategy and basic management guidelines.

To this end, the country subholding companies have their own chief executive officers, non-executive directors and audit and compliance committees, in addition to their own internal audit and compliance units and divisions.

In particular, 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 country subholding companies group together the shareholdings in the head of business companies and one of their main functions is to centralise the provision of common services to these companies and to represent them vis-à-vis national institutions.

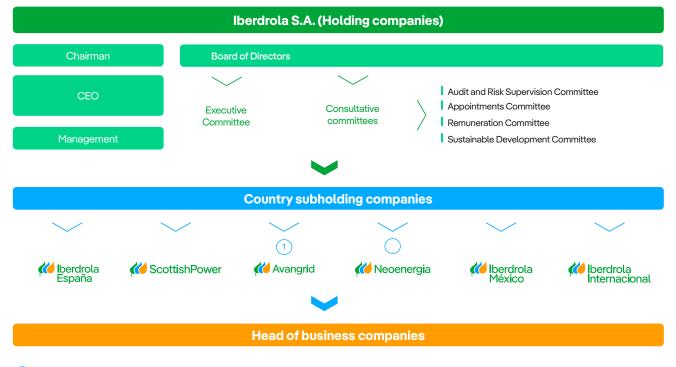
**Head of business** companies The head of business companies carry out the day-to-day administration and effective management of the businesses and are responsible for the day-to-day control thereof. They are organised through their respective boards of directors and specific management decision-making bodies; they may also have their own audit and compliance committees, internal audit areas and compliance units or divisions.

If the head of business companies have subsidiaries domiciled in countries or territories other than that of the parent company, the subsidiaries may be entrusted with the effective management of their activities in their country or territory, respecting their corporate autonomy.





### Simplified outline of corporate and governance structure



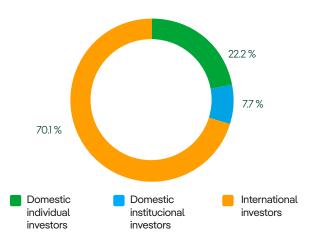
Company listed on the New York Stock Exchange.

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

# **Ownership structure**

Iberdrola has shareholders around the world, none of whom have a controlling interest in the Company.

Investment funds, pension funds and other international institutional shareholders represent 70% of the capital.





## Iberdrola at the forefront of governance and sustainability

The Board of Directors of Iberdrola, S.A. prepares and permanently updates the Governance and Sustainability System, which is based on ESG standards that highlight, at the policy level, the goals embraced by Iberdrola, S.A. 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 the governance and sustainability strategy of Iberdrola, S.A. are:

- A system for the **separation of functions**, checks and balances, and controls.
- Environmental performance.
- The **promotion of diversity**, inclusion, equal opportunity and excellence.
- **Ongoing shareholder engagement**, not just at the General Shareholders' Meeting.
- 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 the corporate governance rules and practices

For corporate governance matters, the Company takes as a reference the Good Governance Code of Listed Companies, revised by the CNMV in June 2020, and the practices generally recognised in 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 on sustainable development and corporate reputation

Ongoing update of Governance and Sustainability System.

Review of the compliance system

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

Monitoring the Climate Action Plan and 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 the development, promotion and retention of the management team's 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 <u>Shareholder Engagement Policy</u> 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 the Company.
- The company encourages shareholders' participation throughout the year, especially at the General Shareholders' Meeting.



### Ongoing and proactive contact with our shareholders.

# **Remuneration policy**

- The *Director Remuneration Policy*, approved by the shareholders at the General Shareholders' Meeting on 18 June 2021, remained in force throughout 2023.
- Executive director remuneration is aligned with strategic objectives, sustainability and shareholder return.
- Considers clauses on cancellation and reimbursement of short- and long-term variable remuneration (malus and claw-back).

Board of Directors remuneration model							
Type of remuneration External (rectors			Executive directors				
Fixed	According duties	to their	On market terms.				
Short-term variable	Not applicable		Capped at 150% of fixed remuneration. Payable in cash. Financial and ESG targets.				
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).				
Parameters to which the annual variable remuneration of executive directors is tied in 2023							
Economic and 1	financial	Net profit, EBITDA, cash flow, investments, shareholder remuneration, financial strength, efficiency					
Growth		Investments, projects					
Sustainable development		Social dividend, diversity and inclusion, the fight against climate change, training, occupational safety, cybersecurity					



# Main activities of the Board of Directors and its Committees

### Key topics in 2023

The main focus areas for the Board of Directors during 2023 were as follows:

- the **monitoring of risks** with the greatest potential impact on the implementation of the Group's strategy, including macroeconomic risks with the greatest impact on the energy sector and regulatory changes in the markets in which the Group operates.
- the **supervision of various corporate transactions and strategic alliances** formalised by companies of the Iberdrola Group.
- the supervision of the level of implementation of the four pillars of the Company's Strategic Plan 2023-2025.
- the amendment of the Governance and Sustainability System in order to, among other aspects: (i) adapt the duties of supervision, organisation and coordination at the various corporate levels of the Iberdrola Group (holding company, country subholding companies, and head of business companies) in line with the proposed amendments to the By-Laws submitted for approval at the General Shareholders' Meeting held on 28 April 2023; (ii) revise the Company's Compliance System to conform it to the most advanced international practices and new requirements in this area; and (iii) reaffirm the overall strategy of ongoing engagement of the shareholders in corporate life throughout the year, i.e. not limited to the General Shareholders' Meeting.

