



Report on **tax** **transparency** of the Iberdrola Group

Our commitment to
society

Financial year 2023





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Letter from the Chairman

At Iberdrola, we are firmly committed to the best tax practices, based on the transparency of tax information. And as our *Corporate Tax Policy* sets out, the Group's mission in this area goes far beyond mere compliance with applicable legal provisions, seeking to fully integrate tax aspects into the sustainable value creation model that makes up our *Governance and Sustainability System*.

As part of this commitment, we have once again published this annual Tax Transparency Report, in line with our ambition to continue leading the way, as ratified by the most reputable certifiers and analysts in the field of fiscal responsibility, who consider that Iberdrola is the IBEX-35 company that discloses this type of information in the most detailed and accessible manner.

Furthermore, this document aims to show the extent to which the various rules applicable to the Group are in line with the basic principles of a tax system that, in addition to fulfilling its tax-raising purposes, stimulates the creation of wealth and employment through economic and business activity, particularly in those sectors that will require greater investment in the future. In this context, 2023 was marked by the commitment made by all countries at COP-28 in Dubai to gradually phase out fossil fuels and replace them with renewable energies. Achieving these goals will require a faster electrification path for the economy through enormous investments in clean energy, grids and energy storage.

This calls for technological developments, human capital and financial resources that can only be mobilised through coordinated action by enterprises, public policy-makers and civil society. Naturally, the fiscal dimension is highly relevant to this endeavour: To be truly just, tax systems must recognise the economic, social and environmental implications of the different forms of energy and address them accordingly, always taking into account the reasonableness of each player's tax contribution in relation to the key dimensions of their economic activity, including the range of costs they face.



This Tax Transparency Report presents a detailed breakdown of all the contributions made by Iberdrola to the tax systems of all the countries in which we operate, based on the premise of proactive and comprehensive cooperation with the authorities. The Group's tax contribution totalled €9,281 million in 2023, an increase of 24% over the previous year and well above the 10.7% growth in net profit. In this way, the amount of the tax contribution is almost twice as high as the global net profit of the company.

Iberdrola already pays more than €25 million every day in taxes and duties, and the Group's total direct contribution over the last 5 years now stands at almost €40,000 million.

This Report illustrates how the tax strategy embraced by Iberdrola, based on excellence and commitment to the application of good tax practices, is fully consistent with its main objectives of moving towards an energy system that is more self-sufficient, more competitive and more environmentally friendly, thus generating progress and employment for society.

Ignacio S. Galán

Chairman of Iberdrola



1. Iberdrola: an energy company for today and for the future



Iberdrola



We are leading the energy transition

Transitioning to a carbon neutral economy by 2050 is technologically possible, economically feasible and socially necessary.

We are creating sustainable value

We integrate ESG criteria into our strategy and contribute to the UN SDGs.



Net profit of €4,803 million



Investments of €11,382 million in 2023

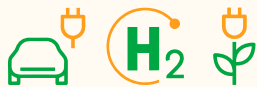


Renewable capacity of more than 42,000 MW

80,000 million kWh of green production

Emissions of 50 g/kWh in Europe, four times lower than industry average

Towards an energy model that puts the well-being of people and preserving the planet



Europe's largest electricity company in terms of capitalisation, at close to €70,000 million, and the second largest in the world

Tax contribution: €9,281 million in 2023

Tributos propios con cargo a la cuenta de resultados por importe de 4,417 MM€

The world's leading private utility in terms of R&D investment according to the European Commission. Investments worth €385 million in 2023

"Green" financial management

Our strong financial position is underpinned by green financial instruments and a secure and growing dividend policy.

World's leading private issuer of green bonds with €20,000 million of outstanding green bonds, cementing our commitment to the ESG standards.

Stable investment plan

We are committed to investing in networks and selectively in renewables. We diversify our international presence in countries with high credit ratings.

Diversity and inclusion as sustainable growth priorities

Listed in all editions of the *Bloomberg Gender Equality Index*.

People from 90 nationalities, up 24% in the last three years.

Global workforce of 42,300 people

More than 4,600 new jobs created in 2023



2. Creating sustainable value: Commitment to ESG and Sustainable Development Goals



Climate action, a priority in our strategy.

Leaders in ESG + F.

Committed to the Sustainable Development Goals as an integral part of the Iberdrola Group's business strategy.

We are driving a sustainable transition

Tackling climate change is one of the most important challenges facing humanity in the 21st century and requires energy policies and measures that do not affect business competitiveness and free trade in order to achieve a sustainable transition.

This requires a stable and predictable regulatory framework, including harmonised tax measures, to avoid creating investment advantages between countries and to promote and incentivise clean energy production.

At Iberdrola, we are committed to the “green” energy transition, a challenge we took on twenty years ago, and for this reason we are committed to the electrification of the economy, promoting green energy and technological innovation to ensure a greener future for the next generations.

Tackling climate change as a key driver of our profitable growth strategy

Committed to ambitious and urgent climate action

The Iberdrola Group is at the forefront of the transition to a decarbonised and resilient economy, thanks to a sustainable and efficient business model. Iberdrola has established itself as a global benchmark in climate action and clean energy, having initiated the energy transition twenty years ago.

Iberdrola's commitment to the fight against climate change and the energy transition is real and tangible, as it has been anticipating and pioneering the commitment to renewable energies and grids for years.

With this in mind, we have a Climate Action Plan that establishes more ambitious targets to achieve carbon neutrality for Scope 1 and 2 carbon-equivalent emissions by 2030 and zero net carbon equivalent emissions by 2040 for all scopes, including Scope 3 (expressed in CO₂ eq). To this end, Iberdrola has amended its By-Laws to make the Board of Directors responsible for approving, monitoring and periodically reporting on a climate action plan to achieve these targets.



Climate action is part of Iberdrola's strategy, as embodied in our *Climate Action Policy*, which sets the framework for Iberdrola's strategy and business model, in line with the Paris Agreement and the 2030 Agenda. Iberdrola continues to take a leading position in this field, promoting awareness and contributing to a future that is carbon neutral and sustainable.

The *Climate Action Policy* identifies the electrification of the economy as one of its priority lines of action. The Group therefore supports regulatory initiatives that promote, among other aspects, electric mobility, the phasing out of subsidies for high-emission technologies or sectors, the analysis of climate change risks and, more generally, the development of a genuine and worldwide energy transition.

We incorporate environmental, social and governance factors into our business strategy

Towards an inclusive, innovative and sustainable energy future for all

Iberdrola carries out its activities with the goal of creating sustainable value for all of its Stakeholders: this is what we call our social dividend. We therefore incorporate into our strategy the three pillars used internationally to measure the impact and sustainability of investments: environmental, social and governance (ESG) factors, as a substantial contribution to sustainable development.

For the last two decades, ESG factors have been an integral part of the Iberdrola strategy, to the extent that it has now become an established **leader in ESG + F, supporting environmental, social and governance aspects with its financial strength (F).**

The company has also redesigned its *Governance and Sustainability System* around ESG criteria, cementing its position at the forefront of best international corporate governance practices. The Group also encourages sustainability in the supply chain, incentivising its suppliers to adopt the best policies and practices in matters of sustainable management.

Socially responsible management

Environment

Iberdrola's Climate Action Plan establishes ambitious objectives for achieving carbon neutrality by 2030. We also promote innovative and sustainable R&D technologies to achieve transformation in the electricity sector. **Our commitment also extends to promoting new uses for electricity, including the production of green hydrogen,** and we have a biodiversity and ecosystem conservation plan for reforestation that will help mitigate and rebalance the habitats in which we operate, encouraging the planting of 20 million trees by 2023, while optimising the sustainable management of water, our most precious resource.



In 2023, Iberdrola launched Carbon2Nature (CN2), with the mission of developing high-impact nature-based solutions projects that reduce the global carbon footprint, improve biodiversity and promote a sustainable economy. The company was founded on the Group's belief that investing in nature is essential to tackling the climate and biodiversity crises, while at the same time delivering sustainable value and profitability. In this way, more than 61 million tonnes of CO₂ are expected to be captured and sequestered in natural sinks through the promotion of ecosystem conservation and restoration projects covering more than 100,000 hectares, mainly in forests but also in coastal ecosystems (blue carbon) and agricultural land.

In taxation, we advocate fair environmental taxation to help steer societal behaviour towards a shift to cleaner and healthier energy, and we also make significant investments that allow us to apply ESG tax incentives geared towards protecting the environment.

Social

Iberdrola's goals include driving employment and economic activity by creating 12,000 new jobs by 2025 and supporting our suppliers to generate 500,000 jobs by 2030 through the procurement of products and services.

With regard to diversity and inclusion, we are firmly committed to equal opportunities, pledging to increase the presence of women in significant leadership positions.

The Group is committed to talent and training, with 42,300 employees worldwide and 4,600 to be added by 2023, representing 90 nationalities and receiving 68 hours of training per person per year.

In addition, the supply chain supports more than 500,000 jobs in the communities where Iberdrola operates.

Since it was founded, the Iberdrola Group has been committed to the energy, cultural, environmental and social development of the communities in which it does business. The work of our various foundations, in line with the UN Sustainable Development Goals, is crucial to the delivery of this commitment.

In this context, Iberdrola's foundations have social programmes around the world, with an annual contribution of €25 million and involving more than 17,000 volunteers to reach almost 7 million beneficiaries across all the programmes.

Governance

We are committed to proactively applying best practices, promoting gender diversity and appointing independent members to Iberdrola's Board of Directors.

In addition, Iberdrola has a decentralised management model thanks to the strengthened autonomy of the country subholding companies.



Although Iberdrola has had an effective, solid and robust *Compliance System* in place since 2012, in line with national and international compliance standards, **a review of compliance-related regulations was carried out in June 2023**, which resulted in:

- A new ***Compliance and Internal Reporting and Whistleblower Protection System Policy***.
- A new ***Competition Law Compliance Policy***.
- **Improvements to the Code of Ethics.**
- **A Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.**

Aware that taxation plays a significant role in ESG matters, Iberdrola applies best practices in the area of tax governance.

Financial

Iberdrola is a world leader in green financing. Its model is based on accountability, consistency, transparency and third-party verification, and is based on a business plan in which more than 90% of its main investments are allocated to activities that are aligned with the European taxonomy.

Green bonds are used to finance or refinance green projects, i.e. investments in sustainable and socially responsible assets across a wide range of areas including renewable energy, energy efficiency, clean transport and responsible waste management. Iberdrola has cemented its position as the world's largest green bond issuing group, with €20,000 million in outstanding green bonds.



Our commitment to sustainable development is embodied in our commitment to ESG factors, which are included within the Group's day-to-day operations.

Strong commitment to the Sustainable Development Goals, a driver of social transformation

Iberdrola **includes the Sustainable Development Goals ("SDGs")** approved by the United Nations in September 2015 **within its business strategy and corporate governance.**



Our direct contribution to the SDGs

We are driving the green economy and employment through SDGs 7, 9, 13 and 15



At Iberdrola, we drive the transition to a new socio-economic model that is climate neutral, resilient, sustainable and inclusive. This is why we focus principally on **SDG 7** (Affordable and clean energy) and **SDG 13** (Climate action). For this purpose, we have proposed to accelerate our investments in renewable energy, digitalisation and electric mobility, contributing directly to **SDG 9** (Industry, innovation and infrastructure).

Similarly, as part of our commitment to sustainable infrastructure, all plans for the Group's new facilities have a comprehensive environmental plan, thereby contributing directly to compliance with **SDG 15** (Life on land).

We are protecting people's health and safety through SDGs 3, 6 and 17



In line with **SDG 3** (Good health and well-being), at Iberdrola we have reaffirmed our commitment to improving the quality of life across society by renewing our agreements for the coming years with Cancer Research UK and the *Asociación Española Contra el Cáncer* (Spanish Association Against Cancer). We are also working to prevent water pollution as a fundamental factor in safeguarding people's health. In this way, we are contributing directly towards **SDG 6** (Clean water and sanitation), as one of the utility companies with the best water productivity. Furthermore, these initiatives are articulated through multi-factor partnerships, in line with the collaborative model proposed by **SDG 17** (Partnerships for the goals).

Social projects and sponsorships with direct impact on SDGs 3, 4, 5, 7, 10 and 13



Iberdrola's international corporate volunteering programme, which involves nearly 17,000 volunteers, is aligned with the 17 Goals, although it focuses specifically on **SDG 7** (Affordable and clean energy), **SDG 13** (Climate action), **SDG 3** (Health and well-being), **SDG 10** (Reduced inequalities) and **SDG 4** (Quality education) through the SDGs at School (ODS al Cole) programme, a multi-company corporate volunteering project supported by Iberdrola that aims to teach primary school students about the importance of the Sustainable Development Goals.

With regard to **SDG 5** (Gender equality), Iberdrola has been committed to achieving equality through sport since 2016. It currently supports 32 national sports federations in Spain and lends its name to 32 top-level leagues and a further 100 competitions. This initiative reaches more than 600,000 female athletes, or two-thirds of the country's federated sportswomen, and there has been a 36% increase in the number of women's sports licences in supported federations.



We are committed to meeting the global challenges of sustainable development



Our culture, values and goals include actions aimed at building a more inclusive, sustainable and resilient future for people and our planet. We believe that we have an important role to play here, given the responsibility we bear to society in applying the law.



Therefore, we have internalised the importance of ensuring that SDG actions are part of our principles and our conduct.



In 2022 Iberdrola launched *Pro Bono Juridico* (Legal Pro Bono) programme, an initiative to extend our value to the third sector by providing free legal and tax advice.



In turn, 2023 saw the launch of “*Construyendo Juntos*” (Building Together), the first global agreement between an in-house law department and a group of leading law firms in the sector.



Through this initiative, the Group contributes to **SDG 1** (No poverty), **SDG 5** (Gender equality), **SDG 10** (Reduced inequalities) and **SDG 16** (Peace, justice and strong institutions).

The tax contribution of the Iberdrola Group contributes to attaining **SDG 1** (No poverty), **SDG 8** (Decent work and economic growth) and **SDG 10** (Reduced inequalities), to the extent that the taxes paid by Iberdrola in the countries and territories in which it does business provide resources to government administrations so that they can contribute to achieving these Goals.



Our contribution to the SDGs show that it is possible to reconcile clean and sustainable energy supply with socio-economic development and the preservation of biodiversity.





3. Significant aspects from financial year 2023 with an impact on global tax contribution



Leading the energy transition with clean energy, larger grids and storage.

Strategic Plan 2023-2025 with record investments of €47,000 million.

Investments in grids and renewables with the aim of achieving carbon neutrality by 2030 and net-zero emissions by 2040.

Normalisation of electricity prices: phasing out of extraordinary measures in 2022, while others remain in place.

Gradual disappearance throughout 2023 of the exceptional circumstances encountered in the European Union in 2022

The exceptional increase in gas and CO₂ prices in the European Union in 2022 was gradually neutralised over the course of 2023.

It should be recalled that in March 2022, in response to the challenges and disruptions in the global energy market caused by the Russian invasion of Ukraine, the European Commission presented the RPowerEU Plan: Affordable, Secure and Sustainable Energy for Europe.

In particular, Council Regulation (EU) 2022/1854 of 6 October 2022 subsequently established emergency intervention measures to address high energy prices.

1. A cap on electricity prices of €180/MWh for infra-marginal technologies (wind, solar, hydro and nuclear).
2. A coordinated reduction in electricity demand.
3. A compulsory community service (solidarity) contribution for the crude oil, natural gas, coal and refinery sectors, on 33 per cent of extraordinary profits as measured in the terms indicated in the Regulation. However, it was established that Member States could take equivalent measures at the national level to contribute to the affordability of energy.
4. Measures to support consumers.

Based on the Regulation, different EU Member States adopted different measures in the electricity sector in 2022, with the Spanish case being particularly relevant due to the introduction of various measures such as (i) an electricity price cap of €67/MWh, much lower than the €180/MWh set in the EU Regulation, (ii) a mechanism for adjusting the production costs of gas-fired power plants, known as the Iberian Exception ("Gas Cap"), and (iii) a Temporary Energy Levy, which also affects the electricity sector and is not levied on "extraordinary profits", but only on turnover. The electricity price



cap has reduced competition and increased gas consumption, for which reason it has not contributed to decarbonisation of the economy. Furthermore, the Spanish tax puts the electricity sector at a significant disadvantage in comparison with other sectors in Spain and with how other countries are addressing this issue. Taking turnover as the basis for measuring extraordinary profits has meant that the electricity sector has been subject to a tax burden that is not only disproportionate, but also radically at odds with what should be the common objective of environmental taxation: to promote a more electric, healthy and accessible economy, elements that are, to all intents and purposes, Iberdrola's *raison d'être*.

However, the normalisation of electricity market prices at European level will lead to the reversal of many of the exceptional measures enacted in 2022 and early 2023. In this context, the European Commission has issued a number of reports highlighting the lack of need to maintain the aforementioned measures.

The response from the different countries of the European Union has been very different. While the various caps on electricity prices have disappeared, the same has not been true of the taxes associated with windfall profits. In this respect, the case of Spain remains particularly harsh, where electricity companies have been charged a levy that should only apply to the gas and hydrocarbons sector and, moreover, this levy will continue to apply until 2024, contrary to all European forecasts.

The exceptional situation in 2022 in the electricity pricing system has also raised many concerns at the EU level in relation to the design of the electricity market. In this context, positions have emerged that seek to eliminate the marginal pricing market and allow the intervention of existing infra-marginal generation by setting a regulated price and thus reducing the market revenues of all infra-marginal technologies.

However, after extensive consultation and after hearing from the European Energy Regulator, which used objective data to argue for the significant consumer benefits of the European electricity market, the European Commission has proposed adjustments to the existing market to eliminate price volatility and encourage the development of renewables and storage. The final regulation was approved at the end of 2023, which not only preserves the market, but considers the market to be the main driver for developing renewable energies, protects market agreements from retroactive regulatory changes, and removes the electricity market interventions that were introduced during the price crisis.

We promote a secure, clean and competitive energy system to increase our energy autonomy and curb greenhouse gas emissions

We continue to lead the energy transition

With a 20-year head start on the current energy transition, Iberdrola is present around the world, helping to consolidate a greener, more digital and sustainable global economy.



The Group is strengthening its business model, based on more renewables, more networks, more storage and more smart solutions for customers, and we are leaders in the fight against climate change.

We are world leaders in the fight against climate change and we are playing an active role in the various climate change summits, fully in line with the objectives of the Paris Agreement.

Record investment to boost the energy transition

The **Iberdrola Strategic Plan 2023-2025 contemplates record investments of €47,000 million in just three years to implement** the different facets **of the energy transition**.

At Iberdrola, we are very aware of the need for our strategy and operations to always be aligned with ESG+F factors for socially responsible management. In this way, we know that the €47,000 million of the Strategic Plan will also contribute to our aim of making a positive impact on the well-being of people and the preservation of the planet.

In 2023, investments amount to €11,382 million, 6 % more than in the previous year, with purchases worth €18,100 million from suppliers employing 500,000 people worldwide. In the last three years, investments have exceeded €33,000 million.

In the case of Spain, in a context characterised by significant tax increases, investments in 2023 amounted to €2,300 million, exceeding €8,000 million in the last three years.

Grid-based growth and selective investment in renewables

Towards a secure and sustainable energy future

Electricity grids are at the heart of the energy transition as they enable new renewable capacity to be connected, ensuring reliable and quality supply and giving consumers access to all the advantages of digitalisation. Therefore, to support the development of electrification, in addition to increasing the generation capacity of renewables, it is essential to have the necessary **smart grids so that our clean energy reaches consumers safely and efficiently in any country in the world**.