These and the other key issues dealt with by the Board of Directors and the committees thereof during financial year 2023 are set out in individual sections relating to each governing body in the annual <u>Activities Report of the</u> <u>Board of Directors and of the Committees thereof</u> for financial year 2023.

### **Training of the Governance Bodies**

The directors receive continuous training regarding significant issues relating to the Iberdrola Group and its businesses, as well as the environment in which they operate, which are supplemented by reports, articles and other information of interest, all of which are made available to the directors through the directors' website, which has a specific section and a blog dedicated to training.

In addition to training materials and sessions for all directors, each of the consultative committees also has specific training plans in the areas within their purview.

The aforementioned <u>Activities Report of the Board of Directors and of the Committees thereof</u> includes a specific section on the 2023 Training and Information Programme for the governance bodies, which lists the different training and information sessions held, as well as the training documents published on the directors' website.



# 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



Based on the document "The IIA's Three Lines Model 2020. An update of the Three Lines of Defense" IIA 2020.

# 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 though integrity, leadership and transparency.
- Actions (including risk management) by management to achieve the objectives of the strategic plan through risk-based decisionmaking 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 second-line functions at Iberdrola, within their respective areas of responsibility, are: (i) the group's Risk Division, within the framework of its functions in the Comprehensive Risk Control and Management System; (ii) the Control Division, in its responsibility for the internal risk control and management systems related to the financial reporting process (Internal Control over Financial Reporting System, ICFRS), the SAP environment and the risks of operating in the energy and commodities markets; (iii) the ESG Division, in its responsibility for internal risk management and control systems related to the non-financial reporting process, reputational risk, human rights impact risk and Stakeholder relations; and (iv) the Compliance Unit, which is responsible for proactively overseeing the effective operation of the Compliance System.

In addition, other organisations perform important second-line internal control and monitoring functions within their areas of responsibility: (i) the Environment Division, which supervises, monitors and reports the risks associated with possible environmental impacts arising from the group's operations; (ii) the Personnel and Organisation Division, which supervises, monitors and reports the risks associated with possible impacts on matters such as diversity, conciliation, talent management, occupational health and safety, labour relations; (iii) the Corporate Security Division, which supervises, monitors and reports on risks arising from impacts on the security of third parties and cybersecurity; and (iv) the Purchasing and Insurance Division, which supervises, monitors and reports on risks associated with the management of third parties and possible impacts of the group's supply chain on operational, environmental or social aspects, among others.

### **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 2023 annual activity plans of Iberdrola's Internal Audit Division and the Internal Audit divisions of the group are prepared taking into account the company's main risks, from a perspective coordinated with other assurance functions, and provide an independent view of the workings and effectiveness of the risk management and internal control systems in place in the group. All of this is in line with the requirements set by the ARSC and the respective ACCs of the country subholding companies, including the following lines of work:

- 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 technological risks;
- Audits of the compliance programmes; and
- Other audits of key corporate and business process and risks, based on the Risk Policies approved by the Board of Directors on an annual basis.

### **Principle 5:** Third line independence

Internal audit's independence from the responsibilities of management is critical to its objectivity, authority and credibility. At lberdrola 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 ACC include striving to preserve the independence of the statutory auditors, who provide assurance of the true picture provided by Iberdrola's financial information.



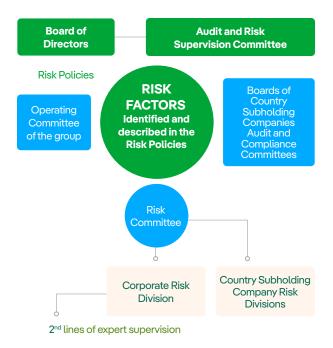
# 5.4.Risks

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

lberdrola'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 approved by UN, 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.

### **Duties of the Risk Committee**

### Active management

#### Credit risk

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

#### Market risk (energy and financial markets)

 Analysis and monitoring of compliance with detailed limits and monitoring of positions 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.



## **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:



Proactive and preventive

and monitoring of risk limits and indicators.

### Specific risk policies of the businesses:

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

### Corporate risk policies:

actions.

- 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.
- Reputational Risk Framework Policy.
- Purchasing Policy.
- Information Technology Policy.
- Cybersecurity Risk 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 particularities of their businesses. 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 such as technological failure, human error, pandemics, meteorological events and climate change, technological obsolescence, cyber security, fraud and corruption, litigation, construction, health and safety, natural hazards (environmental management and biodiversity), affected communities, supply chain (industrial and societal), diversity and inclusion, 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 dem							
	The main variable affecting the results of generation activities as regards market prices is the price of electricity, which is closel correlated with the price of the gas needed to produce that electricity and with the cost of the applicable emission allowances.						
	The group's generation assets sell their energy through various mechanisms, depending on the regulations and type of electricit market existing in each country. For new investments, incentives are available for selling at regulated rates or signing fixed-pric PPAs. The remaining market exposure is transferred to the customers business in the countries where it is present for integrate management.						
	Offsetting at-risk positions between generation and retail activities greatly reduces the group's market risk; the remaining risk i mitigated by trading in the physical buy/sell markets as well as in derivatives.						
Changes in the price of electricity		Spain		Generation and Cus		ntegrated	
		United Kingdom For its wind farms without CfDs					
	Potential impact of a 5%	Mexico	Generation and Customers risk integrated				
	change in the price of electricity and/or of energy	Brazil		Generation and Customers risk integrated			
	commodities and CO <sub>2</sub>	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.						
	Networks: no impact, except fo	or the Brazilian subsid	iarie	es in between tariff.		and the	United Kingdom
Resource risks							
Change in hydroelectric resources - Spain	<ul> <li>In the medium-to-long term, humid years are offset by dry years. The storage capacity of reservoirs and the group's portfolio of power plants mitigate the level of volatility during the year.</li> <li>Production and Customers Busines</li> </ul>						
Change n wind	Mitigated thanks to the high number of facilities in operation and the geographic dispersion thereof.				Production and		
resources - group	In the medium-to-long term, years with more wind are offset by years output - group     Customers Business     with less wind.						
Financial risks							
Change in nterest rates	The Iberdrola group maintain based on the structure of its re in interest rates.					penditure	Group financial cost
Change in exchange ates	This risk is mitigated by taking on debt and realising all its financial flows in the functional currency corresponding to each company, whenever <i>Potential impact on</i>			Group financial cost			
Other risks							
Credit risk	<ul> <li>Main sources: amounts outstanding (customers, suppliers, banks, partners, etc.) and cost of replacement.</li> <li>Customers: cost of late payments/defaults has been kept to levels near 1% of total invoicing.</li> <li>Networks: in Spain and in the United Kingdom there is no retail sale of energy, in the United States and Brazil mechanisms are in place to recover late payments through the tariffs</li> </ul>						
Operational isk	These risks are mitigated by making the necessary investments, applying operation and maintenance procedures and programme (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 isk	The group's companies are subject to laws and regulations on tariffs and other regulatory aspects of its activities in the countrie 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	Includes the risks of transition associated with emission reduction targets (primarily regulatory and market risks) and physic risks (deriving from the possible impacts of an increase in extreme climate phenomena, increase in temperatures, rise in sea level changes in rainfall patterns, etc.).						
change risk	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.						

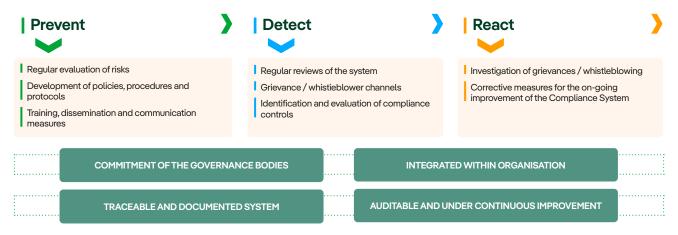




## 5.5. Ethics and integrity

### **Compliance System**

**Iberdrola has a Compliance System**, which includes the rules, formal procedures and substantive activities that are intended to **ensure** that the Company acts in accordance with **ethical principles**, the **law**, and **internal rules**, particularly the Governance and Sustainability System, to contribute to the full realisation of the Purpose and Values of the Iberdrola Group and the corporate interest, and to prevent, manage and mitigate the risk of regulatory and ethical breaches that may be committed by the directors, professionals or suppliers thereof within the organisation.



The System is under continuous review to incorporate the best international practices and trends in this field and the regulatory requirements at any given time, and ensures the dissemination, implementation and monitoring of the principles of conduct set out in this Compliance and Internal Reporting and Whistleblower Protection System Policy.

The fundamental elements of the System are, on the one hand, its crime prevention programme and, on the other hand, the internal reporting system, which is comprised of, among other things, various channels suitable for reporting potentially improper conduct or acts that are potentially illegal or contrary to law or to the Governance and Sustainability System.

The Company and the other companies of the Group regularly submit their respective compliance systems to an audit by an independent expert. Both the holding company and the country subholding companies have publicly committed to maintaining and updating this external validation over time.

The Compliance Unit of Iberdrola, S.A. proactively and autonomously oversees the implementation and effectiveness of its Compliance System, without prejudice to the responsibilities corresponding to other bodies and divisions thereof. For their part, the country subholding companies and the head of business companies have their own compliance systems, the application and effectiveness of which must be proactively and autonomously monitored by their respective compliance units, without prejudice to the appropriate coordination carried out at all levels of the Group.

The Company's Compliance Unit and the compliance units of the country subholding companies and of the head of business companies, which are configured in accordance with the highest standards of independence and transparency, enjoy the necessary autonomy and capacity for initiative and control and have the appropriate material and human resources for the performance of their duties.

The Compliance Unit has powers related to the Code of Ethics with respect to the effectiveness of the Compliance System and related to the internal reporting and whistleblower protection system, prevention of the commission of crimes, 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 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 reporting channels.

### **Principal recognitions**

Iberdrola has the **Compliance Leader Verification certification, first obtained in 2018 and renewed in 2023**, awarded by the Ethisphere Institute to companies that demonstrate the implementation of an ethical culture and a robust and effective Compliance System.

In 2023, 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 tenth consecutive year as one of the **most ethical companies in the world**, according to the **World's Most Ethical Companies 2023** ranking prepared by the Ethisphere Institute, thus recognising the ethical leadership and conduct of the organisation.

Iberdrola, S.A. has been placed first in the Ibex 35 ranking of transparency and good governance in ethics and compliance by the Haz and Cumplen foundation.

Iberdrola, S.A. has been recognised as the most innovative company in the field of compliance in the 4th year of the Compliance Awards organised by the newspaper Expansión.



# 5.6.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 <u>Cybersecurity Risk Policy</u>, 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 a cybersecurity risk management approach based on the three lines of defence model, ensuring a coordinated approach and proper segregation of duties. It is up to the businesses, as the first line of defence and owners of the risk, to identify the risk and implement appropriate controls in their operations. The corporate cybersecurity area and the internal audit area are the second and third lines of defences, respectively.