This is why **the Strategic Plan allocates €27,000 million to this activity**, enabling us to reach a regulated asset base of €56,000 million by 2025, a growth of 44% in just three years.

In the **renewable energy sector, the Plan provides for the installation of more than 12,000 MW, with investments of €17,000 million, 46 % of which are dedicated** to strengthening our leadership in offshore wind.

By the end of the decade, we expect electrification to accelerate further in all our markets, leading us to **surpass €65,000 million in grid assets and 100,000 MW of capacity, more than 80 % renewable**, thanks to new investments of between €65,000 and €75,000 million between 2026 and 2030.



We are building an electric, healthy and accessible energy model, based on the well-being of people and preserving the planet

Iberdrola, leading the way through its sustainable energy model. Global energy leader, in renewables and smart grids

We are committed to the **energy transition with a sustainable business model** built on a diversified portfolio of businesses and geographies. Furthermore, **90 % of the group's long-term investment plan is aligned with the green investment criteria included in the EU taxonomy.**

Consolidating our position as one of the cleanest companies in the world

We continue to make headway in the drive to decarbonise our economy, as the only way to achieve a more sustainable planet. As a result, **the Strategic Plan allocated 47 % of investments to renewable energies in 2023, for more than €5,350 million, which will allow us to reach an installed capacity of more than 42,000 MW, following the addition of 3,250 MW in the last twelve months.**

By producing around 80,000 million kWh of renewable energy (up 6.3 % on the previous year), the Group avoided emissions of approximately 14 million tons of CO₂ into the atmosphere. In 2023, emissions in Europe reach just 50 g/kWh, four times less than the industry average.

The Group also produces 100 % emission-free energy in a number of countries, including the United Kingdom, Brazil, France, Italy, Germany, Poland, Portugal, Greece, Romania and Bulgaria. In the case of Spain, emission-free production stands at 87 %.

For its part, 46% of investments in 2023 were allocated to electricity grids, amounting to more than €5,000 million, 11 % more than the previous year, reaching more than €42,000 million in electricity grid assets worldwide in 1.3 million kilometres of network and thousands of substations.

In addition, the Group has led the PPA market in Europe, with almost 1,000 MW signed in 2023, and to improve its market share on the Iberian Peninsula, with 8.3 million customers and approximately three contracts per customer.



By promoting renewable energy, we protect the planet and help communities become energy independent.



Leaders in sustainable innovation

Iberdrola is the world's leading private utility in terms of R&D investment according to the European Commission. Innovation is a key strategic variable for the Group that permeates all of its businesses and activities, ensuring the company's sustainability, efficiency and competitiveness.

Our vision in terms of R&D consists of promoting the development of innovative and sustainable technologies, aligned with the fundamental vectors of the transformation of the energy sector: decarbonising generation, through the large-scale integration of renewable energies, promoting smart grids, and the electrification of demand. Iberdrola also ranks among the companies that give the most support to start-ups in Europe, having been committed for more than 15 years to innovation and to developing a global ecosystem of start-ups in the electricity sector that facilitates access to the technologies of the future.

By incorporating new clean and efficient technological solutions, Iberdrola has become the driving force behind an energy model based on electrification. **The company aims to surpass €4,000 million in R&D investment by 2030.**

In 2023, we continued to foster an entrepreneurial ecosystem by investing €385 million in research and development, 7% higher than the previous year.

Business ethics as the key to Iberdrola's success

Iberdrola's corporate governance is inspired by and based on a commitment to ethical principles, transparency and leadership in the application of the best international practices, representing an organisational tool in the pursuit of Iberdrola's purpose and values, its social interest and the social dividend, and as a guarantee of its enterprise, identity and independence. That is why our culture embodies values such as ethics and compliance as the foundation of successful business management.

Undergoing a constant process of review and improvement, it incorporates the principal recommendations of the international markets and the most advanced trends in this area. It is one of the hallmarks of its identity, making Iberdrola an international leader in good practices.

By applying its values, standards and ethical principles, Iberdrola attracts and retains the best talent in the market and generates trust among all its Stakeholders, thus safeguarding the Group's reputation.

Iberdrola publishes the *Compliance System Transparency Report*, being the first IBEX-35 company to undertake a study of this nature. This report is a further step in the company's commitment to the implementation and continuous improvement of a robust ethics and compliance system and reaffirms a business model that respects the rights of customers, employees, shareholders and all its Stakeholders in general.

Iberdrola has also been selected for the tenth consecutive year as one of the most ethical companies in the world, according to the 2023 World's Most Ethical Companies ranking by the Ethisphere Institute, a leader in defining standards for best business practices, and continues to be the only Spanish company in this ranking.



4. Overall information on the Iberdrola Group in 2023



| **Record investments of €11,382 million, up 6 %.**

| **Renewable capacity of more than 42,000 MW worldwide.**

| **More than €42,000 million in electricity grid assets worldwide.**

| **Net profit of €4,803 million, up 10.7 %.**

| **Total tax contribution of €9,281 million in 2023, up 24 % on the previous year.**

| **Own taxes charged to the income statement of €4,417 million, representing 44 % of profit before tax and duties.**

| **The Group's tax contribution is almost double its net profit.**

| **The amount of tax paid in Spain is higher than all the personnel, operational and financial costs of the company in the country.**

Key figures

- **Leaders** by capitalisation of the electricity sector in Europe with a value of €70,000 million. Utility company with highest market value in Europe and second-highest in the world.
- **Assets** of more than €150,000 million.
- **Investments** of more than €11,382 million, an increase of 6 % over the prior year, of which €2,300 million are in Spain. .
- **EBITDA** of €14,417 million, up 9 %, driven by the recovery of production and operating efficiency.
- **Net profit** of €4,803 million, an increase of 10.7 %.
- **Purchases** in the amount of €18,100 million, giving visibility and certainty to a supply chain that supports 500,000 jobs worldwide.
- **Supporting** the market with 4,700 new jobs created worldwide in 2023, encompassing 90 nationalities and 42,300 employees.



- **Consolidation of leadership in renewables.** Worldwide increase of 8% in renewable capacity in 2023, with more 42,000 MW of “green” capacity.
- **Renewable production of approximately 80,000 million kWh, 6.3 % more than in the prior year.**
- **Commitment to electricity grids,** totalling 1,260,000 kilometres of lines and €42,000 million in assets.
- **Reduction in CO₂ emissions.** Thanks to renewable production, we avoided approximately 14 million tonnes of CO₂ emissions. Emissions of just 50g/kWh in Europe, four times below industry average.
- **The world’s leading private utility in terms of R&D investment according to the European Commission.** Committed to doubling the last 10 years’ investment, aiming for €4,000 million by 2030, with €385 million invested in 2023.
- **Leader in green finance,** with **€20,000 million** of outstanding green bonds, strengthening our **commitment to ESG standards as the world’s largest private issuer of green bonds.**
- **We signed the largest credit facility in our history for €5,300 million with 22 banks,** reflecting the financial community’s strong confidence in Iberdrola’s strategy and reinforcing the Group’s commitment to its ESG objectives.
- **According to Brand Finance’s Global 500 2024 report, Iberdrola is one of the world’s most valuable brands.** The Company ranks as one of the seven most valuable Spanish brands in the world, thanks to improvements in recommendation, consideration and reputation.

Accolades

- **The Chairman, Ignacio S. Galán, among others, has been recognised:**
 - **Among the world’s 100 most influential leaders** in climate action by Time magazine.
 - **In first place among the top executives of electricity companies** by *Institutional Investor*.
 - **With the ESG Leadership Award from the Foreign Policy Association,** as a leader with a strong commitment to ensuring that ESG+F principles are integrated as a core pillar of business strategy.
 - **At the UN by the World Jurist Association with the World Jurist Association Medal of Honour** for his advocacy of environmental, social, corporate governance and financial performance principles.
- **Iberdrola:**
 - Selected once again as **one of the most sustainable utilities worldwide, according to the Global 100 Most Sustainable Corporations in the World index,** prepared annually by the publication Corporate Knights.



- **ISS ESG “Prime” rating.**
- Leader in equal opportunity, having been **included in all editions of the Bloomberg Gender Equality Index (GEI).**
- **The only Spanish company included in World’s Most Ethical Companies** and selected consecutively since 2014 as one of the most ethical companies in the world.
- **Included in the Standard Ethics European Utilities Index.**
- Selected in the **Global World’s Largest Public Companies** by Forbes magazine in 2023.
- **The only European electric utility included in all 24 years of the Dow Jones Sustainability Index**, which considers it one of the most sustainable electric utilities in the world.
- Included on the **CDP Supplier Engagement Leader** index.
- **Pioneer in Legal Practice award by the World Association of Jurists.**
- **The Harvard Business School uses Iberdrola’s model as a case study of success.**
- **Company with the best corporate governance** according to World Finance.
- **Best utility in the world in ESG disclosure and number one in Europe**, according to the League of American Communications Professionals (LACP) global ranking.

Tax contribution, tax governance and best practices

- **The Iberdrola Group’s tax contribution in figures:**
 - **Total annual** contribution of approximately €9,300 million, 24% more than in the previous year
 - Own taxes charged to the income statement of €4,417 million, representing **44% of profits**¹.
 - Contribution of **more than €1 million every hour.**
 - **Monthly** contribution of **approximately €780 million, more than €25 million in taxes paid every day.**
 - **Approximately €63,000 million paid in the past eight years, more than €40,200 million in the past five.**
 - **The Group’s tax contribution is almost double its net profit.**
 - **More than €1,500 million paid in corporate income tax in 2023.**
 - Electricity taxes paid in 2023 amounted to around €1,100 million, an increase of 110% compared to the previous year.
 - In Spain, the tax contribution amounts to €3,500 million. The amount of tax paid in Spain is higher than all the personnel, operational and financial costs of the company in the country

¹ Profit before Income Tax, other taxes and company Social Security contributions.



- The **direct tax contribution**, together with **indirect** and **indicative** taxes, amounts to more than **€17,600 million**, an increase of **€2,300 million compared** to the previous year, which represents an **increase of approximately 15 %²**.
- **One of the top IBEX-35 companies in terms of tax transparency**, according to the Haz Foundation ranking, having **obtained the seal of Fiscal Responsibility** ('t for transparent') which recognises the Group's transparency and best practices in tax matters.
- **Fostering a culture of cooperative relations with tax authorities** through voluntary initiatives and programmes:
 - **Recognition by the Spanish Tax Administration**, once again this year, for the voluntary presentation of the "Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code". **Letter of congratulations** received and special mention on the website of the State Tax Administration Agency.
 - **Voluntary submission of documentation on related-party transactions** to the Spanish Tax Administration under the *Good Tax Practices Code*.
 - **Voluntary participation in the International Compliance Assurance Programme (ICAP)** promoted by the OECD, a multilateral and cooperative procedure for tax risk assessment and compliance. Letter of commendation received with overall low risk rating.
- **First Spanish company to obtain certification of its Tax Compliance System from AENOR and, likewise, the first company to renew the certification in 2022 for a new three-year period.** Satisfactory tax compliance management system audit obtained in 2023 for the fifth year running.

² According to PWC report based on Iberdrola's 2022 activities.





5. *Corporate Tax Policy* guidelines: the Iberdrola Group's tax strategy



| **Commitment to the implementation of best practices in the tax area.**

| **Leadership in corporate governance and transparency.**

Governance and Sustainability System

Iberdrola's Corporate Tax Policy forms part of the Group's **Governance and Sustainability System**, a comprehensive set of regulations at the forefront of ESG, which constitutes the internal rules of Iberdrola and its Group established in the exercise of its legally protected corporate autonomy to ensure through these rules the fulfilment of its purpose and values and the achievement of its corporate goals and objectives.

The *Governance and Sustainability System* is one of Iberdrola's distinguishing hallmarks, which was a pioneer in the development of its own internal system, initially called the *Corporate Governance System*. This system is constantly evolving to adapt to regulatory changes and the highest international standards, and has been continually reformulated and adapted to formalise its commitment to the Sustainable Development Goals (SDGs) around environmental, social and governance (ESG) criteria. As a result, both ESG criteria and the SDGs are permanent reference points in the Group's value creation model. Always at the forefront of international best practices, the Governance and Sustainability System is structured into five books: By-Laws, Purpose, Environment and Climate Action, Social Commitment, and Corporate Governance.

Corporate Tax Policy

Commitment to ethical principles, excellence, compliance, transparency and leadership in the application of best practices

The Corporate Tax Policy was approved by the Board of Directors in 2010 and is subject to ongoing updates, its latest amendment taking place on 20 December 2022. **The Policy is the cornerstone for the conduct of the Group and of the professionals who guide and supervise its tax practices. Excellence and a commitment to good tax practices are the foundations for Iberdrola's tax strategy.** The Policy has also been adopted by the country subholding companies³ in each of the countries, as well as by each of the head of business companies thereof.

Purpose

The *Corporate Tax Policy* is **intended to set out Iberdrola's tax strategy, based on excellence and a commitment to the application of good tax practices within the framework of the corporate and governance structure of the Group.**

³ Except for Avangrid, Inc. and Neoenergia, S.A., which, pursuant to their strengthened autonomy, have approved their own corporate tax policies, the principles of which are fully aligned with those of Iberdrola's Corporate Tax Policy.



Iberdrola's tax strategy is to ensure compliance with applicable tax laws and regulations and to seek appropriate coordination of the tax practices of the Group's companies, all within the framework of meeting the company's interests and supporting a long-term business strategy that avoids tax risks and inefficiencies in the implementation of business decisions.

Scope

The *Corporate Tax Policy* applies to all companies that make up the Group, as well those in which it has an interest that are not part of the Group and which Iberdrola effectively controls, within the legally established limits.

Without prejudice to the foregoing, listed country subholding companies and their subsidiaries, based on their own special framework of strengthened autonomy, may establish an equivalent policy, which must be in accord with the principles set forth in Iberdrola's *Corporate Tax Policy* and in the other environmental, social and corporate governance and regulatory compliance policies of the *Governance and Sustainability System*.

Consequently, the tax policies applicable to the country subholding companies are aligned with Iberdrola's *Corporate Tax Policy*.

Principles

The Iberdrola Group's excellence in the tax area, along with the compliance with its tax obligations and its relations with tax authorities, is defined by the following principles:

- 1. Legality: regulatory compliance and reasonable interpretation of tax laws and regulations.**
The Iberdrola Group is governed by strict compliance with tax laws and regulations in each of the countries and territories in which it operates, by paying all taxes due in accordance with the legal system. Furthermore, all tax-related decisions are based on a reasonable interpretation of applicable law, which minimises potential tax risks, in close connection with the Group's activity.
- 2. Effective and responsible management of tax risks:** the prevention and mitigation of significant tax risks requires taxes to bear an appropriate relationship to the structure and location of activities, human and material resources, and the business risks of the Group.
- 3. Excellence in relations with the tax authorities:** the strengthening of cooperative relations with tax authorities in each of the territories in which the Group operates is based on respect for the law, fidelity, reliability, professionalism, cooperation, reciprocity, and good faith.
- 4. Due diligence:** the duty to regularly report to Iberdrola's management bodies on the main tax implications of the transactions or matters submitted for their approval or brought to their attention, when such implications are a significant factor in shaping their determinations.
- 5. Social dividend:** the notion that the taxes paid by the companies of the Group in the countries and territories in which they do business are their main contribution to sustaining public expenditures and, accordingly, one of their contributions to society.



- 6. Tax transparency:** growing demand from stakeholders for multinational companies' tax information calls for the highest tax transparency standards to be maintained. This Report is proof thereof, showing the Iberdrola Group's commitment to the pursuit of excellence, compliance, continuous improvement in transparency, and commitment to good tax practices.

Good tax practices

Good tax practices require strict compliance with regulations, the reduction of significant tax risks and the prevention of all conduct that can generate such risks.

Responsible tax management must also embrace values such as transparency, accountability and sustainability.

With these aims, Iberdrola's tax practices require the following:

DOES

- Comply with all legal and regulatory obligations, by means of a reasonable interpretation of legal provisions.
- Act with integrity in all tax-related decisions, following the recommendations of the good tax practices codes approved in the various countries in which the group does business.
- Cooperate with the tax authorities in the detection of and search for solutions regarding fraudulent tax practices of which the Iberdrola is aware that may occur in the markets in which the group has a presence.
- Provide significant tax-related information and documents that are requested by the competent tax authorities as soon as practicable and with the required scope.
- Make the necessary whistleblower channels available to anyone who wishes to anonymously report conduct that may involve any improper action or conduct contrary to the law or to the *Governance and Sustainability System*, including the rules of conduct set forth in the *Code of Ethics*, and thus tax-related activities.

All of the foregoing is without undermining the protection of Iberdrola's legitimate interests, in accordance with its obligations.

**DOES
NOT**

- Use artificial or opaque structures unrelated to its own activities for the sole purpose of reducing the tax burden or preventing the competent tax authorities from identifying the person ultimately responsible for the activities or the ultimate owner of the assets or rights involved, and which have no connection whatsoever with the Group's economic activity.
- Create or acquire companies registered in countries or territories that Spanish legal provisions deem to be tax havens or that are included in the EU blacklist of non-cooperative jurisdictions, with the sole exception of the Group being forced to do so because it is an indirect acquisition in which the company in question is part of a group of companies being acquired. However, a specific procedure approved by Iberdrola's Board of Directors is established for this situation.
- This procedure is also applicable in the case of creation or acquisition of entities residing in countries or territories not considered to be tax havens under Spanish law but included in the EU's grey list of non-cooperative jurisdictions with which Spain has not signed a treaty for the avoidance of double taxation.
- In order to monitor the list of tax havens, under this procedure the Global Tax Division is tasked with the ongoing update (at least twice a year) of the EU's lists of blacklisted and grey listed territories and non-cooperative jurisdictions.
- Engage in transactions with related entities in an artificial way that could shift profits from one jurisdiction to another solely to drive tax bases down and minimise tax payments.



We reaffirm our commitment to good tax practices by including them in the Group's tax strategy, maintaining a culture of responsible compliance and tax transparency.

Implementation of the *Corporate Tax Policy* through the Iberdrola Group's *Governance and Sustainability System* in the tax area

The Iberdrola Group's *Governance and Sustainability System* meets the highest international standards in this area. The *Corporate Tax Policy* forms part of this set of regulations and is integrated in the Corporate Governance book. In accordance with the Group's corporate and governance structure, the implementation of the *Corporate Tax Policy* and of Iberdrola's tax strategy is structured on three levels:

1. **At the parent company:** Iberdrola's Board of Directors, through its Chairman, the Chief Executive Officer and the members of the management team, is in charge of coordinating, within legal limits, the overall management strategies and guidelines of the Iberdrola Group, acting in furtherance of the interests of each and every one of the companies forming part



thereof. The Chairman of the Board of Directors, the Chief Executive Officer and the members of senior management of Iberdrola are responsible for the organisation and coordination of the Group by means of the dissemination, implementation and monitoring of the general strategies and policies established by the Board of Directors.

Based on the foregoing, the Board of Directors promotes observance of the tax principles and good practices contained in the *Corporate Tax Policy* approved by the companies forming part of the Group with activities that have a significant impact on taxation, without prejudice to the special framework of strengthened autonomy applicable to the listed country subholding companies.