- **Culture:** cybersecurity skills and knowledge are identified and developed through a companywide training programme to foster a strong cybersecurity culture that engages all employees and the Board of Directors.
- Risk management: comprehensive cybersecurity risk management plans are defined and implemented, prioritising resources based on an exhaustive assessment of the risks, with a focus on critical infrastructure and essential services.
- Resilience: cybersecurity incident response technology (SIEMs/SOCs) and global and local cybersecurity incident response teams (CSIRTs) are in place, which operate 24/7, and act as a point of contact to ensure proper detection and management of threats, vulnerabilities and incidents.
- Assurance: in addition to ensuring compliance with regulations in the different countries in which it has a presence (GDPR, SOX, NIS, PIC, NERC, etc.), a comprehensive assurance programme has been implemented, including regular internal and external audits and vulnerability and threat detection programmes.
- **Partnerships:** both internally between businesses and cybersecurity managers, and externally with law enforcement, government agencies, product and service providers, companies and think tanks to strengthen systemic resilience.

To lead its deployment throughout the group, Iberdrola has appointed a **Chief Information Security Officer** (CISO), who reports to the global head of comprehensive security and to senior management. The CISO is responsible for defining, leading and supervising the cybersecurity strategy throughout the Group, as are the CISOs of the various country subholding companies to ensure that the Policy is implemented in each country, taking into account the regulations and legislation applicable in their territory. The Audit and Risk Supervision Committees of the Board of Directors, both of the holding company and of each of the country subholding companies, are informed at least quarterly of the cybersecurity risks identified in the Group and of the progress of the strategy and mitigation plans.

Furthermore, Iberdrola pays special attention to ensuring the privacy of the personal information of the group's Stakeholders. For this purpose, the company follows a <u>Personal Data Protection Policy</u>, approved by the Board of Directors and conforming to the European General 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, **Binding Corporate Rules (BCRs)** 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 "<u>Statement of Non-Financial Information 2023</u>" published on Iberdrola's corporate website.



### 5.7. Fiscal responsibility

Iberdrola has a <u>Corporate Tax Policy</u> that sets out the Company's 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 <u>Corporate Tax Policy</u> is applicable to all companies that make up the Group, as well as to minority-owned companies over which Iberdrola has effective control, within the legal limits , and without prejudice to the strengthened autonomy applicable to listed country subholding companies.

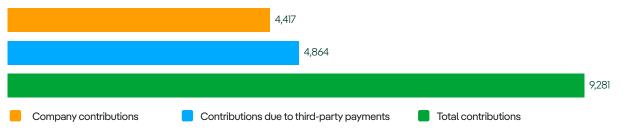
The fiscally responsible conduct of all companies within the Iberdrola Group is part of the <u>General Sustainable</u> <u>Development Policy</u>, inspired by the Purpose and Values of the Iberdrola group, based on a commitment to ethical principles, good corporate governance, transparency and institutional 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 responsibl	e behaviour
	<u>Corporate Tax Policy</u> since 2010, with the last update in December 2022, which is available on its website. <b>The Board o</b> te of formally adopting the Policy and its updates.
	ponsible tax approach, lberdrola strives to ensure that taxation is appropriately related to the structure and location of it is a <b>relationship with the tax authorities based on respect for the law</b> , loyalty, trust, professionalism, cooperation, reciprocit
Tax governance an	d risk management
Responsibility	The <b>Board of Directors of Iberdrola, S.A.</b> , 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 <b>countr subholding companies</b> are responsible for ensuring compliance with the Corporate Tax Policy 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 <u>Corporate Tax Policy</u> are monitored at all levels.
	The Company's Global Tax Division approves and periodically reviews guidelines for the evaluation and management of ta 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 Corporate Tax Policy, and in turn, the Audit and Compliance Committee of the country subholding companies report to the Audit and Risk Supervision Committee of Iberdrola S.A. Finally, the Aud and Risk Supervision Committee of Iberdrola, S.A. reports its findings to the Board of Directors.
Risk management and compliance	Iberdrola proactively seeks to <b>prevent and reduce significant tax risks</b> . To this end, it has a robust tax risk prevention mode in line with best tax governance practices, which is duly monitored and updated. It also has a tax compliance managemen system certified in accordance with the UNE 19602 Standard.
	The Group does not include among its affiliates any entity domiciled in a country or territory that is considered a tax have under Spanish law or that is included in the European Union's blacklist of non-cooperative jurisdictions for tax purposes.
Stakeholder engag	ement in tax matters
	ures, since 2019, Iberdrola has voluntarily prepared the <u>Report on Tax Transparency of the Iberdrola group. Our commitment to</u> out all significant issues from a tax standpoint.
	ola makes specifics ethics mailboxes available to its Stakeholders, which constitute tools to report conduct that could entail a ct contrary to the law or the internal rules or procedures.

Iberdrola's tax contribution in 2023 (€M)





### 6.Finance

6.1.Economic and financial performance6.2.EU Taxonomy6.3.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 objectives relating to the financing strategy, which will enable the company to continue to lead the green bond and sustainable financing market.





# 6.1.Economic and financial performance

Iberdrola continues to develop a resilient business model, in line with its strategic vision of contributing every day, in a collaborative way, to building a more electric, healthier and accessible energy system, while managing the current complex macroeconomic context with a robust and conservative financial policy.

The company achieved a **net profit of €4,803 million in 2023**, continuing our track record of meeting or exceeding forecasts. **Investments increased** by **6%** year-on-year, **to €11,382 million**, with 47% of total investments in renewables, 46% in grids and 5% in production and customers.