In addition, Iberdrola's Audit and Risk Supervision Committee is entrusted with the following specific tax-related powers, among others⁴:

- Report to the Board of Directors on the tax guidelines used by the Company during the financial year and, in particular, on the level of compliance with the *Corporate Tax Policy*.
 - Based on the information received from the tax director, report to the Board of Directors on the tax policies applied and, in the case of transactions or matters that must be submitted to the Board of Directors for approval, regarding the tax consequences thereof when such consequences represent a significant issue.
- 2. At the country subholding companies:** the country subholding companies, respecting the principles and good tax practices described in the *Corporate Tax Policy*, are responsible for determining, coordinating and supervising compliance, in the respective countries and/or businesses in which they operate, with the standards that must be followed in the application of those taxes that, due to the nature thereof, affect more than one company of the Group.
- 3. At the head of business companies:** finally, the head of business companies are responsible for complying with tax obligations, in all cases respecting the tax principles and good practices of the *Corporate Tax Policy* and the standards established by the country subholding companies.

In application thereof, the management bodies of the various entities of the Group –country subholding and head of business companies– must also ensure (each at the respective level of responsibility thereof) compliance with the *Corporate Tax Policy* and observance of the tax principles and good practices that are set forth therein, as well as any standards that may be established therefor. The Group's tax organisation at each of the three levels indicated above is sufficient to ensure the proper application of the *Corporate Tax Policy*.

In any case, the management body of each company of the Group shall be responsible for ensuring that the information such company provides to meet the tax obligations of the tax Group to which it belongs complies with applicable tax provisions as well as the principles and rules set forth in the *Corporate Tax Policy*. This information must be prepared in accordance with the standards set by each country subholding company pursuant to the procedures established by the tax divisions of each country. Finally, the parent company consolidates all tax information of the country subholding companies and the head of business companies.

⁴ More information in the "II. Tax governance, cooperative relations and best practices" section.



Monitoring and control of the *Corporate Tax Policy*

All companies of the Iberdrola Group are required to adopt the control mechanisms necessary to ensure compliance with tax laws and regulations and with the principles and good practices set forth in the *Corporate Tax Policy*, within the context of proper business management, dedicating adequate and sufficiently qualified human and material resources for these purposes.

Monitoring and control takes place on three levels:

- The head of business companies report to the country subholding companies regarding the level of compliance with the *Corporate Tax Policy*.
- The audit and compliance committees (ACC) of the country subholding companies report to Iberdrola's Audit and Risk Supervision Committee on the level of compliance with the *Corporate Tax Policy*. The regulated companies have audit and compliance committees that are responsible for such reporting.
- Iberdrola's Audit and Risk Supervision Committee, in accordance with the provisions of its Regulations, provides to the Board of Directors information on the tax policies and standards applied by Iberdrola during the financial year and, in particular, on the level of compliance by the Group with the *Corporate Tax Policy*.

For its part, the competent tax division must report on the tax consequences of transactions or matters to be submitted for approval of the management bodies of the different companies of the Group when they constitute a significant factor. Special mention should also be made in relation to listed companies, where a mechanism of strengthened autonomy has been developed that also ensures the oversight and control of the *Corporate Tax Policy*.

Ongoing review of the *Corporate Tax Policy*

Taxation is not static and is subject to continuous change, which requires the Iberdrola Group to be fully apprised of any changes that occur.

This means that, like the rest of the *Governance and Sustainability System*, the *Corporate Tax Policy* is subject to a constant process of revision to continuously incorporate best practices in this area, adjusting to continuous changes in the environment and, specifically, to the increased tax demands driven by the globalised environment and to the tax excellence that the Group imposes on itself in order to meet the highest standards of tax transparency.

The Global Tax Division must explicitly approve and regularly review guidelines for the evaluation and management of tax risks, to be applied to all companies of the Group.

Since financial year 2018, on occasion of the approval of Council Directive (EU) 2018/822 as regards mandatory automatic exchange of information in the field of taxation in relation to potentially aggressive cross-border tax-planning arrangements, the management of Iberdrola's tax risks has included the establishment of objective standards to classify Group transactions based on the tax risk thereof, as well as different procedures for the approval thereof.



The Boards of Directors of each of the country subholding companies of the Iberdrola Group are responsible for ensuring compliance with the *Corporate Tax Policy* in their respective areas of activity, adopting the aforementioned objective standards and the required procedures.

The latest amendment to the *Corporate Tax Policy* was approved by the Board of Directors on 20 December 2022 to include an explicit reference to “Transparency”, thus expressing the commitment to disclose relevant information about the Group’s performance in tax matters and its tax contribution to the support of public charges in the countries and territories in which it operates.



At Iberdrola, we are aware of the contribution we make to society, and we are convinced that being transparent must become an integral part of our identity.

To this end, we have incorporated transparency as one of the main principles of conduct in the Group’s strategy, which is contained in the *Corporate Tax Policy*.

By acting responsibly and transparently, we provide greater legal certainty to our Stakeholders, and thus disclose relevant tax information through the publication of this report, among other channels.



6. Responsible tax practices



The Iberdrola Group sees the social dividend as the contribution of value –direct, indirect or induced– that its activities represent for all its Stakeholders, as well as its contribution to achieving the SDGs.

The taxes paid by the Group’s companies at the global level represent the main contribution to supporting public expenditures and, in line with the social dividend recognised in the By-Laws, contribute to achieving the SDGs of the United Nations 2030 Agenda.

Iberdrola’s tax practices are inspired by the *Purpose and Values of the Iberdrola Group*, and are based on a commitment to ethical principles, good corporate governance and transparency.

Good tax governance requires responsible tax practices with a commitment to society in general and to transparency, elements that inspire our day-to-day activities in this area, showing that it is possible to maintain an optimal balance among the various legitimate expectations of the Stakeholders.

The Iberdrola Group has a legitimate obligation to maximise financial return for its shareholders, which leads, always within strict legal and compliance requirements, to ensure the maximum possible profit and increase yields for its shareholders, while respecting the legitimate interests of the other Stakeholders. As a listed company, Iberdrola has a large and highly fragmented shareholder base, distributed across institutions, pension funds and individuals who trust in Iberdrola as a means to secure them a future income. Iberdrola therefore has an obligation to return the trust of these shareholders in the Company in the form of a financial dividend.

But the **Group’s strategy is far broader than the mere achievement of its own financial profitability, as the financial dividend is only one component of the social dividend**, which is understood as the direct, indirect or induced value of its activities for the Stakeholders, particularly by contributing to the achievement of the Sustainable Development Goals, the maximisation of which is a priority of the group, whereby the overall dividend is the sum of the financial dividend plus the social dividend.

Iberdrola contributes, with the social dividend generated through its activities, with its tax contribution, and through the development of its corporate object in accordance with the principles set forth in its environmental, social and corporate governance and regulatory compliance policies: to the stimulation of society in general, both from an economic viewpoint as well as from the perspective of business ethics, to the promotion of equality and justice, to the protection of vulnerable groups, to the encouragement of innovation, to respect for the environment and the fight against climate change, and to the generation of high-quality employment based on diversity, inclusion and a sense of belonging, and to other measures of well-being.

The contribution to Stakeholders with its social dividend is one of the basic premises for the success of Iberdrola’s business enterprise and is based on the SDGs, the principles of which it accepts and supports. This strategy seeks to put the Group at the forefront of best practices in this



area and position Iberdrola as one of the best companies for the world, ultimately aspiring to act as a driver and lever for social and environmental change.

In addition, true to its firm commitment to the creation of sustainable value for society as a whole, the Iberdrola Group continues to work to further strengthen the initiatives that make up the social dividend with a view to ensuring that its activities have a positive impact on all of the communities in which the Group has a presence.

This commitment is embodied in numerous initiatives at the global level, including actions to promote the integral development of the most underprivileged groups through social and awareness-raising projects, thereby guaranteeing the Group's social commitment.

Iberdrola, committed to the energy, cultural and social development of the communities in which it operates, promotes social initiatives through its **foundations** that are dedicated to the economic, social and cultural development of the territories in which it does business. One of the aims of Iberdrola's foundations is to promote positive changes for the sustainable development of the planet and the most vulnerable people, all **in line with the UN SDGs**.

The Iberdrola Group works to maximise its financial and social profitability, without in any way compromising compliance with its tax obligations. **Iberdrola has been, is and will continue to be a leading company in the area of tax compliance, ensuring that it faithfully and loyally contributes to sustaining public finances.**

However, in recent years, there seems to be a persistent spread of the erroneous idea that multinational companies generally pay little tax, calling into question the lawfulness of their actions, extending this opinion applying equally to companies that comply with all their tax obligations in line with the highest standards required by good tax practices.

This idea focuses exclusively on analysing the contribution of multinational groups, taking only Income Tax as the typical corporate tax. However, while this is a highly relevant tax, it is not the only form of taxation through which the Group contributes, making it essential to analyse the Group's overall tax contribution to society in general.

It is therefore more necessary than ever to provide society in general with the information needed for it to be able to assess the actual contribution that the Iberdrola Group makes to public finances. It is only in this way that its Stakeholders can have an accurate view of reality, preventing biased information or information not applicable to the Iberdrola Group from distorting the extraordinary role that Iberdrola plays through its tax contribution.

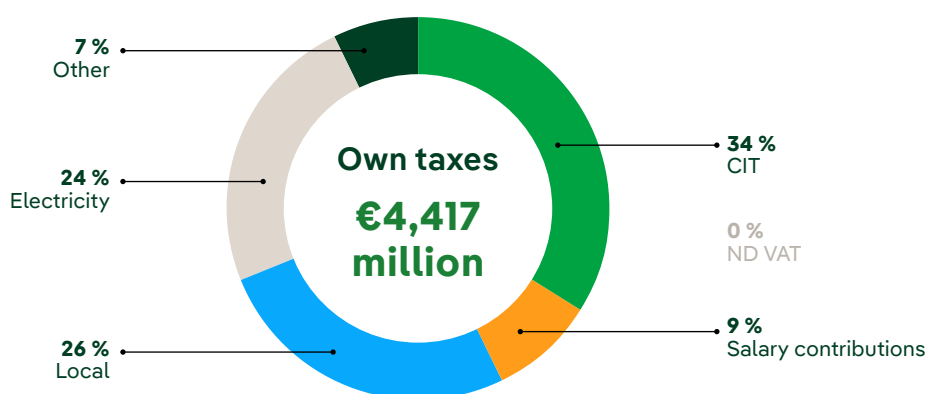
Own taxes

Own taxes are those that have a direct impact on Iberdrola's income statement. The most significant of these are (i) Corporate Income Tax, (ii) electricity taxes specifically levied on the Group's activities and (iii) local or federal taxes in the different countries.

In relation to these own taxes, it should be emphasised that:

- Corporate Income Tax is not the only tax that Iberdrola pays, although it is one of the most significant, and in 2023 it represented almost 34 % of its taxes charged to the income statement with an amount of €1,492 million.**

Distribution of the taxes charged to the income statement



However, in quantifying the taxes that a company pays, there continues to be a partial trend among some commentators to focus solely on the Corporate Income Tax, which is incorrect, as it distorts the analysis of a company's real tax contribution. Iberdrola is affected by more than 100 different taxes worldwide. Therefore, although it is a significant tax, using the Corporate Income Tax as the sole reference point to measure the Group's taxation and tax responsibility would provide a very partial and biased view, and would also be clearly erroneous.

In any case, the absolute Corporate Income Tax figures for the Companies of the Iberdrola Group are by no means low. Of the €1,492 million paid in 2023, €925 million correspond to Spain, or 62% of the total.

Corporate Income Tax paid by the Group has also increased over the last five years and represents on average 30% of the total tax charged to the income statement.

Trend in the Corporate Income Tax paid in the last five years

	Corporate Income Tax	Own taxes	% Own taxes
2019	797	2,941	27 %
2020	843	2,938	29 %
2021	832	3,125	27 %
2022	1,064	3,255	33 %
2023	1,492	4,417	34 %
Total	5,028	16,676	30 %



In addition, a second fundamental issue is how to measure the effective Corporate Income Tax Rate. Depending on the inputs used, this ratio can vary considerably. There is a tendency to compare the Corporate Income Tax paid locally in a country with the profits of the company, without taking into account the fact that these profits often include foreign-source income that has already been subject to its own income tax in the country of origin. Because these calculations are made at the local level, foreign corporate income tax is often not included, which greatly distorts the tax contribution ratios. A rigorous analysis requires the comparison of homogeneous quantities. In this context, the existence of rules setting a minimum tax rate in the different countries should lead to a shift away from these biased views on corporate taxation.

- 2. Existence of other taxes.** Besides Corporate Income Tax, the Iberdrola Group contributes via many other forms of taxation (tariffs of various kinds, levies, duties, etc.) that are assessed on its activity, often simultaneously at a global level.

In this respect, the case of Spain is particularly noteworthy, where the applicable electricity taxes are assessed specifically and exclusively on the basis of the activity of electricity generation, and are set by the different levels of government (national, autonomous community and local), which not only complicates the tax perspective, but also creates different tax categories that sometimes overlap, giving rise to cases of double taxation or situations that could be considered to be far from the paradigm of what tax fairness, inspired by the principle of equality, should be in relation to other sectors of activity.

In addition, windfall profits taxes have been implemented in a number of European countries as from 2022, based on the notion that the extraordinary profits made by energy companies as a result of rising oil and gas prices should be taxed. The cases of Spain and the United Kingdom stand out in particular.

These windfall profit taxes were regulated at the European level by the Council Regulation (EU) 2022/1854, of 6 October 2022, which set out two relevant measures for this purpose:

- A cap on electricity prices of €180/MWh for infra-marginal technologies.
- A compulsory community service (solidarity) contribution for the crude oil, natural gas, coal and refinery sectors, on 33 per cent of windfall profits or an equivalent domestic measure that contributes to energy affordability.

Member States have introduced these measures in a range of ways. For electricity prices, a cap has been set which directly reduces the turnover of the electricity companies, with any excess over the price set in each country having to be paid either to the relevant regulator or to the tax authorities. Moreover, the price cap has been set at variable rates and in some countries the cap has been fixed at a significantly lower level than that laid down in the Community Regulation. Spain, with a price cap of €67/MWh, is one of the countries where a lower cap was adopted. This means that the excess revenue generated by Iberdrola in Spain on contracts where the price of the energy exceeds this limit of €67 has automatically had to be paid to the CNMC through the remuneration reduction mechanism, thus representing an effective tax on the Group's profits.



The second measure, the compulsory and solidarity-based contribution, has also been introduced in the Member States. However, in the case of Spain, this contribution, the Temporary Energy Levy, was not only applied to oil and gas companies, but also to electricity companies. Even if this turned out to be just another formal obligation, it should not have had an impact on the electricity sector, which was already “taxed” on alleged windfall profits through the remuneration reduction mechanism. However, the Spanish rule does not apply to corporate profits but directly to turnover, which has resulted in double taxation to mitigate the same exceptional circumstance. As a result, the Spanish electricity sector was particularly hard-hit by these two measures, representing a cost of €438 million and seriously affecting the Iberdrola Group’s profit.

Iberdrola takes the view that this levy is in breach of the Spanish Constitution and incompatible with EU law and that it should not be levied on the electricity sector which is already capped in terms of its prices. Therefore, assisted by its internal and external advisors, it brought the necessary legal actions to legitimately defend its shareholders’ interests, seeking the repeal of that tax and recovery of the amounts paid to the tax authorities.

The latest amendment to the law, approved in December 2023, provides for the transformation of the Temporary Energy Levy into a permanent tax, which is clearly a cause for concern, as it places a tax burden on the electricity sector, which should theoretically be called upon to lead the fight against climate change and promote renewable energy as a clean and sustainable source of energy.

Furthermore, the transformation of the temporary levy into a permanent tax could have a strong negative impact on the Spanish economy, potentially damaging the country’s competitive position vis-à-vis the rest of the world. In a sector that should be incentivised to lead the energy transition, this Levy makes no sense.

For its part, the United Kingdom approved the Electricity Generator Levy in 2022, to be implemented from 1 January 2023 to 31 March 2028. The Electricity Generator Levy is payable by companies and groups of companies that generate electricity in the United Kingdom and are connected to the National Grid.

This new levy is a temporary additional charge of 45 % on revenues from wholesale electricity generation sold at an average price above £75 per MWh during the period.

Scottish Power paid HM Revenue & Customs a total of €66 million (£57 million) in 2023.

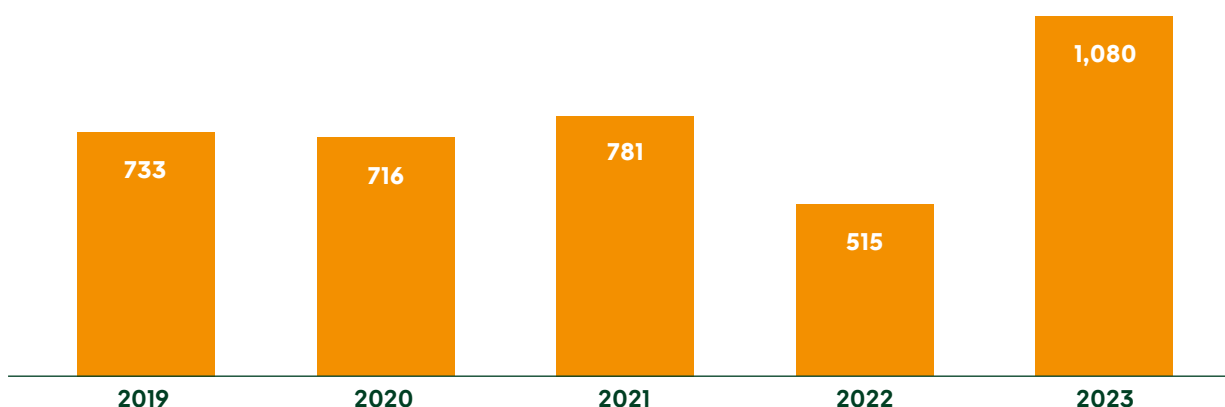
In total, **the taxes on the electricity business paid by the Iberdrola Group worldwide in 2023 will amount to approximately €1,100 million, an increase of 110 % compared to the previous year and representing 24 % of the taxes charged to the income statement.**

The tax burden on the electricity business in 2023 is mainly concentrated in Spain, accounting for 93 % of the total, or €1,006 million.

In the five years from 2019 to 2023, the Iberdrola Group will have paid more than €3,800 million in electricity taxes.

**Trend in electricity taxes paid over the last five years**

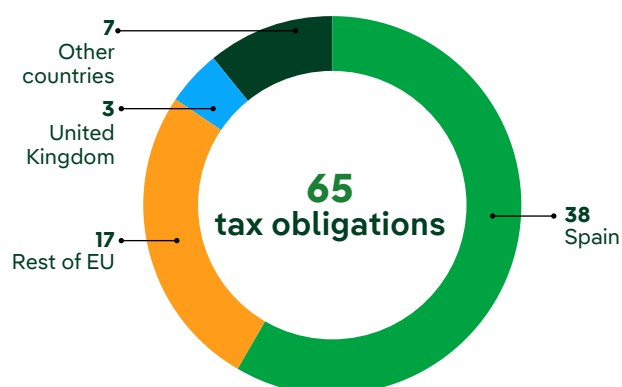
	Electricity taxes	Own taxes	% Own taxes
2019	733	2,941	25 %
2020	716	2,938	24 %
2021	781	3,125	25 %
2022	515	3,255	16 %
2023	1,080	4,417	24 %
Total	3,825	16,676	23 %



As illustrated, although in 2022 electricity taxes decreased as a result of the measures approved for consumer protection, stemming from energy price trends, in 2023 the amount paid was double that of the previous year and higher than the average value for the period, which amounted to €765 million euros, mainly due to the introduction of extraordinary levies on the energy business.

Breakdown of electricity taxes and charges: cash⁵

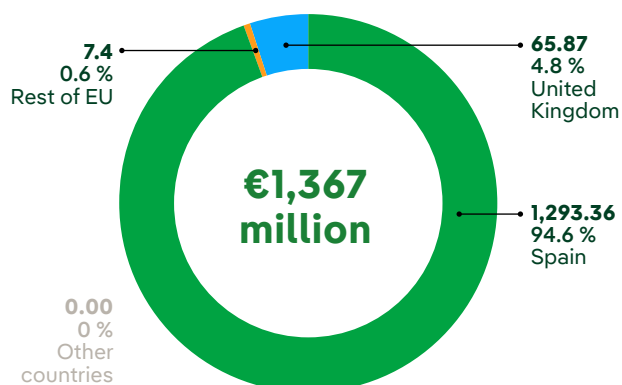
€ Million	No. taxes	Electricity	%
Europe	58	1,367	100 %
Spain	38	1,293,36	94.6 %
United Kingdom	3	65,87	4.8 %
Greece	6	2,57	0.2 %
Poland	2	4,97	0.3 %
France	1	0,78	0.1 %
Italy	1	0,02	0.0 %
Portugal	1	0,44	0.0 %
Cyprus	2	0,09	0.0 %
Romania	1	0	0.0 %
Hungary	1	0	0.0 %
Germany	1	0	0.0 %
Ireland	1	0	0.0 %
Other	7	0	0.0%
USA	1	0	0.0 %
Brazil	4	0	0.0 %
Mexico	2	0	0.0 %
Total	65	1,367.20	100 %



€ Million	Tax
Spain	1,293.36
Subsidised Rate	254.96
Reduction mechanism WPT	225.52
Temporary levy WPT	212.93
ENRESA rate	208.82
Autonomous regions (<i>Ecotasas</i>)	146.89
Nuclear fuel	117.82
Water (Water Charge)	79.52
Energy efficiency	32.88
Nuclear Safety Council	14.06
I. Company electricity	0.09
IVPEE (/%)	-0.13
United Kingdom	65.87
Electricity Generation Levy WPT	65.87
Polonia	4.07
Claw back WPT	4.07
Greece	2.57
Green taxes 1.7 %	1.92
Other energy taxes	0.4
Wind farm license tax	0.23
Green taxes 1 %	0.02
France	0.78
Claw back WPT	0.78
Portugal	0.44
CESCE	0.44
Cyprus	0.09
Green Taxes 1.8% - 3.6%	0.09
Italy	0.02
Windfall tax WPT	0.02
Total	1,367.20

Windfall profit taxes > €510 million

Electricity taxes > €1,367 million



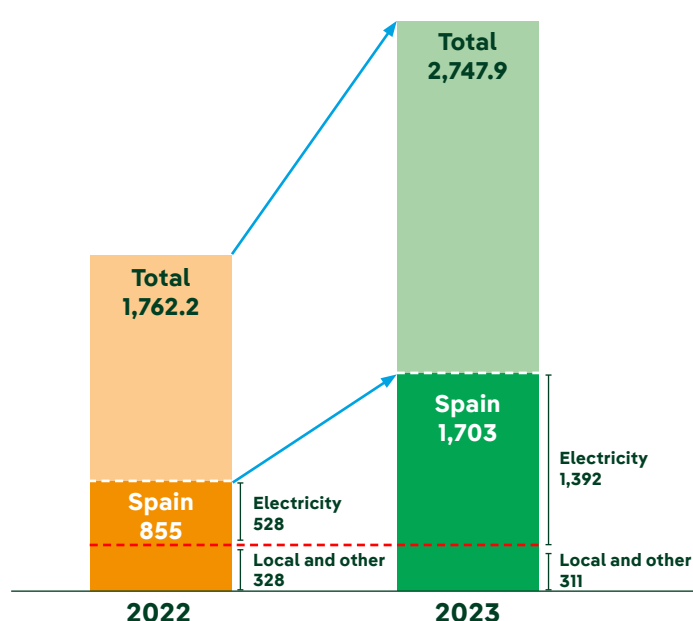
⁵ WPT: windfall profit tax.



Taking into account the additional charges in the electricity sector, it can be seen that of the 58 taxes and charges that Iberdrola has to pay in the European Union, 38 are in Spain, representing 94.6 % of the total amount, which reaches €1,293 million in Spain, which is double the figure for the same amounts in 2022.

Similarly, if, instead of analysing from the point of view of the payment of taxes and charges, the analysis is carried out through the financial statements in terms of accruals, we can see below the ratio of the “Other taxes” account –which includes the vast majority of tax items, with the exception of corporate income tax and social security contributions– to the group’s net operating expenses, both at a global level and in Spain. Two highly relevant elements can be identified in this analysis: the first is the significant weight of electricity taxes in relation to other taxes. The second is the sharp increase in the accounting reflection of this account compared to 2022, which is entirely due to electricity taxes. Furthermore, in the case of Spain, taxes directly related to the electricity business represent 123 % of the Group’s net operating expenditure (NOP). By contrast, this percentage is 45 % at the global level.

Detail of taxes: accrual



Global Taxes	Global NOP	%
2,747	6,136	45 %

Taxes Spain	NOP Spain	%
1,703	1,384	123 %

€ Million	2023	2022	Difference
Electricity taxes	1,392	528	864
Local and other	311	328	-16
Total	1,703	855	847



€ Million	2023	2022	Difference
Subsidised Rate + EE	276	54	221
Water Charge	191	78	113
Reduction mechanism	225	0	225
Temporary levy	213	0	213
ENRESA rate	203	204	-1
Autonomous Regions	145	142	3
Nuclear fuel	120	35	85
Nuclear Safety Council	15	14	1
Local and other	311	328	-16
Total	1,703	855	847

The conclusion is similar whether the analysis is carried out on a cash or accrual basis: a company such as Iberdrola, whose *raison d'être* is to “*continue building together, each day, a healthier, more accessible energy model based on electricity*”, is subject to a specific tax burden on its activities that is much more severe than that imposed on other industries.

All of this is paradigmatic for a Group that, for more than two decades, has been firmly committed to clean energy, promoting a sustainable energy transition, conducting its business on the basis of respect for and protection of the environment, meeting or exceeding the standards set by the environmental legislation in force, minimising the impact of its activities on the environment and promoting actions that contribute to its protection, and participating in and sponsoring research and development projects that promote the decarbonisation of the economy.

Proper and fair environmental taxation drives changes in social behaviour and helps achieve environmental goals, the most urgent of which is decarbonisation. Until now, tax legislation has failed to embrace this role of protecting environmental objectives and promoting the changes needed to achieve them, focusing instead on purely revenue-raising objectives.

Iberdrola is a clear advocate of a comprehensive change in environmental taxation in Spain to guarantee the “polluter pays” principle, and to contribute to the guidance of social behaviour towards cleaner and healthier energy. The EU’s “Fit for 55” package of legislative proposals is an example of the way forward for environmental policy and taxation.

- The amount of local taxes paid by the Iberdrola Group is far from negligible, amounting to more than €1,100 million euros worldwide in 2023, or 26 % of the taxes charged to the income statement.**

Local taxes are particularly important in Spain and the United States of America, accounting for 86 % of taxes paid in 2023.

In the last five years, the Iberdrola Group has contributed more than €5,000 million to public coffers worldwide.

**Trend in local taxes paid over the last five years**

	Local taxes	Own taxes	% Own taxes
2019	920	2,941	31 %
2020	905	2,938	31 %
2021	961	3,125	31 %
2022	1,106	3,255	34 %
2023	1,139	4,417	26 %
Total	5,031	16,676	30 %

- 4. The Group pays its taxes in the territories in which it operates, subject to strict compliance with tax rules and in close connection with its activities.** On no account does Iberdrola artificially transfer profits from one jurisdiction to another solely to drive tax bases down and minimise tax payments. Furthermore, the Group lawfully applies the mechanisms to avoid double taxation of profits and income. Therefore, considering that these mechanisms are at the core of global tax systems, it seems that judging their fair application in international groups alters the relevance of their tax contribution and undervalues the business and wealth generated in these territories.
- 5. Iberdrola lawfully applies the applicable legal provisions in each country in which it has a presence.** It is customary for different regulatory entities to establish tax incentives in order to stimulate investment in their tax jurisdictions, these are entirely lawful incentives that reduce or defer the tax burden for businesses, including multinationals. Iberdrola's investment effort is intensive, generating a significant direct, indirect and induced impact based on the priority objective of ensuring the absolute protection of the environment using the most cutting-edge technologies, which generates a very significant direct, indirect and induced impact on society, which at times gives it to access tax incentives. When this happens, the Group applies them lawfully.

The Group therefore applies those rules that permit tax incentives in line with applicable law in each case, but this should not lead to the mistaken opinion that there is any avoidance of its tax obligations; rather, entirely to the contrary, i.e. the Group is contributing to investment and business development for the creation of wealth and employment in accordance with the legal parameters established in each case. Moreover, in the case of the Iberdrola Group, this investment is fundamentally directed at generating clean energy and smart grids, both essential elements in the active fight against climate change.

A good example of tax incentives to stimulate investment is the United States of America, where the Inflation Reduction Act (IRA) provides tax incentives for the development of clean technologies to reduce industrial greenhouse gas emissions.

- 6. Other payments are also made to regulatory entities** that, although not technically classified as taxes, also help to contribute to supporting public finances. This is the case, for example,



of subsidised rates (*Bono social*) and contributions to the Spanish National Energy Efficiency Fund (*Fondo Nacional de Eficiencia Energética*), which this year involved the contribution of an additional €286 million to the government, an increase of 62 % over the previous year, and payments for concessions in various parts of the world, which contribute to increased tax collection in the various countries in which the companies of the Iberdrola Group do business.

All of the foregoing is without including the Group's efforts in other economic areas that contribute to the general interest, as well as its social commitment.

Taxes collected

The Group pays the tax authorities numerous taxes, which, as they represent tax obligations, are not included in the income statement, as they are taxes withheld from or passed on to third parties; in 2023, they amounted to almost €4,900 million.

These taxes derive from the Group's own economic activity, such as taxes associated with the employment that Iberdrola generates directly and indirectly or financial transaction taxes and other taxes (Group employees, suppliers, purchases of products and services, etc.).

In the last five years, the Iberdrola Group has withheld more than €23,500 million for these types of taxes.

These figures reflect the importance of the taxes withheld or passed on to third parties and the role played by the Iberdrola Group as a driving force behind the activity that generates such taxes and ensures that the amounts thereof are paid into the public coffers. Indeed, if Iberdrola did not exist, this volume of taxes would cease to be collected.

Iberdrola also contributes through its activities to the creation of wealth and prosperity in the territories in which it does business. Specifically, its contribution to GDP worldwide exceeds €45,700 million, up 23 % on the previous year, of which €16,750 million are in Spain, while its global workforce is close to 42,300 people, with the Company generating close to 500,000 direct, indirect and induced jobs worldwide⁶.

R&D Investment

For example, this effort is very significant in research, development and innovation as a contribution to value and efficiency, well above the average, both for companies in its sector and for the Spanish business sector, as well as on a global level. Iberdrola has been recognised as the world's leading private utility in terms of investment in Innovation and Development, according to the *2023 Industrial R&D Investment Scoreboard* prepared by the European Commission, after allocating more than €385 million to research and development in 2023.

⁶ According to PWC report based on Iberdrola's 2022 activities.



In addition, the company has pledged to double its investment in research, development and innovation (R&D&i) over the last 10 years, with the aim of reaching €4,000 million by 2030.

Financial resources are mainly allocated to projects relating to renewable energy, smart grids, digital transformation and the development of custom solutions for customers.

The Iberdrola Group also works with various universities and institutions on the spread of energy services, as well as on bolstering knowledge in specific areas of science, energy and information technology thanks to an open and decentralised R&D investment management model.



Iberdrola's tax responsibility is based on compliance, transparency and collaboration, and is the foundation for good practice in corporate taxation in an international context.

Iberdrola's model is a global benchmark, having pioneered the inclusion of the concept of social dividend in its governance system. In this way, we prioritise responsible tax behaviour and maintain our reputation as a world leader in tax matters by striving for continuous and constant improvement in the quality of the service we deliver to society.





7. Iberdrola and international tax practices: OECD, BEPS and EU



The Iberdrola Group is fully committed to the tax guidelines of the OECD and the EU.

Iberdrola's internal tax risk management and control framework prohibits transactions that circumvent taxes, and has protocols in place to ensure diligent tax practices.

Iberdrola is committed to complying with the OECD *Guidelines for Multinational Enterprises* in the area of taxation.

The Iberdrola Group is aligned with the principles and actions advocated by the OECD's **BEPS** (Base Erosion Profit Shifting) **Plan**, currently the primary instrument in the fight against international tax fraud, having also made an **explicit commitment in 2023 to the OECD guidelines for multinational enterprises in the area of taxation.**

In keeping with best practices and the principles laid down by the European Union and the OECD, the Iberdrola Group:

- **Complies**, in due time and form, **with its tax obligations** in the various jurisdictions in which it has a presence.
- **Does not use aggressive tax planning mechanisms**, but rather always adopts a reasonable interpretation of regulations.
- **Does not have a presence in tax havens or non-cooperative jurisdictions.**

It is important to note that due to the nature of its industrial activity, the Group cannot shift its profits. Moreover, in accordance with the **BEPS Plan actions**:

IBERDROLA DOES NOT

- Have a significant digital presence in the economy of any country whereby it is not subject to taxation.
- Use legal constructs that are classified as hybrid entities for tax purposes, nor are there situations whereby its subsidiaries lack tax residency. Nor does it make fraudulent use of other hybrid mechanisms.
- Have subsidiaries with little or no business activity in low-tax countries that are used to shift revenues from an entity residing in another country or territory.
- Use shell companies in order to take artificial advantage of beneficial tax regimes. All the tax incentives it obtains are generated in accordance with applicable law in the various jurisdictions, particularly as regards requirements on activity and substance.
- Artificially use intragroup loans and credits in order to generate taxable base erosions.



IBERDROLA DOES

- Prudently respect and apply regulations limiting the deduction of financial expense in the jurisdictions in which it has a presence.
- Allocate the profits established in tax agreements only in cases in which the relevant entities are genuinely entitled to application thereof and there are real business reasons for the transactions covered thereby.
- Operate abroad via subsidiaries and/or permanent establishments insofar as this structure is required, and does not use legal entities that are considered to be hybrid structures for tax purposes.



We strictly comply with tax laws and regulations in each of the countries and territories in which the Group operates.

Global Minimum Taxation - Supplementary Tax

The Iberdrola Group, as a large multinational group, qualifies for the Pillar Two model rules (also known as the GloBE Rules) approved on 14 December 2021 by the Inclusive Framework of the Organisation for Economic Co-operation and Development (OECD)/G20 on BEPS (Base Erosion and Profit Shifting), to which the Member States of the European Union, among many others, have adhered.

Under these model rules, the Group is required to pay a supplementary tax, if applicable, on earnings generated in any tax jurisdiction where the effective tax rate, calculated in accordance with these rules at jurisdictional level, is below at least 15 %.

Legislation implementing the model rules has been enacted or is at an advanced stage of adoption in many of the jurisdictions in which Iberdrola operates, including Spain, the country of the Group's controlling parent company (preliminary draft law published on 20 December 2023).

According to Council Directive (EU) 2022/2523 of 15 December 2022, the first year of effective application of the new global minimum taxation rules for the Iberdrola Group will be 2024. As a result, the Profit and Loss account for 2023 does not include the impact of this legislation on current tax expenses.

Notwithstanding this, the Group has prepared a preliminary assessment of the potential impact of the global minimum tax rules based on its most recent tax returns, its country-by-country report and the financial statements of the individual Group entities. Based on this assessment, Iberdrola does not expect a significant financial impact from applying the model rules, given the alternative or simultaneous occurrence of the following circumstances in each of the jurisdictions in which it operates: effective tax rates very close to or higher than 15 %; significant proportion of personnel and equipment implying the exclusion of income subject to minimum taxation; or inconsequential income and profits.



Public Country-by-Country Report

In November 2021, the European Parliament formally adopted the Public Country-by-Country Reporting Directive, which aims to promote corporate transparency in the area of corporate income tax. The Directive requires large multinational groups with a presence in the EU to disclose certain corporate tax information on their website and in their financial statements, in line with BEPS Action 13 on Country-by-Country Reporting (including composition and activities, number of employees, revenues and profits, taxes paid and accrued, and provisions for the year).

This Directive has already been transposed into Spanish law and will become mandatory for the financial years beginning on or after June 2024.

Nonetheless, since 2019, Iberdrola has voluntarily complied with the publication of the Country-by-Country Report (with information referring to 2018).

Cross-border mechanisms subject to reporting

In 2018, the European Union approved Council Directive 2018/822 as regards mandatory automatic exchange of information in the field of taxation in relation to potentially aggressive cross-border tax-planning arrangements (known as DAC 6). The transposition of the Directive in Spain was ultimately implemented through the passage of Law 10/2020 of 29 December and Royal Decree 243/2021 of 6 April, establishing the formal obligations and template returns to be used by intermediaries or taxpayers to comply with their reporting obligations.

Directive 2018/822 is a significant anti-avoidance mechanism, and a deterrent to aggressive tax planning mechanisms at the international level.

Acting in advance of the transposition of the Directive, and as part of its mechanisms for the control and management of tax risks, the Iberdrola Group established:

- The prohibition of certain mechanisms or transactions set forth in Directive 2018/822, including the following: the Group has prohibited advice on the implementation of corporate transactions in which the remuneration of a third party depends on the tax benefit obtained, confidentiality clauses regarding how a tax benefit or advantage arises, acquisitions of loss-making companies involving discontinuing the acquired activity, and using said losses to reduce the Group's tax obligations, or transactions giving rise to circular movements of funds, flows of goods and services or shares through intermediary entities with no commercial activity.

In general, the Iberdrola group has also prohibited the implementation of any transaction that is subject to a probable risk of being classified as simulated from a tax perspective.

- A strengthened internal procedure for other non-prohibited transactions that are referred to in the aforementioned directive, and for other transactions that may be carried out, in order to diligently ensure the suitability and validity thereof.

Iberdrola duly complies with the reporting obligations established by the regulations in this regard.



8. Transfer pricing



The Group strictly applies the arm's-length principle in its related-party transactions.

Iberdrola values all its related-party transactions on an arm's-length basis, following standards aligned with the OECD's Transfer Pricing Guidelines adapted to the new post-BEPS standards.

Intra-group transactions are invoiced following standards that are objective, transparent and consistent with the arm's length principle, avoiding any discrimination or competitive advantage.

Transfer pricing policy of the Iberdrola Group

The Iberdrola Group's transfer pricing policy is applicable to all the Group's companies and is fully aligned with the transfer pricing guidelines of the OECD.

Due to the structure of their main business, the results and taxable bases of the entities that own the electricity production and transmission facilities cannot be shifted from the place in which said facilities are located. Moreover, the profitability of businesses in Iberdrola's sector is notably **influenced by each country's regulations**, particularly in the electricity distribution business. For this reason, related-party transactions carry a relatively limited risk within the Iberdrola Group, particularly in the cross-border context.