The gross margin of the businesses continues to improve each year. This year in particular, mainly due to higher production and lower procurement costs, it has increased by 15.4% compared to 2022. Iberdrola is committed to operational efficiency through cost-optimised project design over the life of the asset, as well as continuous improvements in Operation and Maintenance management through standardisation and digitalisation of processes.

**EBITDA amounted to €14,417 million, 9% higher** than in 2022, with positive performance in Spain due to increased water resources and in the United Kingdom as a result of the recovery of the accumulated tariff deficit. Meanwhile, **Operating Cash Flow reached €11,096 million**.

Changes in Iberdrola's main reference currencies had a negative impact of €135 million on EBITDA due to their trend against the euro, but a positive impact of €88 million on net profit compared to 2023, thanks to the financial hedging contracts signed. The **cost of debt** excluding Neoenergia is **3.76%, in line with the forecast** at the Capital Markets Day (CMD) 2022. The total cost of debt has fallen from its peak in the middle of 2023 to an average of 4.97%. It has also improved in Brazil, where it fell by 47 basis points in the last quarter.

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. The company's investment plan is 90% aligned with the EU taxonomy, allowing it to remain the **world leader in green bonds**, with **strong demand from ESG investors** and **total sustainable financing of €54,449 million**.

The company maintains a **robust liquidity position**, which allows it to avoid possible market restrictions and volatility, with more than €21,000 million of liquidity, covering 27 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+/Baal with a stable outlook.

The Company's performance over the past decades, and particularly in recent years when there has been a very significant energy and logistics crisis, demonstrates not only the **resilience of the business model**, but also the compatibility of **continuing to have a positive impact** on the environment with the **creation of shareholder value**.

On this point, Iberdrola **will increase shareholder remuneration by almost 11%, in line** with expected results, up to a **dividend of €0.550/share** for financial year 2023 and payable in 2024, subject to the approval of the shareholders at the General Shareholders' Meeting and maintaining optionality with the **"Dividendo Retribución Flexible"** remuneration programme.



### 6.2.EU Taxonomy

Iberdrola fulfils the reporting requirements of Article 8 of EU Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment.

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.

### **Evaluation methodology**

During this year, the activities carried out by the companies of the Iberdrola group have been evaluated with regard to climate change mitigation and adaptation objectives for purposes of eligibility and alignment, following four steps that address the Regulations described above:

Identification       Identification         of eligible activities       Identification         Identification       Identification	Assessment of no significant harm to environmental targets Existence of social and human rights Minimum Safeguards.
Eligible activities according to RD 2021/2139, 2022/1214 and 2023/2485	Ineligible activities according to RD 2022/1214
H <sub>2</sub> Manufacture of hydrogen.	Electricity generation at nuclear facilities.
Generation of electricity: using solar photovoltaic technology. from wind power.	Distribution of gas and the sale of electricity or gas to end customers.
from hydroelectric power.	
Electricity transmission and distribution	
Storage of electricity	
Installation, maintenance and reparation of equipment: energy efficiency. charging stations for electric vehicles, instruments and devices for measuring, regulating and controlling the energy performance of buildings, renewable energy.	





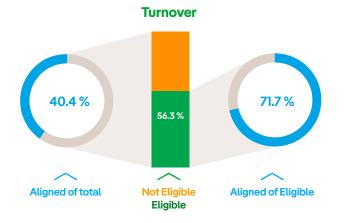
### Results achieved: degree of eligibility and alignment

#### Turnover

The percentage of eligible activities is 56.3% of turnover and the percentage of revenue alignment is 40.4%, which in the company's opinion is not an accurate reflection of the sustainability of its operations.

Therefore, in the case of integrated companies that simultaneously carry out regulated and unregulated distribution activities, in addition to what is required by the regulations, the percentage of revenue alignment in relation to eligible revenue is presented below, as well as adjusted values that exclude from the denominator the amount paid by the unregulated activity in Spain and the United Kingdom in relation to the cost of access to the electricity networks.

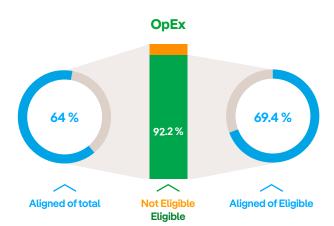
It can be seen, for example, that the degree of alignment of revenues with the consolidated total is 40.4%, while adjusted for the effect of network access costs it would be 43.6%. In both cases, the proportion of taxonomy-aligned turnover in relation to the taxonomy-eligible turnover would reach 71.7%.



#### **OpEx**

Eligible OpEx represents 92.2% of the group's total OpEx. The OpEx of taxonomy-aligned environmentally sustainable activities amounts to 64% while non-aligned eligible activities account for 28.2%.

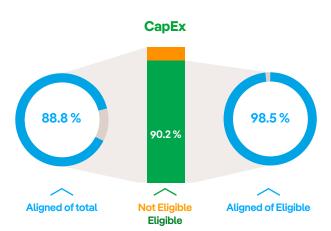
The OpEx of aligned eligible activities has increased by 11.8 percentage points compared to 2022, from 52.2% in 2022 to 64% in 2023, with a similar decrease for non-aligned eligible activities, due to the inclusion of operating expenses contributing to the adaptation objective for the distribution business in the states of New York and Connecticut, which were included in 2023 following a comprehensive review. The **OpEx of the aligned activities represents 69.4%** of total eligible activities.



#### CapEx

The company believes that the indicator that best reflects the group's level of sustainability is the degree of alignment of CapEx, which represents 88.8% of the total and 90.2% for all the eligible activities, thanks to its growth strategy based on smart grids and renewable generation, activities on which it focuses almost all its investments.