The Iberdrola Group values all its related-party transactions on an arm's length basis, following standards aligned with the transfer pricing guidelines of the OECD adapted to the new post-BEPS standards.

Furthermore, all existing related-party transactions of the Group are duly documented on the terms established by the legal provisions of the various countries. Said documentation is aligned with the principles and content established in Action 13 of the BEPS Plan. The Group is also committed to preparing and filing the Country-by-Country Report in due time and form, on the terms established by the laws of the jurisdiction of its parent company (in this case, Spain).

Additionally, in the case of "Neoenergia S.A.", the Group's country subholding company in Brazil, there is a Related Parties Committee whose function is to approve the execution of contracts or transactions that said company or any of its subsidiaries sign with related parties, in order to ensure the equality and transparency of transactions and show that they are signed on arm's length conditions, preventing them from unduly benefiting either party.



In turn, at “Avangrid Inc.”, the Group’s country subholding company in the United States of America, there is an Unaffiliated Committee responsible for, among other issues, reviewing and approving all transactions entered into between said company and Iberdrola or its subsidiaries, in order to ensure that they are implemented on arm’s length conditions.

In the case of listed companies, special care is taken to protect the interests of minority shareholders without undermining action with respect to other entities, such that the aforementioned Committees are made up of independent members without representation from the Iberdrola Group in order to guarantee maximum independence and ensure the proper treatment of related-party transactions, as in all other relationships between parent companies and subsidiaries.

Finally, the management bodies of the various companies of the Group report on compliance with the Corporate Tax Policy to ensure that all companies of the Iberdrola Group adopt the control mechanisms necessary to ensure compliance with tax laws and regulations, principles and good practices.

Main intra-group transactions

The Group’s model is based on three pillars, representing the distinguishing elements that make Iberdrola a different company: A framework of trust based on an advanced governance model; the *Purpose and Values of the Iberdrola Group* reflecting the Group’s culture as defined by the Board of Directors; and a strategy geared towards achieving the Group’s objectives.

The competitiveness of the model is secured through the responsible management of the company’s tangible and intangible assets. To operate under this model, Iberdrola has organised its management into three global businesses: Networks Business, Wholesale and Retail Business, and Renewables Business, with a Corporation as the central management body for the Group.

In keeping with the Iberdrola Group’s organisational and operational structure, from a functional standpoint, Iberdrola is structured on two levels:

1. **Business activities.** Each business in each of the main locations performs a number of common functions for all of the entities belonging to it. Interactions between the businesses in the different jurisdictions are limited to providing highly specialised business services to each other:
 - a. **Wholesale and Retail Business:** the main intra-group transactions are (i) services for the development and construction of energy facilities; (ii) services for the operation and maintenance of these facilities; or (iii) centralised energy management services: supply of electricity for sale, market representation and operation, access to European markets, etc.
 - b. **Renewables business:** the main intra-group transactions are (i) services for the development and construction of facilities; (ii) services for the operation and maintenance of facilities; or (iii) purchase and sale of electricity/guarantees of origin.



c. Networks Business: the main intra-group transactions within this Business are regulated activities to which the prices established by the corresponding regulations are directly applied. The non-regulated activities carried out in the Networks Business include: (i) technical management support services; (ii) electricity grid works services; or (iii) operation and maintenance services at shared facilities.

d. Non-energy Businesses (engineering, real estate): the main transactions in the other Businesses correspond to the provision of engineering services.

2. Corporate Activities. As mentioned above, the Iberdrola Group has a Corporation as the Group's central management body. Iberdrola, S.A., as the Group's holding company, through its Board of Directors, defines and supervises the policies, strategies and general guidelines for the management of the Group, and makes strategic decisions. In addition, the Chairman of the Board of Directors, the CEO and the management team assume the duty of strategic supervision, organisation and coordination through the dissemination, implementation and monitoring of the overall strategy and the basic management guidelines established by the Board of Directors.

Under the corporate structure of the Iberdrola Group, there are also intra-group commercial relationships that mainly branch out from the Corporation, such as:

a. Corporate Services. The low added-value support services provided by Iberdrola to its Spanish and foreign subsidiaries are among the most significant transactions carried out between Group companies. These services cover various types of services to subsidiaries, such as human resources, systems, quality, telephony, financial, legal, etc. They are generally provided and invoiced on a "cascading" basis, top-down, from the service-provider companies, at the holding company, country subholding company or head of business company level, to the corresponding customer companies.

b. Intangibles. In line with the recommendations set out in the report on Actions 8 to 10 "*Aligning Transfer Pricing Outcomes with Value Creation*", issued by the OECD under the BEPS Action Plan, each member of the multinational enterprise Group must be compensated at arm's length according to the value that the parties generate and contribute to the value chain. In this regard, based on a functional analysis of corporate functions, intra-group transactions are regulated in order to reflect the contribution and corresponding invoicing by (i) adapting the invoicing of corporate services to the Group's current organisational structure; and (ii) implementing the assignment of the use of intangible assets in accordance with the requirements of a transfer pricing analysis.

c. Financial transactions. The Iberdrola Group is re-examining its transfer pricing policies on financial transactions to ensure their alignment with the latest trends and guidelines contemplated in the OECD's publication of the new transfer pricing guidelines on financial transactions, which provide continuity to Actions 4 and 8 to 10 of the BEPS project, establishing the treatment from the perspective of related-party transactions of the main types of financial transactions such as loans, guarantees, cash pooling arrangements, and hedging transactions.



Intra-group transactions are invoiced following standards that are objective, transparent and consistent with the arm's length principle, avoiding any discrimination, subsidy or competitive advantage.

As part of its standard tax practices, the Iberdrola Group is advised by prestigious international firms that provide assistance to the Group in transfer pricing matters and verify that the policies applied follow the standards established by the OECD and are duly implemented and updated.

New transfer pricing rules

United Kingdom

In April 2023, new transfer pricing rules came into force in the United Kingdom, setting out new requirements for the preparation of the master file and the local/country file in accordance with the OECD Transfer Pricing Guidelines of July 2022.

Under these new rules, the Iberdrola Group is required to make these reports available to HM Revenue and Customs on request.

In line with its ongoing commitment to excellence and the application of good tax practices, the Iberdrola Group was already compiling the aforementioned transfer pricing reports for the related-party transactions carried out by the entities of the Scottish Power sub-group. As a result, the new regulations do not require the Iberdrola Group to adapt its processes or carry out additional work.

Brazil

In May 2023, the Brazilian Congress of Deputies passed Law no. 14,596/2023, approving and enacting relevant changes to the transfer pricing system in Brazil.

This law, which entered into force on 1 January 2024 –but which provides that it may be applied on a voluntary basis with effect from 1 January 2023– adopts the arm's length principle in accordance with the OECD Transfer Pricing Guidelines.

The law stipulates the use of international methods for valuing transfer prices and contains rules on intra-group services, intangible assets, cost-sharing agreements, restructuring and financing transactions. Additional regulations to implement this law are expected.

Iberdrola had already been applying the arm's length principle, valuing all its related-party transactions at arm's length prices and preparing the relevant transfer pricing reports in all jurisdictions where they are required. However, given its international presence, the Group believes that in an increasingly globalised and digital economy, any standard that seeks to harmonise transfer pricing rules globally is to be welcomed and is committed to adhering to such standards.



Government cooperation

Finally, and as a significant element of the cooperative relationship that the Group fosters, **in 2022 Iberdrola voluntarily participated in the International Compliance Assurance Programme (ICAP)**, an OECD initiative that seeks to improve cooperation between tax administrations at global level to supervise transfer pricing-related tax risks in multinational groups.

Work continued in 2023 with the various government administrations involved in the programme. Finally, in the fourth quarter of 2023 the Spanish tax administration, as coordinator of the cooperative relations instrument, brought the programme to an end. **On 16 November 2023, the Spanish tax administration sent a letter of appreciation** for having voluntarily participated in the programme, including multilateral evaluation letters from the tax authorities in Spain (State Tax Administration Agency and Bizkaia Provincial Treasury), Germany, the United States of America, Ireland, Italy and the United Kingdom, **with an overall rating of “low risk”**⁷.

Finally, the 26th Plenary Session of the Forum of Large Businesses, held on 8 June 2023, approved the document prepared by the Cooperative Relations Working Group on “voluntary submission of documentation on related-party transactions within the framework of the Code of Good Tax Practices”.

Once again, **the Iberdrola Group**, in its commitment to maintain a cooperative relationship with the tax authorities, **voluntarily submitted the aforementioned transfer pricing documentation** for the financial year 2022, within the deadline agreed by the Plenary of the Forum of Large Businesses (six months from the end of the corporate tax filing period).

⁷ See expanded information in the “II.Tax governance, cooperative relations and best practices” section.



One of the main principles of conduct under Iberdrola's Corporate Tax Policy is to comply with and properly apply the tax laws of all the countries in which the Group operates.

For this reason, Iberdrola, with the commitment to constantly improve the control and management of tax risks, has a Transfer Pricing Handbook in place that contains a clear and concise description of the procedures to be followed in the valuation of the Group's related-party transactions.

The handbook is updated twice a year and distributed to all the Group's corporate areas and businesses worldwide.





9. Tax havens and non-cooperative jurisdictions



Iberdrola has no presence in tax havens or non-cooperative jurisdictions.

The Group prohibits the incorporation and acquisition of companies resident in tax havens or non-cooperative jurisdictions.

Criteria for determining whether a country or territory is considered to be a tax haven

European Union list of non-cooperative countries and territories for tax purposes

The list of non-cooperative tax jurisdictions in the European Union has been compiled by the Code of Conduct Group for Business Taxation since 2017. The main objective of this list is to maximise efforts to prevent tax fraud and tax evasion by promoting good governance worldwide.

The list, which is constantly updated, includes jurisdictions that fail to meet international standards of good tax governance developed by the OECD, the Global Forum on Transparency and Exchange of Information for Tax Purposes, the Forum on Harmful Tax Practices and the BEPS Inclusion Project, based on the criteria of tax transparency, tax equity and measures against base erosion and profit shifting.

In addition to the black list, there is also a grey list of jurisdictions that cooperate with the EU but have outstanding commitments and have agreed to implement reforms in order to comply.

On 17 October 2023, the Council of the European Union updated the list of non-cooperative countries and territories for tax purposes to include the following 16 countries:

Countries not cooperating with the EU or not fully meeting their commitments



American Samoa



Anguilla



Antigua and Barbuda



Bahamas



Belize



Fiji



Guam



Palau



Panama



Russia



Samoa



Seychelles



Trinidad and Tobago



Turks and Caicos Islands



US Virgin Islands



Vanuatu



Non-cooperative jurisdictions for the Spanish Tax Administration

The current list of countries and territories, including harmful tax regimes, that are considered non-cooperative jurisdictions in Spain is set out in Ministry of Finance and Public Function Order 115/2023 of 9 February:

Jurisdictions considered to be non-cooperative in tax matters

 Anguilla	 Bahrain	 Barbados	 Bermuda
 Dominica	 Fiji	 Gibraltar	 Guam
 Guernsey	 Isle of Man	 Cayman Islands	 Falkland Islands
 Mariana Islands	 Solomon Islands	 Turks & Caicos Islands	 British Virgin Islands
 US Virgin Islands	 Jersey	 Palau	 Samoa
 American Samoa	 Seychelles	 Trinidad and Tobago	 Vanuatu

Iberdrola does not have a presence in non-cooperative jurisdictions

Exemplary behaviour in a model Group

The Group believes that the definition of non-cooperative jurisdiction under Spanish law should be complemented by the European Union's blacklist of non-cooperative jurisdictions for tax purposes. Taking this into account, the Group's *General Sustainable Development Policy* and the *Corporate Tax Policy* has established consistent treatment for acquiring equity interests in all these jurisdictions, whether tax havens according to Spanish law or non-cooperative tax jurisdictions on the European Union blacklist.

Accordingly, as a matter of good practice, the Group considers it prohibited to establish or acquire companies in such territories and therefore does not include in its controlled entities any companies domiciled in non-cooperative jurisdictions under Spanish law or in territories that are on the European Union's blacklist of non-cooperative jurisdictions in tax matters.



Mechanisms to control the presence in jurisdictions that are considered to be tax havens and non-cooperative jurisdictions

In compliance with Section 529 *ter* of the Companies Act (*Ley de Sociedades de Capital*), regarding the non-delegable power of the Board of Directors to approve the creation or acquisition of companies in this type of territory, the Group has a specific reinforced procedure as part of the tax risk control and management system.

The *Procedure for the Creation of or Acquisition of Equity Interests in Special Purpose Entities or Entities Domiciled in Tax Havens*, approved by the Board of Directors of Iberdrola, provides as follows:

Subjective Scope of Application

The Policy applies to all companies of the Group, as well as to all non-Group companies over which the Company has effective control, within the limits established by law and without prejudice to the fact that listed country subholding companies and their subsidiaries, based on their own specific framework of strengthened autonomy, may establish an equivalent policy.

Objective Scope of Application

The procedure applies to the establishment of any entity that is deemed to be domiciled in a country or territory that is considered to be a tax haven, defined as:

- a. Countries or territories considered to be tax havens under Spanish legal provisions or included in the EU blacklist of non-cooperative jurisdictions.

In this case, Iberdrola prohibits the establishment or acquisition of entities registered in these territories. Exceptionally, when it is deemed necessary to establish or acquire a company in any of these territories, a thorough analysis and justification process is followed, which requires the approval of the Board of Directors, subject to a report from the Audit Committee of the acquiring Group company.

- b. Countries or territories not considered as tax havens under Spanish legislation, but included on the European Union's grey list of non-cooperative jurisdictions, provided that Spain has not signed a treaty for the avoidance of double taxation.

In this case, if they are in countries and territories included on the European Union's **grey list** of non-cooperative jurisdictions with which Spain has not signed a treaty for the avoidance of double taxation, they will be subject to special monitoring by Iberdrola.

As an example of fiscally responsible behaviour and that the *Procedure for the Creation of or Acquisition of Equity Interests in Special Purpose Entities or Entities Domiciled in Tax Havens* is working as intended, in 2020, the Group made a takeover bid for the shares of the Australian entity Infigen Energy. At the time of the takeover bid, Infigen Energy had interests in two legal, albeit dormant, Bermuda-based entities.

The Group applied the provisions of the Internal Procedures in such a way as to expedite the winding up of these two companies, Infigen Energy (Bermuda) Limited and BBWP Holdings (Bermuda) Limited, which was completed on 4 September 2020.



There were no transactions involving the acquisition of companies based in tax havens in 2023, for which reason no structures are currently maintained in tax havens or territories included in the European Union's blacklist of non-cooperative jurisdictions.

Presence in other potentially conflicting jurisdictions

Iberdrola pays special attention to the state of Delaware in the United States of America due to the interest it arouses in specialised forums on tax governance.

The Iberdrola Group has some companies incorporated in this state, although all of them are tax resident in the jurisdictions in which they operate. Delaware corporations and limited liability companies are the most commonly used form of company in the United States of America due to the development of its commercial law and established jurisprudence, which provides a high degree of legal certainty in the commercial field. These companies form part of the federal corporate tax group of which Avangrid is the parent company, without having a special status with respect to the other companies by virtue of being incorporated in the State of Delaware, and consequently pay taxes in the States where the locations of operation of the consolidated tax group to which they belong are located, of which Delaware is not one. As a result, all their profits are taxed according to the general regime of the State where their assets are located, without the incorporation in Delaware giving them any tax advantage.

In short, the companies pay the taxes that correspond to them, **and the Iberdrola Group has no presence in countries or territories classified as tax havens, and the incorporation of any Group company is in any case based on objective business criteria.**



Iberdrola is committed to the development and continuous improvement of its tax risk control and management framework, in order to be constantly updated and in line with international governance and sustainability best practices.

We have a voluntary prohibition on any presence in tax havens, and we have a mandatory procedure for all Group companies, approved by the Board of Directors.





10. Inspections and tax litigation



As a multinational company, Iberdrola's taxation is subject to almost constant review by various regulatory entities. It is therefore reasonable for there to be audits pending in various countries.

One of the Iberdrola Group's principles is to strengthen relations with the tax authorities, based on respect for the law, loyalty, trust, professionalism, cooperation, reciprocity and good faith, without prejudice to any legitimate disputes that may arise in connection with the interpretation of tax provisions. Therefore, when disputes arise, the Group conducts its dealings with the authorities on the basis of a cooperative relationship, in accordance with the principles of transparency and mutual trust.

As a result, all the Group's major tax-related decisions are based on a reasonable interpretation of applicable law, which minimises potential tax risks, in close connection with the Group's activity. These decisions are also analysed by its internal and external advisors, ensuring that these actions have been in accordance with the law and are based on reasonable interpretations of the tax provisions.

The audits under way at financial year-end 2023 varied depending on the tax laws of each country.



We demonstrate our commitment to transparency by publishing details of ongoing inspections and litigation around the world.

Administrative actions

1. Spain

In 2022, the assessment proposals and reports resulting from the audits launched in June 2020 by the Spanish Tax Administration Agency ("AEAT") were issued for the part of the procedures not completed in 2021. The procedures initiated were a partial inspection (for the years 2012 to 2014) relating to Income Tax and general verification (for the years 2015 to 2017) for the main corporate taxes applicable to the entities of the Iberdrola Group within the tax consolidation group of the common tax system (no. 2/86). The proceedings were subsequently extended to cover financial years 2018 to 2020, also partially, so as to carry out the full corporate income tax adjustment of certain items signed on a contested basis in relation to previous financial years.

The Income Tax assessments signed on a contested basis in 2022 for the years 2015 to 2020 have essentially the same disputed adjustments as those signed in 2021, i.e. those that were disputed in the general audit procedure for the 2008-2011 period.

With regard to VAT, in 2022, contested assessments were signed for 2015 to 2017 as a result of adjustments made by the AEAT due to the inclusion in the denominator of the proportion of capital gains arising from portfolio transfers or corporate restructuring transactions. Iberdrola also requested the refund of VAT payments corresponding to unpaid debts, mainly from individuals, older than one year and with a taxable basis of less than €300, corresponding to



Curenergía Comercializador de Último Recurso, S.A.U. and Iberdrola Clientes, S.A.U. for the aforementioned years. This request is based on the view that the Spanish rules on the handling of VAT on unpaid invoices are contrary to EU law.

In relation to all these proceedings, on 17 December 2021 and 29 July 2022, administrative claims were filed with the Central Tax Appeal Board (*Tribunal Económico Administrativo Central*) against the settlement agreements resulting from the assessments signed on a contested basis referred to in the previous paragraphs. At the end of this period, these claims remain to be settled and are not considered to have a material impact on the Iberdrola Group's financial position.

In addition to the above, in March 2023, a number of assessments were signed on a contested and uncontested basis in relation to the limited audit procedure initiated by the AEAT following the requests for correction submitted by Iberdrola in February 2022 in relation to VAT for the financial years 2018 and 2019 and, by extension, in relation to the group of companies for VAT purposes.

Through these requests, Iberdrola S.A. sought to exclude from the pro rata calculation for these years the positive results obtained in the settlement of derivative financial instruments, which was accepted by the tax authorities. The limited audit procedure was also extended to the company's Income Tax for the 2018 and 2019 financial years, and consequently to the Tax Group, in order to transfer the consequences of the VAT claim that was upheld to Income Tax.

In the same procedure, and also in March 2023, contested assessments were signed within VAT group 0220/08, of which Iberdrola, S.A. is the parent company, in relation to requests for refund of VAT payments corresponding to unpaid debts, mainly from individuals, more than one year old and with a taxable basis of less than €300, corresponding to Curenergía Comercializador de Último Recurso, S.A.U. and Iberdrola Clientes, S.A.U., for the financial years 2018 and 2019, as it considers that the Spanish rules on the application of VAT to unpaid invoices are contrary to EU law, as stated above for the previous periods.

At the beginning of 2024, notice was provided of the confirmation of the aforementioned contested tax assessments for Income Tax and VAT for 2018 and 2019, ending the limited audit procedure, against which the corresponding administrative appeals will be lodged with the Central Tax Appeal Board (*Tribunal Económico Administrativo Central*).

2. Other countries

In other countries in which the Group has a significant presence the main ongoing audits are as follows:

- In the United States, given its status as a major taxpayer at the federal and state level, Avangrid Group has several ongoing audits with regard to other tax items.
- In the United Kingdom, Scottish Power has been assigned the status of low-risk taxpayer by the tax authorities (HMRC). Apart from specific enquiries concerning one of the companies (East Anglia One, Ltd.), there are currently no general inspection procedures under way.



- In Mexico, Income Tax (ISR) audits were commenced in 2020 and 2021 by the Mexican tax authority (SAT) for Iberdrola Ingeniería y Construcción SA de C.V. (2017), Iberdrola Energía Monterrey, S.A. de C.V. (2017), Iberdrola México, S.A. de C.V. (2018) and Iberdrola Energía Escobedo, S.A. de C.V. (2018). In relation to the latter company, the inspection was also extended to sales tax (2018).

In relation to the inspection of Iberdrola México, S.A. de C.V., the SAT gave notice of the amount of the tax credit in February 2023, which was subsequently challenged via an appeal for revocation on 13 April 2023.

In the rest of procedures, important progress was made in 2023, following the request for conclusive resolutions before the Procuraduría de Defensa del Contribuyente (Prodecon) (Taxpayer's Ombudsman's Office) during the last months of 2022.

Thus, the inspection related to Iberdrola Energía Escobedo, S.A. de C.V. (income tax and sales tax for 2018) concluded with no material impact on the company's results and notice was provided of the commencement of inspection proceedings in relation to income tax for 2019 and 2020, which are still in progress.

In all other cases, the items in dispute have been significantly reduced, and for tax credits where additional there can be additional progress, the appropriate appeals are filed for reversal if the opposite were the case.

In 2022, the tax office also served notice of the commencement of income tax audits for financial year 2020 upon the companies Iberdrola Energía Noroeste S.A. de C.V., Iberdrola Energía Tamazunchale S.A. de C.V. and Iberdrola Clientes, S.A. de C.V. and, for financial year 2017, upon the companies Iberdrola Energía Altamira, S.A. de C.V. and Iberdrola Energía Baja California, S.A. de C.V. Such audits are still in progress and all requests for information by the tax office have been answered.

- Lastly, Brazil is known for being a jurisdiction with a high risk of litigation and there are multiple investigations in progress, given Brazil's tax and administrative structure and the usual procedure followed by the tax authorities. However, these proceedings are generally resolved at a very low amount in favour of the tax authorities.

All of the Iberdrola Group's actions, both in this financial year and in previous years, have been analysed by its internal and external advisors, who have concluded that they comply with the law and are based on reasonable interpretations of tax law. The existence of contingent liabilities is also subject to analysis, and Iberdrola's general criterion is to record provisions for tax litigation when the risk that they will be unfavourable to the interests of the Iberdrola Group is probable, whereas no such recording is made when the risk is possible or remote.

The directors of the Iberdrola Group and its tax advisors estimate that no material additional liabilities will arise for the Group arising from the above matters over and above those already recognised at 31 December 2023.



Tax litigation

1. Spain

In June 2020 Iberdrola was notified of decisions of the Central Tax Appeal Board (*Tribunal Económico Administrativo Central*) (TEAC) regarding claims filed in relation to assessments signed by Iberdrola on a contested basis in 2016, corresponding to the general verification procedure followed with respect to the common territory tax consolidation group (no. 2/86) for financial years 2008 to 2011.

In the decision regarding Value-Added Tax, the TEAC ruling was favourable to the interests of Iberdrola (which led to the annulment of the Inspectorate's certificates and settlements), while the decisions on income tax were resolved unfavourably.

On 7 July 2020 Iberdrola filed administrative appeals against the latter rulings with the National High Court. Throughout 2021, the corresponding submissions were made in the proceedings, and at present the dates for voting and ruling have not yet been set.

The main adjustments included in the settlement agreements as a result of the contested assessments relate to the quantification of the financial goodwill subject to tax amortisation following the acquisition of Scottish Power, the elimination of the Scottish Power dividend exemption as the audit found it to be incompatible with a portfolio adjustment based on net investment hedging, differences in the tax consolidation criteria, and the possible existence of a transaction involving a change in the debtor of certain bond issues in the circumstances provided for in Section 15.1 of the General Tax Act (*Ley General Tributaria*).

In December 2020 Iberdrola was also notified of the decision of the TEAC relating to claims filed arising from certain contested assessments signed in limited verification proceedings regarding Income Tax for financial years 2012 to 2014. The dispute with the tax office essentially had to do with the applicability or inapplicability of the criteria of temporary imputation established in certain rulings of the Supreme Court, in relation to the income received by the Group from payments made on the basis of unlawful standards.

The aforementioned decision of December 2020 partially upheld Iberdrola's claims, accepting its position with respect to the taxes declared to be unconstitutional. On 25 January 2021 Iberdrola filed an administrative appeal to the National High Court in due time and form with respect to the other situations in dispute. The corresponding submissions were presented in the proceedings throughout 2021, and the date for the vote and judgment have not yet been set.

On the same matter, on 6 September 2021 Iberdrola lodged a claim with the TEAC against the enforcement by the Technical Office of the Central Large Taxpayers Unit of the TEAC's aforementioned partially favourable decision, which not only recognised the effects of the favourable decision in the pertinent years (2012 to 2014), but also extended its effects to the previous years. Said years had already undergone general inspection proceedings, with a final ruling rendered in some cases, thus constituting *res judicata*. On 3 January 2024 Iberdrola was notified of the TEAC's ruling rejecting the Company's claims. An appeal on point of law will be lodged before the National Court (*Audiencia Nacional*) within the legal deadline of two months.



Lastly, and with respect to significant tax litigation for IBERDROLA, on 21 February 2023 the Association of Electrical Energy Companies (AELEC) lodged an appeal against Ministry Order HFP/94/2023, approving self-assessment forms of the new temporary energy tax created by Law 38/2022. On 23 February 2023 Iberdrola also lodged an administrative appeal against the ministry order on terms similar to that lodged by AELEC.

The law imposes a temporary energy levy on entities that qualify as principal operator in the energy sectors during the years 2023 and 2024. The new levy is legally classified as a non-tax public levy on revenue.

The amount of contribution to be paid is the result of applying 1.2% to the net turnover resulting from the activity carried out in Spain in the calendar year prior to the year in which the obligation arises. The amount paid by Iberdrola in 2023 stands at €213 million.

The administrative appeals lodged by AELEC and Iberdrola, which are pending settlement at present, are based on defects inherent to the ordinary legal grounding of the Ministry Order under appeal and on defects of unconstitutionality and violation of Regulation (EU) 2022/1854 of the Council of 6 October 2022 found to exist in Spanish Law 38/2022, which creates the levy.

The directors of the Iberdrola Group and its tax advisors do not expect the Company to incur any material additional liabilities as a result of the above procedures in relation to those already recognised at 31 December 2023.

Further developments in relation to financial goodwill (Section 12.5 of the consolidated text of the Corporate Income Tax Act).

In previous years, the Spanish authorities applied the aid and grants reimbursement procedure envisioned in the General Tax Act, thus recovering from the Iberdrola Group, in accordance with section 12.5 of the TRLIS, the sum of €665 million (€576 million in principal and €89 million in late payment interest) in the years 2002 to 2015. Iberdrola settled the required amount by (i) offsetting part of it against the €363 million received under the 2016 income tax rebate; and (ii) paying €302 million in February 2018. All the foregoing by virtue of Decision Three of the European Commission.

Meanwhile, in May 2021 Iberdrola received notice of a tax settlement agreement under state aid retrieval proceedings for the years 2016 to 2018 for a total of €13 million, which the Company paid on 2 July 2021.

These amounts, together with the additional late payment interest due, were recognised in “Current tax assets” under non-current assets in the Consolidated Statement of Financial Position.

Moreover, the application of the incentive provided in Section 12.5 of the TRLIS generated a taxable temporary difference, resulting in the subsequent recognition of the deferred tax liability recognised.

Therefore, if the outcome is ultimately contrary to the Company’s interests (something considered unlikely based on the information currently available), the impact on equity would be substantially mitigated.



The Judgement of the General Court of the European Union (GCEU) of 27 September 2023 (joined cases T-256/15 and T-260/15) rendered null and void Commission Decision (EU) 2015/314 of the European Commission of 15 October 2014 (Third Decision), as it upheld all the arguments submitted by the affected entities, including the Iberdrola Group.

Although this judgement of the GCEU has been appealed by the European Commission, it is enforceable and mandatory from the day it was rendered, as the recovery order in the Third Decision is null and void. In any event, the Iberdrola Group and its internal and external advisors consider that no further risks should arise in relation to the application of the financial goodwill, and that the sums recovered by the tax agency should be refunded, as the payment made by the Group was undue.

2. Other countries

- In the United States, the most significant process is the appeal filed with the Appeals Tribunal in relation to the income tax inspection for years 2012 to 2014 in the State of New York. Efforts are ongoing to reach an agreement with the State and settle the matter before the Tribunal delivers a decision, with no significant impact on the Avangrid Group's results.
- In the United Kingdom, the only relevant issue under discussion relates to the deductibility of certain payments made on the instructions of the electricity regulator (OFGEM), the relevant arguments having been made in 2021 in relation to the claims brought before the First Tier Tax Tribunal. The Tax Tribunal delivered its judgement in February 2022, and as the judgement was disputed by Scottish Power, an appeal was lodged with the Upper Tribunal in May 2022. In September 2022, notice of judgement in favour of HMRC was received, which has been appealed to the Court of Appeal.
- In Brazil, there are a number of ongoing proceedings, in which the Group expects to obtain a favourable final ruling:
 - amortised gain/goodwill expense (*agio*) is not deductible for the purpose of calculating income tax (both in income tax and employee contribution tax) for the subsidiaries Neoenergia Pernambuco, Neoenergia Coelba, Neoenergia Cosern, Neoenergia Elektro, Itapebi and Termopernambuco. In recent years, several favourable decisions have been handed down in the second instance on this matter, involving several of the years disputed by the Brazilian tax authorities with regard to the companies Neoenergia Pernambuco and Neoenergia Cosern, with the final decision of the Supreme Court pending on the merits of the case;
 - failure to withhold income tax on the payment of interest on shareholders' equity between entities of the same Group;
 - the income tax withholding requirement on the purported taxable capital gain accrued by Iberdrola Energía, S.A. following the takeover of Elektro Holding by Neoenergia;



- the questioning of excise tax credits with respect to the consumption tax (*imposto sobre operações relativas à circulação de mercadorias e serviços, ICMS*) at NC Energia, Termopernambuco, Neoenergia Pernambuco and Neoenergia Elektro;
- the tax authority's consideration of which profit-sharing, social welfare, medical care and life insurance payments are to be subject to social insurance contributions;
- challenges to federal taxes (IRPJ and CSLL) for rejecting expenses with payment of regulatory compensation in the Neo Pernambuco y Neo Coelba entities;
- the municipality's questioning of the street lighting service contribution (COSIP), arguing that Coelba had underpaid during the period from January 2018 to December 2019.



11. Tax governance, cooperative relations and best practices



Iberdrola is a pioneer in good governance, tax transparency, and early implementation of best practices.

Taxation and sustainable development

At the core of our corporate identity

The *Corporate Tax Policy*, as part of the *Governance and Sustainability System*, incorporates best practices in governance and therefore also reflects environmental, social and governance aspects.

Iberdrola believes that taxation is also a significant factor for the Group's sustainable strategy, to the extent that tax governance, best practices, cooperative compliance, and transparency in reporting tax information, as a significant contribution to sustainable development, are key elements of the ESG criteria applied internationally to measure the impact and sustainability of investments.

Iberdrola is also aware of the significance of its tax contribution to attaining the United Nations' Sustainable Development Goals, fundamentally because the taxes paid by the Group in the countries and territories in which it does business provide resources to government administrations so that they may work towards said Goals and represent a prominent element of its social dividend.

Tax sustainability and ESG

Bringing a culture of sustainability into the tax field

Iberdrola believes that taxation plays an important and direct role in ESG matters, in each of its dimensions –environment (E), social (S) and governance (G)– and therefore it applies best practices in the area of responsible tax governance.



Environment

- Iberdrola is a clear advocate of fair environmental taxation, which upholds the “polluter pays” principle and helps to guide social behaviour in the transition to cleaner and healthier energy.

The Group pays its electricity taxes in strict compliance with applicable legal provisions, which in 2023 amounted to approximately €1,100 million. However, the Spanish tax system does not appear to be pursuing the same aims, with an increase in the existing tax burden in the electricity sector and, specifically, in the case of Iberdrola, a twofold increase in the level of electricity taxes and charges compared to 2022.

Iberdrola also invests heavily in green energy, which allows it to apply **ESG tax incentives that guarantee environmental protection.**



Social

- The taxes that the companies of the Group pay in the countries and territories in which they do business are their main contribution to funding the public coffers and, therefore, one of their contributions to society, helping to achieve a more sustainable economy.

The contribution to society through taxes paid in the communities where the Group is present is very significant and amounts to approximately €9,300 million worldwide in 2023, 24 % more than in 2022.

- Iberdrola also promotes equality and diversity both inside and outside the company, promoting women's sport and corporate volunteering programmes. The company also runs social programmes through its foundations around the world, with an annual contribution of €25 million, more than 17,000 volunteers and close to 7 million beneficiaries across all the programmes.
- Through Iberdrola's "Pro Bono Jurídico" programme, we work with public interest ("third sector") organisations to provide free legal and tax advice, using the law as a tool to transform and multiply social impact.



Governance

- The Iberdrola Group is committed to a sustainable energy model that provides a stable, secure and competitive supply, guaranteeing access to this essential service for all under affordable economic conditions, reducing emissions and improving efficiency in the production and use of energy.
- When necessary, Iberdrola will ensure that the governance bodies are duly involved. Accordingly, Iberdrola's Board of Directors is responsible for the ongoing design, evaluation and review of the Corporate Tax Policy, as well as for formulating the tax strategy and approving investments or transactions of particular tax relevance.
- **We also ensure that the Corporate Tax Policy is complied with at all levels, through a tax reporting system aligned with the Group's corporate and governance structure. Iberdrola has guidelines for conduct that make up Iberdrola's Tax Compliance System, which is in line with international best practices in tax governance and risk management, allowing the Group to maintain its excellent reputation in this area and avoid significant risks.**

This system is duly certified by specialists agencies and subject to ongoing review for improvement, with specialised external agencies auditing it annually.

- In addition, the Iberdrola Group considers Stakeholder engagement in tax matters to be crucial. To this end, and with the aim of building the trust expected of a group such as Iberdrola, it involves its Stakeholders through, among other things, the publication of this report.
- The Group's Governance System also extends to the Tax Department, with a team of professionals in each of the countries in which the Group operates to ensure the correct decision-making processes and accountability required by the system.



Iberdrola's commitment to environmental, social and governance criteria was recognised in 2023 with the Innovative Lawyers award from the *Financial Times* for the most sustainable law firm in Europe, as well as the *Tu Economía* Award for Excellence in Corporate Governance from *La Razón* newspaper, in recognition of its commitment to ESG criteria.

Contribution to the Sustainable Development Goals (SDGs)

The tax function of Iberdrola as a value generator

SDGs 1, 8 and 10



Iberdrola believes that the taxes paid by the Group's companies in the countries and territories in which they operate represents its main contribution to sustaining public spending and, therefore, one of its contributions to society, as defined in the *Group's Tax Policy*, and, among other things, to the achievement of the **United Nations SDG 1 (No poverty), SDG 8 (Decent work and economic growth) and SDG 10 (Reduced inequalities)**, as it makes resources available to public administrations so that they can be used for actions that contribute to the achievement of these goals.

ODS 1, 5, 10 y 16



Iberdrola is also convinced that through its pro-bono legal and tax services it contributes to achieving the targets relating to United Nations **SDG 1 (No poverty), SDG 5 (Gender equality), SDG 10 (Reduced inequalities) and SDG 16 (Peace, justice and strong institutions)**, insofar as through this initiative it promotes the rule of law, seeks to guarantee equal access to justice for all, and contributes to international cooperation.



We also incorporate sustainability factors and contribute to the achievement of the Sustainable Development Goals from a tax and legal perspective, as part of our contribution to society.



Stakeholder engagement

At the heart of our decisions

Strengthened commitment to Stakeholders

Iberdrola has six priority categories of Stakeholders:



The Iberdrola Group believes that stakeholder involvement in tax matters is crucial. To this end, with the aim of building the trust expected of a Group such as Iberdrola, it involves its Stakeholders through the following initiatives, among others:

- Ensuring responsible tax practices.
- Understanding the tax contribution as part of the social dividend and as an element in helping to achieve the SDGs.
- Preserving the Group's long-standing reputation in tax matters.
- Upholding the principles of striving for excellence and continuous improvement at the highest levels.
- Embodying the highest expression of tax compliance culture.



- Fostering cooperative relations with the tax authorities in the jurisdictions in which the Iberdrola Group has a presence, based on mutual trust.
- Listening and engaging in dialogue, through participation in and attendance at specialised forums and committees so as to achieve effective two-way communication.
- Committing to anticipating and applying best tax practices.
- Making the maximum effort in terms of transparency and communication, through the dissemination and publication of relevant tax information, accessible to all Stakeholders.

A culture of value creation through Stakeholder engagement

As part of its relations with Stakeholders, Iberdrola considers their participation to be essential, involving them through the disclosure of relevant tax information and through the members of the Tax Division, involved in forums, committees and specialised studies on tax matters. Iberdrola also actively participates in regulatory development consultation procedures.

In this way, the Iberdrola Group:

Global

- Voluntarily publication of the annual *Report on Tax Transparency of the Iberdrola Group: Our Commitment to Society*, annually, starting in 2019 for financial year 2018.
- Cooperates with tax authorities, among others, in multilateral cooperative compliance programmes through the International Tax Compliance Assurance Programme (ICAP), promoted by the OECD.
- Takes part in the preparation of the Statement of Non-Financial Information by publishing significant tax information aligned with the GRI-207 standard on taxation.

Spain

- Plays an active role of the taxation working groups of both the Spanish Confederation of Business Organisations (*Confederación Española de Organizaciones Empresariales*, "CEOE") and the *Círculo de Empresarios*.
- Is present in the Spanish Association of Tax Advisors (*Asociación Española de Asesores Fiscales*) ("AEDAF"), the Spanish Association of Financial Law (*Asociación Española de Derecho Financiero*) ("AEDF") and the Register of Economists and Tax Advisors (*Registro de Economistas y Asesores Fiscales*) ("REAF").
- Is a member of specialised tax committees, such as the Tax Committee of the Spanish Gas Association (*Asociación Española del Gas*) ("SEDIGAS") and the Tax Committee of the Association of Electricity Companies (*Asociación de Empresas de Energía Eléctrica*) ("AELEC").
- Participates in tax governance initiatives organised by professional firms, associations and groups.