The CapEx of aligned activities represents 98.5% of total eligible activities and is expected to remain above 90% over the next three years.



For more details regarding the standards applied, see the *Statement of Non-Financial Information 2023*.



### 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 terms of sustainable 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 sustainable financing in the various regions in which it operates and through the different instruments and formats it uses to finance itself.

The sustainable financing subscribed by the Iberdrola group in 2023 amounts to €12,643 million, with the group's sustainable financing portfolio totalling €54,449 million. The breakdown by product is as follows:

Iberdrola group Sustainable Financing 2023			
	New financing 2023	Portfolio at year-end 2023	
Green	7,343	33,071	
Bonds	3,637	20,239	
Bank loans	28	390	
Multilateral loans	1,655	4,517	
Loans with development banks and ECAs	930	3,563	
Structured financing	1,094	4,362	
Instruments (KPI-linked)	5,300	21,377	
Credit facilities	5,300	15,132	
Loans	0	1,245	
Commercial paper programmes	0	5,000	
Total Sustainable financing	12,643	54,449	

#### Green finance transactions

The group has signed new green finance transactions in 2023 in the total amount of EUR 7,343 million. This brings the total amount of green finance at the end of 2023 to EUR 33,071 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 generation technologies, and the smart mobility projects in which lberdrola 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<sup>(1)</sup> of Iberdrola, AVANGRID or NEOENERGIA. These Frameworks are aligned, inter alia, with the Green Bond Principles ("GBPs") established by the International Capital Markets Association (ICMA) and have the Second Party Opinion of a renowned international expert regarding their alignment with the GBPs in all cases. Green finance transactions include the following:

Bonds: As a Corporation, Iberdrola engaged in two new green bond issues in 2023, one of them for senior debt and the other subordinated, in the combined amount of €1,850 million, earmarked for financing renewable projects in various countries and Networks in Spain.

At Avangrid, its subsidiaries issued four green bonds in the combined amount of USD 1,315 million (EUR 1,188 million). The funds obtained were allocated to Networks projects.



<sup>(</sup>I) Iberdrola Framework for Green Financing, AVANGRID Framework for Green Financing y Green Finance Framework do grupo Neoenergia.



At Neoenergia, its subsidiaries issued five green bonds in the combined amount of BRL 3,200 million (EUR 598 million). The funds obtained were allocated to Networks projects.

**Bank loans:** In the banking market, **Iberdrola received the first green loan** obtained by an energy company in 2017, which was followed by other green transactions. In 2023, **Neoenergia Brasilia signed a green bank loan** of R\$150 million (€28 million) **maturing in 2026** for the construction of distribution networks and automation projects.

Loans with multilateral institutions: With regard to green loans with multilateral institutions, in May 2019, Iberdrola obtained its first green loan from the European Investment Bank (EIB) and has since continued to expand this type of instrument and the range of lenders. In 2023, Iberdrola signed two green loans with the EIB in the total amount of €1,150 million, for the development of a portfolio of wind and solar PV projects in Spain, Portugal and Germany, and for the partial financing of small-scale solar and wind projects in Italy. Also in 2023 Iberdrola received approval from the International Finance Corporation (IFC)-World Bank Group for €300 million in development financing in emerging countries. This loan has the dual label of green and "sustainable" (KPI-linked).

In 2023, Elektro (a subsidiary of Neoenergia) increased its green financing with IFC by signing a new R\$800 million (€150 million) Super Green Loan, the proceeds of which will be used to finance the modernisation, digitalisation and expansion of a number of electricity transmission networks.

Loans with development banks and Export Credit Agencies (ECAs): In 2022, Iberdrola signed its first corporatelevel green loans with an Export Credit Agency (ECA) underwriting policy. These ECA-backed financings allow Iberdrola to diversify its funding sources, reduce the risk thresholds of commercial banks and thus opening up access to further financing in the future.

On 25 July 2023 Iberdrola **signed a €500 million loan with the international bank Citi**, backed by the Norwegian Export Credit Agency EKSPORTFINANSIERING NORGE (ESKFIN), to finance the East Anglia III offshore wind farm in the United Kingdom.

All of the assets financed by these institutions are included as projects capable of green financing within the Framework of Iberdrola's green financing.

Structured finance: structured finance operations in 2023 included the signing of a €55 million loan with the European Investment Bank (EIB) for the construction of a 100 MW wind farm in Burgos, Spain. Also in 2023 AVANGRID increased its financing in the form of Green Tax Equity Investment in the amount of \$1,249 million (€1,129 million), mainly due to the formalisation of the TEI Vineyard Wind project with Tax Equity Investment investors.

In addition, the Group has entered into other ESG finance contracts, as they are financings that link their cost or some of their structural aspects to meeting a set of sustainable objectives, one of which is always related to the environment. These are so-called KPI-linked financings, such as the credit lines taken out by Iberdrola and the commercial paper programme that the group has in place to manage and optimise its liquidity.

As with green finance transactions, KPI-linked loans are certified by an independent expert on the selected sustainability indicators and their compliance with the corresponding Sustainability-Linked Loan Principles (SLLP) of the LTSA or Sustainability-Linked Bond Principles (SLBP) of the ICMA.

### Two sustainable syndicated credit facilities (KPI-linked) for a total amount of €5,300 million were refinanced in 2023.

Along these lines, at least 80% of new financing operations in the next three years will be sustainable.



### 7. About this report

7.1.About this report7.2.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 20 February 2024, 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 2023.
- The Company performs materiality analyses that bring to light particularly sensitive financial, environmental, social and corporate governance issues related to the businesses 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 2023.

### **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).
- 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 whollyowned 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 2023:
  - Signing of the alliance with Norges Bank Investment Management to co-invest in 1,265 MW of new renewable capacity.
  - Creation of an alliance with the Exiom group to take the lead in the manufacture of photovoltaic solar panels.
  - Signing of a strategic alliance with BP to accelerate the energy transition to sustainable mobility, investing €1,000 million to deploy a network of 11,700 charging points.
  - Signing of an agreement to sell more than 8,400 MW of combined cycle power plants for \$6,000 million.
  - Signing of an alliance with Singapore's sovereign wealth fund for the development of transmission networks in Brazil for €456 million.
  - Partnership with the World Bank to boost energy transition in emerging countries, through a green loan of almost US\$150 million.
  - Signing of major contract in Europe with Trammo for the procurement of 100,000 tonnes of green ammonia as from 2026, with an associated investment of €750 million.
  - Signing of the agreement for the sale of more than 8,400 MW of installed capacity in Mexico.
  - Signing of a €1,000 million loan with the EIB to finance the construction of photovoltaic and wind power plants throughout Europe, with total installed capacity of 2.2 GW.
  - Signing of an alliance with Masdar to co-invest €15,000 million in offshore wind and green hydrogen in Germany, the United Kingdom and the United States.
  - In February 2024, the Iberdrola Group completed the sale of 55% of its business in the country for some US\$6,000 million, after obtaining the necessary regulatory approvals and authorisations. The transaction involved the transfer of 13 generation plants with an installed capacity of 8,539 MW, of which 99% comprise gas-fired combined cycle plants and 87% are plants operating under the Independent Power Producer regime, contracted with the CFE (*Comisión Federal de Electricidad*).



### **Exclusion of liability**

- The purpose of the Integrated Report 2024 (the document) is to provide a detailed explanation of the group's activities during financial year 2023 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.
- Iberdrola, S.A. does not assume any liability for the content of the document if it is used for a purpose other than the one described above.
- The Report has been subject to a process of internal review. Although it has not been subject to a process of independent external assurance, a significant portion of the information contained herein relating to financial year 2023 and to previous years comes from Annual Financial Reports and the Statements of Non-Financial Information - Sustainability Report, all of which have been the subject of an external audit or assurance. The remaining information comes mainly from other reports or public presentations.
- Neither Iberdrola, S.A. nor its subsidiaries or other companies of the Iberdrola group or the companies in which Iberdrola S.A. has an interest (investees) assume any liability, regardless of any negligence or any other circumstance, for any loss or damage that might arise from any use of this document or the contents hereof.
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### Important information

- This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of Regulation (EU) 2017/1129 of the European Parliament and of the Council, of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, and its implementing regulations.
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accordance with the provisions of the Securities Market Act 1976 (Federal Law number 6,385 of 7 December 1976, in its current form), or pursuant to an exemption from registration of the offer.

- In addition to financial information prepared in accordance with International Financial Reporting Standards (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) and, in particular, at https://www.iberdrola.com/documents/20125/42337/alternativeperformance-measures-definitions.pdf
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- In addition, this document does not contain, and the information included herein does not constitute, an announcement, declaration or publication regarding the profits of Neoenergia, S.A. ("Neoenergia") or the financial results thereof. Neither Neoenergia nor its subsidiaries assume any liability whatsoever for the information contained in this document. For information regarding Neoenergia's financial results for financial year 2023, see the press release issued by Neoenergia on 7 February 2024, which is available in the investor relations section of its corporate website (ri.neoenergia.com) and on the website of the Brazilian National Securities Market Commission (Comissão de Valores Mobiliários) ("CVM") (www.cvm.gov.br).



### **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.
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- Forward-looking 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 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 I 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 successfully perform in significant material aspects, such as the value of Iberdrola, S.A., quality of supply, social/labour conditions, and a fair transition. These commitments are aspirational in nature.

Integrated Report, April 2024

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Spain

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# 7.2. Glossary of terms and abbreviations

Term	Definition
ABRADEE	Brazilian Association of Electric energy Distributors (Associação brasileira de distribuidores de energia elétrica)
ACC	Audit and Compliance Committee
AEDIVE	Business Association for the Development and Promotion of Electric Mobility (Asociación Empresarial para el Desarrollo e Impulso de la Movilidad Eléctrica)
AENOR:	Spanish Association for Standardisation and Certification (Asociación Española de Normalización y Certificación)
AGR	Automatic Grid Recover
AI	Artificial intelligence
ANEEL	National Electrical Energy Agency ( <i>Agência</i> <i>Nacional de Energia Elétrica</i> ), Brazil
API	Application Programming Interface
APS	Announced Pledges Scenario of the International Energy Agency
ARSC	Audit and Risk Supervision Committee
ASP	Administrative Strike Price
BCPI	Broad Consumer Price Index
BCRs	Binding Corporate Rules
BESS	Battery Energy Storage System
BESS	British Energy Security Strategy
BISOs	Business Information Security Officer
BP	British Petroleum
BUS	Boiler Upgrade Grants
CapEx	Capital Expenditures
CBAM	Carbon Border Adjustment Mechanism
CDP	Carbon Disclosure Project
CEBEK	Business Confederation of Bizkaia (Confederacion empresarial de Bizkaia)
CEO	Chief Executive Officer
CESEDEN	Higher Centre for National Defence Studies ( <i>Centro</i> Superior de Estudios de la Defensa Nacional), Spain
CfD	Contract for Difference
CFE	Federal Energy Commission ( <i>Comisión Federal de la Energía</i> ), Mexico
CISO	Chief Information Security Officer
CLCPA	Climate Leadership and Community Protection Act
CMP	Central Maine Power
CNG	Connecticut Natural Gas Corporation
CNMC	National Commission on Markets and Competition ( <i>Comisión Nacional de los</i> <i>Mercados y la Competencia</i> ), Spain