- Collaborates in studies conducted by independent external parties on the tax liability and contributions of large companies at national and international level.

United Kingdom

- The tax team of Scottish Power is a member of the Chartered Institute of Taxation (CIOT) and the Institute of the Chartered Accountants of Scotland (ICAS).
- Membership in these bodies requires annual Continuing Professional Development (CPD), including attendance at the Industry & Commerce Indirect Tax Conference (CIOT), participating in the Tax in Industry Quarterly Forums and attending the UK Electricity Industry Tax Forum.

United States of America

- Is an active member of the tax committee of the Edison Electric Institute (EEI), the American Gas Association (AGA), the American Clean Power Association and the Global Business Alliance (GBA).
- Participates actively in the Council on State Taxation (COST).

Brazil

- Voluntarily publishes the *Relatório de Transparência Fiscal: Nosso compromisso com a sociedade* (Tax Transparency Report: Our commitment to society), starting in 2022, for financial year 2021.
- Forms part of various associations where, among others, tax issues are addressed, including the Brazilian Association of Wind Energy Companies (ABEOLICA), the Brazilian Association of Electricity Distributors (ABRADEE), the Union of Energy Companies of the State of São Paulo (SINDIENERGIA) and the Brazilian Association of Electricity Industry Accountants (ABRACONEE).
- It actively participates in *Programa Confia*, a cooperative tax compliance and transparency project launched by the Brazilian tax administration.

Mexico

- The members of Iberdrola Mexico's tax team attend and actively participate in ongoing tax training programmes, and are members of the Mexican Association of Public Accountants.



We engage in global tax forums, committees and studies as part of our commitment to excellence.



Tax transparency

Iberdrola believes that transparency is fundamental for generating confidence and credibility, both in the markets and in investors, as well as in the workforce and the rest of the Stakeholders. That is why, as established in the *General Sustainable Development Policy*, Iberdrola undertakes to:

- Disseminate truthful, sufficient, useful and reliable information regarding the significant activities of the Group and of the foundations linked thereto.
- Encourage transparency, assuming a commitment to annually prepare and publish financial and non-financial information, following generally accepted methodologies and submitting the information to independent external assurance.
- Facilitate complete and truthful information regarding the taxes that the Group's companies pay in the countries and territories in which they operate.

To strengthen its commitment to transparency, **Iberdrola does not confine itself to publishing the information legally required** by the authorities of the countries or territories in which it has a presence, **but goes further and makes it a rule to voluntarily publish additional** information in the Group's various official reports, as reflected in the *General Sustainable Development Policy*.

To meet this commitment, Iberdrola publishes or includes information on tax matters.

Tax transparency reports

To demonstrate its absolute commitment to responsibility in tax matters, the disclosure of information to all of its Stakeholders and good practices, and in the pursuit of excellence and ongoing improvement in transparency, Iberdrola voluntarily prepares and publishes this *Tax Transparency Report. Our commitment to society*, each year which incorporates overall tax information relevant to all Stakeholders, in keeping with the highest good governance standards. The report is public and can be consulted on the Iberdrola Group's corporate website.

Furthermore, and in view of the usefulness and interest that this Report arouses in all Stakeholders, in 2022 Neoenergia published for the first time, on a voluntary basis, the *Relatório de Transparência Fiscal: Nosso compromisso com a sociedade* (Tax Transparency Report. Our commitment to society) a pioneering report in Brazil that includes information on its tax activity and performance. In addition to providing detailed information on the tax contribution in Brazil, the publication reinforces Neoenergia's commitment towards society by ensuring ethical principles of corporate governance in compliance with Brazilian legislation and international best practices. The Report is also being prepared for 2023.



At Iberdrola, we believe that, in addition to excellent tax management, tax transparency creates greater legal certainty for all Stakeholders and implies greater strength in economic results, reducing risks, including reputational risks.

For this reason, we voluntarily publish this annual report, which provides information on the Group's tax position and the contribution it makes to society.

The Report has become a benchmark for corporate governance and fiscal transparency in the market, and is recognised by expert analysts in the field.

Statement of Non-Financial Information - Sustainability Report

The transparency of the consolidated non-financial information that the Group regularly publishes is a key element of its strategy to allow the Stakeholders to be aware of the social dividend generated by the Group and its contribution to the Sustainable Development Goals.

The Iberdrola Group's *Non-Financial Information Preparation Policy* defines an orderly process for preparing the consolidated non-financial information applicable to all companies of the Group, one that is consistent with the principles of subsidiarity and decentralised management that govern the corporate structure and governance model thereof, that ensures that the consolidated non-financial information has been prepared based on information provided by the various companies of the Group and that clearly describes the responsibility of the management decision-making bodies of each company in such process. As part of this process, the corresponding tax divisions of the country subholding companies report the tax information required in the preparation of the non-financial information, in a manner consistent with the *Governance and Sustainability System*.

The report is prepared following the reporting requirements and recommendations of the consolidated set of Global Reporting Initiative (GRI) Standards for preparing sustainability reports.

Iberdrola presents the tax information included in this report in accordance with the standards established in GRI 207 on tax, in addition to complying with regulatory obligations regarding the information to be included in the statement of non-financial information.

A brief description of the content of the GRI-207 standard and its application at Iberdrola is set forth below:



GRI 207-1. TAX APPROACH

Requirement	Application
i. Whether the organisation has a tax strategy, and if so if publicly available.	Iberdrola's <i>Corporate Tax Policy</i> sets out its tax strategy and is public and accessible through the corporate website.
ii. Governance body or executive-level position that formally reviews and approves the tax strategy and the frequency of reviews.	The <i>Corporate Tax Policy</i> is constantly being reviewed. This power is vested in the Board of Directors.
iii. Approach to regulatory compliance.	<p>Compliance with applicable laws is a fundamental principle of the <i>Corporate Tax Policy</i>. To guarantee a responsible tax approach, Iberdrola strives to ensure that taxation is appropriately related to the structure and location of its activities and fosters a relationship with the tax authorities based on respect for the law, loyalty, trust, professionalism, cooperation, reciprocity, and good faith.</p> <p>Iberdrola is certified in Spain under the Spanish UNE 19602 quality standard for tax compliance management systems.</p>
iv. How the approach to tax is linked to the business and sustainable development strategies of the organisation.	<p>In addition to the provisions of the preceding section, the responsible tax practices of the companies of the Iberdrola Group are enshrined in the <i>General Sustainable Development Policy</i>.</p> <p>The Group companies share the principles reflected in the <i>Purpose and Values of the Iberdrola Group</i> and the <i>Code of Ethics</i>, and see the social dividend as the contribution of direct, indirect or induced value that its activities represent for all Stakeholders.</p>



GRI 207-2. TAX GOVERNANCE, CONTROL, AND RISK MANAGEMENT

Requirement	Application
a) Tax governance and control framework	<p>The Global Tax Division approves and regularly reviews guidelines for the evaluation and management of tax risks, to be applied to all companies of the Group</p> <p>Implementation of the Iberdrola Group's Governance and Sustainability System in the tax area.</p> <p>The implementation of the <i>Corporate Tax Policy</i> and of the Iberdrola Group's tax strategy is structured on three levels: (i) Parent company, (ii) country subholding companies and, (iii) head of business companies.</p> <p>Monitoring and control of the <i>Corporate Tax Policy</i>:</p> <ul style="list-style-type: none"> i. The head of business companies report to the country subholding companies regarding the level of compliance with the <i>Corporate Tax Policy</i>. ii. Audit and compliance committees of the country subholding companies report to Iberdrola's Audit and Risk Supervision Committee on the level of compliance with the <i>Corporate Tax Policy</i>. The regulated companies have audit and compliance committees that are responsible for such reporting. iii. Iberdrola's Audit and Risk Supervision Committee, provides to the Board of Directors information on the tax policies and standards applied by the Company during the financial year, and particularly on the Group's level of compliance with the <i>Corporate Tax Policy</i>. iv. In addition, Iberdrola's Global Head of Taxation attends meetings of the Operating Committee on a regular basis in order to report on all matters arising from day-to-day activities that are considered to be relevant.
b) Mechanisms for reporting concerns about unethical or unlawful behaviour.	<p>Iberdrola makes specific ethics mailboxes available to its Stakeholders, which constitute tools to report conduct that could be improper conduct or conduct contrary to the law or to internal rules of conduct, including with respect to taxes.</p>
c) Assurance of disclosures on tax.	<p>Review by internal experts and independent external third party experts.</p>



GRI 207-3. STAKEHOLDER ENGAGEMENT AND MANAGEMENT OF CONCERNS RELATED TO TAX

Requirement	Application
Description of the approach to taxation and Stakeholder engagement: (i) Engagement with tax authorities. (ii) Public policy advocacy on tax. (iii) Processes for collecting and considering the views and concerns of Stakeholders.	<p>Iberdrola, S.A. adheres to the <i>Code of Good Tax Practices</i> of the Forum of Large Businesses (<i>Foro de Grandes Empresas</i>) of the Spanish Tax Administration Agency (<i>Agencia Estatal de Administración Tributaria</i>).</p> <p>The commitment to compliance with, further development and implementation of the Code extends to any other good tax practices that stem from the recommendations of the Code.</p> <p>The Group is also committed to compliance with the OECD Guidelines for Multinational Enterprises in tax matters.</p> <ul style="list-style-type: none"> i. Voluntary submission to the Spanish Tax Administration Agency of the Annual Tax Transparency Report for companies adhering to the <i>Good Tax Practices Code</i> (<i>Código de Buenas Prácticas Tributarias - CBPT</i>). ii. Voluntary submission of documentation on related-party transactions to the Spanish Tax Administration under the CBPT. iii. Voluntarily preparation and publication of the annual <i>Report on Tax Transparency of the Iberdrola Group. Our commitment to society</i>. iv. Publication of the Iberdrola Group's global tax contribution. v. Participation in specialised forums and committees. vi. Ethics mailboxes to report conduct that could entail improper conduct or conduct

GRI 207-4. COUNTRY-BY-COUNTRY REPORTING

Requirement	Application
Financial, economic and tax information on each jurisdiction in which the organisation operates.	<p>Iberdrola includes in the <i>Report on Tax Transparency of the Iberdrola Group. Our commitment to society</i> the Country-by-Country Report for the previous year presented on the same terms as those submitted to the Spanish tax authorities.</p>



Comprehensive information on the application of the content of the GRI-207 standard on taxation and its application at Iberdrola is provided mainly in the Corporate Tax Policy, in the Statement of Non-Financial Information and in this Report.

ESG+F Digital Space

To expand the information contained in the main sustainability reports that are published, facilitate consultation thereof, and improve the visibility and accessibility of the information, Iberdrola has, for the second consecutive year, designed a specific space on the corporate website that includes relevant ESG+F information in a single digital space.

Its design streamlines the accessibility and retrieval of information, thanks to its user-friendly navigation, the variety of content and infographics, and the possibility of carrying out specific queries on the most relevant topics, in addition to the possibility of downloading data in different formats, including Excel. It also features case studies to illustrate world-class best practices.

As far as tax information is concerned, the site includes a specific area on tax accountability in the “Governance” section. This space includes information on responsible tax conduct, tax governance, global tax contribution, etc. In addition, links are provided to the *Corporate Tax Policy*, the *Tax Transparency Report* and the tax information contained in the *Statement of Non-Financial Information*.

Tax governance

Corporate and governance structure

The governance structure of the Group is described in the *Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation*, the purpose of which is to define the corporate and governance structure of the Iberdrola Group.

In this respect, the Group is configured on the basis of the separation between the function of strategic definition and supervision, on the one hand, and that of day-to-day administration and effective management, on the other, providing itself in this respect with a decentralized structure inspired by the principle of subsidiarity and respect for the autonomy of the companies that comprise it, which do business in accordance with the highest ethical standards and in compliance with the good governance recommendations generally recognised in international markets, adjusted to their needs and particularities.

This is why, on the one hand, the management duties are attributed to the head of business companies and, on the other, strategic, supervision and control duties are attributed to Iberdrola S.A., which exclusively performs the duties of a holding company, and to the country subholding companies, which strengthen the strategic organisation and coordination function in each country.

Iberdrola, S.A., the country subholding companies and the head of business companies all share the principles reflected in the *Purpose and Values of the Iberdrola Group*, the *Code of Ethics* and the *Corporate Tax Policy*, and see the social dividend as the contribution of direct, indirect or induced value that their activities represent for all Stakeholders.



In view of the corporate and governance structure of the Group, the monitoring and reporting of tax matters is mainly governed by the principles set out below.

1. Iberdrola's Board of Directors

The Company's Board of Directors of Iberdrola, S.A, through its Chairman, its Chief Executive Officer and the members of its management team, drives the due observance of the principles and good tax practices generally set out in the *Governance and Sustainability System*, and particularly set out in the *Corporate Tax Policy*, by the companies forming part of the Group with significant activities in the tax area, in any case without prejudice to respect for the special framework of strengthened autonomy applicable to listed country subholding companies.

The Global Head of Taxation appeared before the Board of Directors of Iberdrola, S.A. on 21 February 2023 to present the *Report on Tax Transparency of the Iberdrola Group. Our commitment to society*, for financial year 2022. The Global Head of Taxation also appeared on 20 February 2024 to present the Report for financial year 2023.

2. Iberdrola's Audit and Risk Supervision Committee

Iberdrola's Audit and Risk Supervision Committee has the following duties, among others, in the tax area:

- Prior to the preparation of the annual accounts and to the filing of the Income Tax return, obtain from the Company's tax director, for transmittal to the Board of Directors, information on the tax guidelines used by the Company during the financial year and, in particular, on the level of compliance with the *Corporate Tax Policy*.
- Based on the information received from the Company's tax director, report to the Board of Directors on the tax policies applied and, in the case of transactions or matters that must be submitted to the Board of Directors for approval, regarding the tax consequences thereof when such consequences represent a significant issue.

In order to comply with the provisions of the *Governance and Sustainability System* in this regard, in financial year 2023 the Global Head of Taxation appeared before the Iberdrola's Audit and Risk Supervision Committee on 20 February and 24 July to report, respectively, on the level of compliance with the *Corporate Tax Policy* and tax standards applied during financial year 2022 and during the first half of 2023, respectively. The Global Head of Taxation also appeared on 19 February 2024 to report on the 2023 financial year.

The main issues related to tax strategy and tax risk addressed in the relevant appearances were as follows:

- Level of compliance with the Corporate Tax Policy and tax standards applied during financial year 2022 and during financial year 2023.
- Tax liabilities and procedures / Contingent assets / Income Tax expense.
- Tax audit procedures by the tax authorities. Tax litigation.



- Analysis of the Group's transactions during financial years 2022 and 2023. Tax rating of transactions based on tax risk.
- Review of the contents of the Report on Tax Transparency of the Iberdrola Group. Our commitment to society, relating to financial years 2022 and 2023. Analysis of new developments and key figures.
- Reference to the *Relatório de Transparência Fiscal: Nosso compromisso com a sociedade* published by Neoenergia.
- Global tax contribution of the Iberdrola Group.
- Tax governance:
 - Update of the *Corporate Tax Policy*
 - Cooperative relations:
 - Voluntary submission to the Tax Agency of the "Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code" for the financial years 2021 and 2022. Acknowledgement of the letter of commendation received from the Central Delegation of Large Taxpayers of the Spanish State Tax Administration Agency for the financial year 2021 and pending completion of the analysis for 2022.
 - Voluntary submission of documentation on related-party transactions to the Spanish Tax Administration under the Good Tax Practices Code on 25 January 2024.
 - Voluntary participation in the International Compliance Assurance Programme (ICAP) promoted by the OECD. Completion of the programme in 2023, with an overall rating of "low risk". Acknowledgement of the letter of appreciation for having voluntarily participated in the programme, received on 16 November 2023 from the Spanish tax administration.
 - Participation in the *Programa de Conformidade Cooperativa Fiscal (Confia)*.
 - Risk profile rating programme of the United Kingdom's tax authorities (HMRC).
 - Adherence to the *Code of Good Tax Practices* of the Portuguese tax administration.
 - Inclusion of Iberdrola in Australia's *Top 1,000 Assurance program*.
 - Meeting with the French Tax Administration to discuss participation in the collaborative programme *Relation de confiance / accompagnement personnalisé des PME*, on 1 December 2023.
- Other particularly significant matters:
 - Tax compliance management systems. UNE 19602 standard
 - Announcement of the satisfactory result of the audit for the 2022 and 2023 financial years carried out by AENOR.
 - Internal evaluation reports on the system's effectiveness.
 - Acknowledgement of satisfactory independent expert reports prepared by an external consultant.



- Planning of the audit of the System for the 2024 financial year.
- Tax transparency seal awarded by Fundación HAZ.
- Significant tax-related regulatory changes at the global level:
 - Global minimum taxation.
 - Public Country-by-Country Report – CbCr.
 - Approval of windfall profit taxes in several European countries.
 - Tax reform of indirect taxation in Brazil.
- Satisfactory result without recommendations of the Internal Audit and Risk Division's verification of the processes of the tax functions carried out during the financial year 2023 (*Corporate Tax Policy* and Internal Control over Non-Financial Information System).

3. Audit and compliance committees of the country subholding companies and companies engaged in regulated business

The audit and compliance committees of the country subholding companies and companies engaged in regulated business have a duty to report to Iberdrola's Audit and Risk Supervision Committee on the level of compliance with the *Corporate Tax Policy* and the supervision of the tax standards applied during each financial year within their respective purviews.

The audit committees perform their duties with full autonomy, without prejudice to the establishment of an appropriate framework for cooperation and exchange of information on the performance of their duties with the audit committees that may exist at Group companies that are direct or indirect subsidiaries of Iberdrola, as well as with Iberdrola's Audit and Risk Supervision Committee.

For these purposes, the head of each tax division appears before his or her respective committee, ensuring that information flows upwards to the parent company.

4. Management bodies of the head of business companies

The management bodies of the head of business companies are responsible for ensuring compliance with the *Corporate Tax Policy* by the entities of the group through which they carry out their respective businesses, in all cases complying with the tax principles and good practices described in said policy and the standards established by the country subholding companies.

Without prejudice to the provisions of law and as described above, the management body of each company of the Group is responsible for ensuring that the information such company provides to complies with the tax obligations of the tax group to which it belongs complies with applicable tax provisions as well as the principles and rules set forth in the *Corporate Tax Policy*. Said information must in all cases be prepared in accordance with the standards set by each country subholding company pursuant to the provisions established by the tax divisions of each country.



In addition, and for purposes of complying with the provisions of the Iberdrola Group's *Governance and Sustainability System*, the Global Tax Division also appears before other committees and offices when requested to do so.

1. Sustainable Development Committee

The Sustainable Development Committee is an internal informational and consultative body created by the Board of Directors, without executive powers, with informational, advisory and proposal-making powers within its purview.

This Committee has powers related to sustainable development, ESG requirements, corporate social responsibility, and corporate governance.

The Committee is responsible, *inter alia*, for periodically reviewing the *Governance and Sustainability System*, with special emphasis on environmental, social and corporate governance and regulatory compliance policies.

In compliance with the *Regulations of the Sustainable Development Committee*, the Global Head of Taxation appeared on 20 February 2023 to present the *Report on Tax Transparency of the Iberdrola Group. Our commitment to society*, for financial year 2022 and 19 February 2024 to present the Report for financial year 2023.

2. Office of the Compliance Unit

Iberdrola's Compliance Unit is a collective, internal and permanent body linked to the Sustainable Development Committee of the Company's Board of Directors.