Term	Definition
CNMV	National Securities Market Commission ( <i>Comisión</i> Nacional del Mercado de Valores), Spain
CO <sub>2</sub>	Carbon dioxide
COFECE	Federal Economic Competition Commission ( <i>Comisión Federal de</i> <i>Competencia Económica</i> ), Mexico
CONCAMIN	Confederation of Industrial Chambers of the United Mexican States ( <i>Confederación de Cámaras</i> <i>Industriales de los Estados Unidos Mexicanos</i> )
COP	Conference of the Parties
COSERN	Companhia Energética do Rio Grande do Norte S.A.
CRE	Energy Regulation Commission ( <i>Comisión</i> <i>Reguladora de la Energía</i> ), Mexico
DEC	Customer Experience Development
DJSI	Dow Jones Sustainability Index
DPS	Dividend Per Share
DSO	Distribution System Operation
EBDS	Energy Bills Discount Scheme
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interests, Taxes, Depreciations and Amortizations
EBSS	Energy Bill Support Scheme
EC	European Commission
ECA	Export Credit Agency
EFRAG	European Financial Reporting Advisory Group
EGL	Electricity Generator Levy
EIB	European Investment Bank
EII	Energy Intensive Industries
EIS	Environmental Impact Statement
EPG	Energy Price Guarantee
EPS	Earnings Per Share
ERM	Enterprise Risk Management
ESC	Energy Savings Certificate
ESG	Environmental, Social & Governance
ETS	Emissions Trading Systems
EU	European Union
FFO	Funds From Operations
FT	Financial Times
GBIS	Great British Insulation Scheme
GBP	Green Bond Principles
GDPR	General Data Protection Regulation
GGE	Global Green Employment



Term	Definition
GHG	Greenhouse Gases
GWh	Gigawatt hour
H.R.	Human rights
HVDC	High-Voltage Direct Current
ICFRS	Internal Control over Financial Reporting System
ICMA	International Capital Markets Association
ICNFRS	Internal Control over Non- Financial Reporting System
i-DE	Iberdrola Distribución Eléctrica
IEA	International Energy Agency
IFC	International Finance Corporation
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
Km	Kilometre
LGBTQI+	Lesbian, gay, bisexual, transgender, transsexual, queer, intersex, and all other identities and orientations included in the +
LIE	Electricity Industry Act <i>(Ley de la Industria Eléctrica</i> ), Mexico
LNG	Liquefied Natural Gas
LSPEE	Public Electricity Service Act ( <i>Ley de Servicio Público de Energía Eléctrica</i> ), Mexico
MBP	Power Balancing Market ( <i>Mercado</i> para el Balance de Potencia)
MIP	Mexico Infrastructure Partners
MITECO	Ministry for Ecological Transition and the Demographic Challenge ( <i>Ministerio para la Transición Ecológica y el Reto Demográfico</i> ), Spain
ML	Mega Litres
MoU	Memorandum of Understanding
MW	Megawatt
NFD	Net Financial Debt
NYSEG	New York State Electric & Gas
NZE	Net Zero Emissions
O&M	Operation and Maintenance
OECD	Organization for Economic Cooperation and Development
OJEU	Official Journal of the European Union
OpEx	Operating Expenses
PBT	Profit Before Tax
PDPAB	National Policy on the Rights of Dam-Affected Populations ( <i>Política Nacional de Direitos das</i> <i>Populações Atingidas por Barragens</i> ), Brazil
PNIEC	National Energy and Climate Plan ( <i>Plan Nacional Integrado de Energía y Clima</i> ), Spain.

Term	Definition
PPA	Power Purchase Agreement
R&D	Research & Development + innovation
RD	Royal Decree
RDL	Royal Decree-Law
RG&E	Rochester Gas and Electric
RIIO	Revenue=Incentives+Innovation+Outputs. (T2 for transmission, ED2 for distribution)
ROE	Return On Equity
S.A.	Public Limited Company (Sociedad Anónima)
SCG	Southern Connecticut Gas Company
SCJN	Supreme Court of Justice of the Nation (Suprema Corte de Justicia de la Nación), Mexico
SDGs	Sustainable Development Goals
SENER	Ministry of Energy (Secretaría de Energía), Mexico
SHs	Stakeholders
SIN	National Interconnected System ( <i>Sistema</i> Interconectado Nacional), Mexico
SLBP	Sustainability-Linked Bond Principles
SLLP	Sustainability-Linked Loan Principles
SMEs	Small and Medium-Size Enterprises
SNFI	Statement of Non-Financial Information
SO <sub>2</sub>	Sulphur dioxide
SP	ScottishPower
SPEN	Scottish Power Energy Networks
STEM	Science, Technology, Engineering & Mathematics
T&D	Transmission and Distribution
TJLP	Long-term interest rate ( <i>Taxa de Juros de Longo Prazo</i> ), Brazil
TNFD	Task Force on Nature-related Financial Disclosures
TOTEX	TOTal EXpenditures
U.S.	United States of America
UK	United Kingdom
UN	United Nations
UNE	One Spanish Standard (Una Norma Española)
UNGPs	UN Guiding Principles on Business and Human Rights
VAT	Value-added tax
WBCSD	World Business Council for Sustainable Development
WEO	World Energy Outlook