This Unit is the Company's body responsible for proactively ensuring the effective operation of the compliance system, structured in accordance with the provisions of the *Governance and Sustainability System*. To accomplish this, it has broad powers, budgetary autonomy and independence of action.

Among other duties, the Unit addresses issues related to the *Code of Ethics*, with respect to crime prevention, corruption and fraud, securities markets, separation of activities, etc.

To comply with the tasks entrusted to it, the Unit is supported by a multidisciplinary office (the Compliance Office) made up of the Director of Compliance and representatives of those areas or functions of the Company that have responsibilities in areas related to the compliance system.

In this regard, as established in the *Regulations of the Compliance Unit*, among others, the Tax area is represented in the Compliance Office through the Global Tax Division, as the body responsible for tax compliance within the Company.

To this end, during the 2023 financial year the Global Tax Division attended the meetings of the Compliance Office held on 9 February 2023.



Furthermore, in 2023, **the Compliance-related regulations underwent a review, which resulted in the following changes:**

- A new **Compliance and Internal Reporting and Whistleblower Protection System Policy** (as required by the Spanish Whistleblower Protection Act (*Ley de Protección del Informante*)). It incorporates the content of the *Crime Prevention Policy* (which is being discontinued), describes the Group's compliance systems, and regulates the Internal Reporting System for whistleblowing and whistleblower protection.
- A new **Competition Law Compliance Policy**: This regulates the principles of conduct of the Group's companies and of the members of the management team and professionals in the markets and sectors in which they do business.
- **Code of Ethics**: Improvements to the complaint handling process and the management of ethics mailboxes in line with the Whistleblower Protection Act. The management of internal reporting channels for directors, professionals and suppliers is unified. Update of articles on sustainability, diversity and trade secrets. Other technical improvements.
- **Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors**: For the integration of the shareholders' ethical mailbox into the Internal Reporting System.
- **Regulations of the Compliance Unit**: Change in the composition and responsibilities of the Compliance Unit. The procedure for handling and processing complaints according to the Whistleblower Protection Act is regulated.
- Update to the Introduction of the *Governance and Sustainability System* to include the Group's organisational structure in compliance matters (own compliance systems in each company) and restructure Book V to provide a separate section on the compliance system.
- Update other standards, policies, procedures and protocols.



As part of our due diligence procedures, we involve the management decision-making bodies of the Group at all levels and keep them informed.



Prevention and management of tax risks

The Iberdrola Group's three lines model

The Iberdrola Group's **Internal Control System** is structured in accordance with **international best practices** in this area.

Accordingly, Iberdrola adopts the **Three Lines Model**, published in 2020 by the Institute of Internal Auditors (II), which updates the 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 Group interact in an effective and coordinated manner, streamlining the efficiency of the processes for management and internal control of the entity's significant risks.

In general terms, first line roles deal with the provision of products or services to customers, together with the management of risk in these activities, and include the roles of the support functions.

Second line roles involve providing expertise, monitoring and challenging risk-related matters, and include assistance and oversight in risk management or specific matters such as regulatory compliance or internal control.

Finally, third line roles focus on independent and objective assurance and advice on all issues related to the achievement of objectives.

The Three Lines Model in the Tax area

The Iberdrola Group faithfully complies with the three lines of defence model in tax-related matters.

The updated model is more flexible and adaptable, addressing criticisms of the previous model, including an excessive focus on defending against risk, rather than focusing on value creation and risk management.

The changes made in the updated model include, among others, that first and second line roles can be mixed or separated and that some second-line roles can be assigned to specialists with additional expertise, who in any case need not be external and independent from the area in question, given that these roles form part of their duties.

In line with the above, the application of the model in the tax area is as follows:

- Given the specialisation and complexity of the subject matter, the Tax Division's structure, distribution of functions and size are well suited to grouping together first and second line roles.
- The **first line** is exercised within the Tax Division and is carried out by appropriately trained and skilled experts in the field, through decision-making and enforcement of tax compliance.
- The **second line** is likewise formed within the Tax Division, given that it has greater experience and specialised units tasked with managing, overseeing, supporting, assisting, monitoring, checking and questioning the performance of the first line roles.



The second line is in turn complemented and strengthened by the legal department of the Office of the General Secretary and Secretary of the Board of Directors of the Group when necessary, as well as by external advisors.

In addition, the Administration and Control Division acts as the second line of Internal Control over Financial Reporting and the ESG Division acts as the second line of Internal Control over Non-Financial Reporting.

- Finally, the role of the Group's Internal Audit and Risk Division, as the **third line**, is to proactively ensure 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.

Verification of the processes of the tax functions by the Internal Audit and Risk Division

As established in the *Basic Regulations for the Internal Audit Function*, the Internal Audit and Risk Division is an internal unit of Iberdrola, reporting hierarchically to the Chairman of the Board of Directors and functionally to the Audit and Risk Supervision Committee. Its basic activity consists of independently and proactively endeavouring to ensure the effectiveness of the governance, risk management and internal control processes within the boundary of the Group.

The remit of the Internal Audit and Risk Division encompasses the following responsibilities:

- Verification that the investment and divestment processes comply with applicable risk policies and guidelines and that the procedures pursuant to which they are performed ensure proper internal control and effective management of the related risks.
- The effective operation of the Internal Control over Non-Financial Reporting System (ICNFRS) established by Iberdrola for preparing and presenting the non-financial information of the companies of the Group.

Pursuant to its remit, in 2023 the Internal Audit and Risk Division has overseen the following processes of the tax function:

Review of the *Corporate Tax Policy*

In financial year 2023, a review of the *Corporate Tax Policy* was carried out by Iberdrola's Internal Audit and Risk Division to verify compliance therewith and the correct application thereof.

The outcome of the audit process was positive, with no recommendations, and the main conclusions were as follows:

- **The *Corporate Tax Policy* places limits on the tax risks by defining the tax strategy, the principles of conduct and the good practices adopted by Iberdrola in the tax area.**
- **Controls are in place to provide reasonable assurance of compliance with the Policy, supported by evidence, and the processes associated with these controls are mature and effective.**



Internal Control over Non-Financial Reporting System - Taxation

In addition, a review of the implementation of key controls in the process of certifying non-financial information was performed during the 2023 financial year. The purpose of the internal review was to verify, through the analysis of evidence, that the relevant controls were being properly applied.

The outcome of the audit process was positive, with no recommendations, and the main conclusions were as follows:

- **The Internal Control over Non-Financial Reporting System relating to taxation includes all relevant risks and therefore no further controls are deemed necessary.**
- **No incorrectly performed controls were identified.**



Iberdrola's tax risk management is based on the foresight, independence and engagement of senior management and the Board of Directors.

The Group's general risk control and management policy establishes the basic mechanisms and principles for the appropriate management of the risk/opportunity ratio, and applies them strictly in the area of taxation.

The satisfactory outcome –with no recommendations– of the process reviews carried out by the Internal Audit and Risk Division, acting as the third line of risk control, confirms the effectiveness of the tax risk management and control system.

Tax compliance management system

In February 2019, the UNE 19602 Standard - Tax Compliance Management Systems was approved, establishing a leading standard, as well as the guidelines and requirements that a tax compliance management system must have, with Iberdrola taking an active part in the working meetings held during the process of drafting the Standard.

Given the increasing importance of the tax function in the business area, this standard tries to establish the quality standards, similar to an ISO standard, that this function must have in order to prevent, detect, manage and mitigate tax contingencies and risks.

Along these lines, the standard contains due diligence criteria and requires a performance evaluation in order to ensure that the tax system of a company has documented tax information, the creation of evidence of tax compliance, and ongoing review to improve the tax risk systems.



In 2019 Iberdrola was the first Spanish company to obtain the AENOR certificate for a tax compliance management system in accordance with the requirements of **UNE Standard 19602, issued for a three-year period.**

To this end, Iberdrola conducted a global review of the alignment of its tax management and control system with the requirements of the UNE 19602 Standard for its transformation into ***Iberdrola's Tax Compliance System***.

This certification, which is aligned with the Spanish standard and the recommendations of the OECD, focuses on the establishment and supervision of tax policies and strategies, the basic guidelines for the management thereof, and decisions on matters of strategic importance, as well as on the design of the Iberdrola Group's tax management and control system.

In 2022 Iberdrola was likewise the first company to renew its AENOR certification for a three-year period.

In the 2019–2023 period, in the ongoing search for excellence, Iberdrola's *Tax Compliance System* has been under constant review so as to incorporate improvements in risk management and good tax practices. In 2023 **Iberdrola received a satisfactory audit from AENOR for the fifth consecutive year** with no non-conformities or significant recommendations having been detected, thus maintaining its certification.

Improvements made since 2022 include satisfactory evaluation reports on the performance of the system, which was particularly valued by the certifier.

In addition, improvements continued in key areas such as tax risk controls, process indicators, due diligence processes and training.

The reports of the audits conducted by AENOR, as the **certifying expert, highlight the following strengths:**

- Correct and effective implementation of the *Tax Compliance System*.
- High **and mature compliance culture levels**.
- The **organisation's commitment to continuous improvement**.
- **The monitoring of the System** and work towards implementing continuous improvements, which are pioneering in the sector.
- The organisation's **transparency** with regard to its relationship with the Tax Administration and other Stakeholders. The publication of this Report, the only one of its kind in the sector, is particularly relevant and well-considered.
- **Ongoing analysis and monitoring of risks with tax implications** and the work carried out in relation to the indicators associated with the controls.
- **Level of detail of the specific controls** developed by the Group.
- **The Group's document management work**, designed to keep information organised and available at all times.
- Efforts deployed in terms of communication and training.



In addition, as part of the review of its *Tax Compliance System* and ongoing improvement process, Iberdrola receives an annual report from an external expert on the compliance of its System with the requirements laid down in the UNE 19602 Standard and other standards and with benchmark best practices in this field in the market.

The renewal of the certification and the satisfactory audit confirm that **Iberdrola has a robust tax risk prevention model in line with best corporate governance tax practices, which is duly monitored, updated and aligned with applicable legal requirements.**

Tax compliance

Operational and management excellence

Iberdrola's responsibility in tax matters, as the foundation of good practices in corporate taxation in the international context, is **primarily based on compliance, transparency and cooperative relations.**

A significant aspect of tax compliance relates to the tasks associated with tax compliance, for example, the preparation, management and filing of tax returns with the various tax authorities and similar bodies.

The Iberdrola Group processes thousands of tax returns, tax receipts and similar instruments worldwide, and one of its commitments, in all cases, is to meet its tax obligations promptly and properly with respect to the taxes it pays to government administrations.

To this end, the Iberdrola Group has an appropriate and properly-sized structure of material and human resources, and is committed to recruiting the best talent and relying on technology to improve its tax compliance processes, ensuring the ongoing pursuit of operational and management excellence in the tax area.

Furthermore, Iberdrola's Tax Division perceives knowledge management as a key lever for promoting lifelong learning and developing talent.

In this respect, the people who make up the Tax Division are kept appropriately up to date and attend continuous training programmes that help to strengthen their talents and thus ensure the proper functioning of the tax function.



Cooperative relations

Convinced that cooperative relationships are a distinguishing factor and one of the foundations of tax compliance

The Iberdrola Group's tax strategy, as reflected in the *Corporate Tax Policy*, contemplates **cooperation with the Tax Administrations** in all territories in which the Group operates as a principle of conduct by **fostering a relationship based on respect for the law, loyalty, trust, professionalism, collaboration, reciprocity, and good faith.**

In addition, and in applying the principles of conduct, the *Corporate Tax Policy* establishes a commitment to the application of best practices in relations with the tax authorities



Cooperate with the competent tax authorities in the detection of and search for solutions regarding fraudulent tax practices of which the Iberdrola is aware that may occur in the markets in which the companies of the Group have a presence.



Provide significant tax-related information and documents that may be requested by the competent tax authorities in the exercise of their powers, as soon as practicable and with the required scope.



Notify the appropriate body of the tax authority and sufficiently discuss therewith all significant issues of fact of which it has notice, in order to commence the appropriate investigative proceedings, if any, and to promote agreements and consents during the course of inspection proceedings, to the extent reasonably possible and without impairing good corporate management.

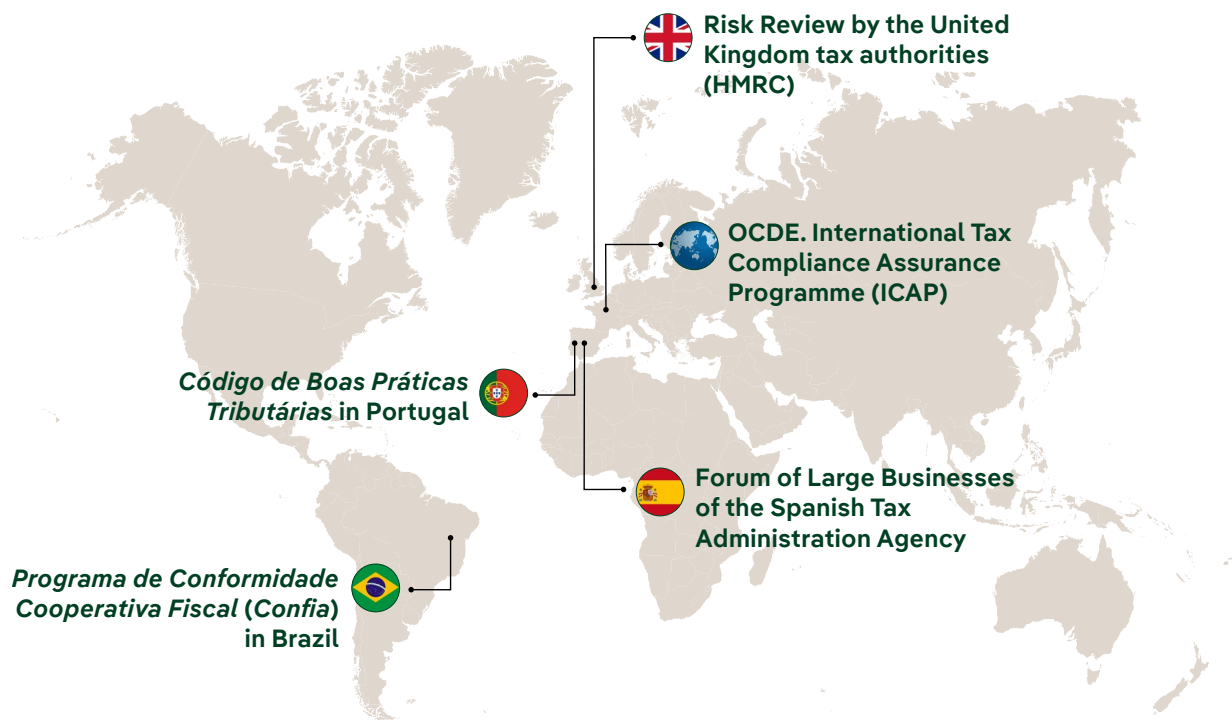
Applying best practices and the highest standards of tax transparency, Iberdrola has adhered to and complies with the *Good Tax Practices Code* approved on 20 July 2010 by the full Forum of Large Businesses (*Foro de Grandes Empresas*), of the Spanish Tax Administration Agency.

This code promotes a reciprocally cooperative relationship between the Tax Agency and the signatory companies, and contains recommendations, voluntarily assumed by the Administration and the companies, aimed at improving the application of the tax system by increasing legal certainty, reciprocal cooperation based on good faith and legitimate trust between the Tax Agency and the companies themselves, and the application of responsible tax policies.

Iberdrola's commitment to compliance with, further development and implementation of the code extends to any other good tax practices that stem from the recommendations of the Code in effect at any time, even if not expressly set forth in the *Corporate Tax Policy*.



The programmes and actions in which the Iberdrola Group participates to promote and preserve the cooperative relations at global level include:



Throughout the world, Iberdrola strengthens its cooperation with tax authorities in the countries in which it has a presence.

We consider a transparent relationship with the tax authorities, based on mutual trust, to be yet another element of our tax strategy. This is why we actively and **VOLUNTARILY** take part in the initiatives promoted by the various tax authorities.

In addition, given Iberdrola's expanding international reach, when the Group establishes itself in a new jurisdiction, we make ourselves available to the tax authorities to participate in these initiatives.



Forum of Large Businesses of the Spanish Tax Administration Agency

The Forum of Large Businesses is a framework for collaboration between large enterprises and the Spanish tax administration, based on the principles of transparency and mutual trust, through the exchange of knowledge.

The Forum was set up on 10 July 2009 at the behest of the Spanish State Tax Administration Agency (“AEAT” or “Tax Agency”) and Iberdrola has been a member since it was launched.

1. Working groups of the Forum of Large Businesses

In the framework of the Forum of Large Businesses, working sessions are organised to discuss any issues that may arise in the application of the tax system.

As part of the cooperative relationship with the Spanish tax authorities, Iberdrola actively participates in the working groups of the Forum of Large Businesses, and is a member of the following working groups:

- Cooperative relations.
- Special taxes.
- Transfer Pricing – this group has concluded its work and the Working group on Analysis of Tax Regulations and Reduction of Conflict has been created to replace it.
- Analysis of tax regulations and reduction of conflict.
- Immediate Supply of Information (SII).

In financial year 2023 Iberdrola attended the general meetings of the Forum of Large Businesses held on 8 June and 27 November and all of the working group meetings.

In addition, during financial year 2023 the Iberdrola Group’s Global Head of Taxation continued to act as a business partner within the Technical Secretariat of the Forum of Large Businesses.

2. Voluntary submission of the “Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code”

As mentioned above, Iberdrola is a member of the Forum of Large Businesses, which was established on 10 July 2009 by the Spanish Tax Administration, and complies with the *Good Tax Practices Code*, approved on 20 July 2010.

In this regard, on 2 November 2015 the Plenary Session of the Forum of Large Companies agreed to introduce an Annex to the *Good Tax Practices Code* to strengthen the cooperative relationship and reinforce good practices in corporate tax transparency, through a number of actions to promote transparency and legal certainty in the fulfilment of tax obligations.

This initiative is aimed at providing early knowledge of the tax policy and tax risk management of businesses, leading to lower compliance costs and contributing to the reduction of conflict.



Among them, it was established that companies could voluntarily make information available to the Tax Administration Agency regarding a number of actions and decisions in tax matters, through the presentation of the “Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code”, by means of which the following information, among others, is provided:

- aspects of the companies’ economic activity,
- tax strategy,
- presence in tax havens,
- compliance with the OECD’s BEPS actions,
- most significant corporate transactions, etc.

This voluntary reporting represents the **highest expression of fiscal transparency with the Spanish tax authorities**, and Iberdrola, firmly convinced of its usefulness, submits the aforementioned report every year.

As a consequence, and within the framework of strengthened cooperation, Iberdrola has voluntarily submitted to the Spanish Tax Administration the “Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code” since it was first prepared and for 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022, and is in the process of preparing the report for 2023.

This report includes information on the Group’s tax strategy, structure and international activity, presence in tax havens, financing, international and customs taxation, level of consistency of tax policy with BEPS principles and actions, and most significant corporate transactions.

In pursuing excellence and continuous improvement in the area of transparency, Iberdrola’s report includes improvements each year for discussion and for strengthening the cooperative relationship.

As regards recent Reports, Iberdrola submitted the Annual Report on Tax Transparency relating to financial year 2021 on 25 October 2022, and held a meeting with representatives of the Spanish Tax Administration Agency on 30 May 2023 in order for them to more fully understand and evaluate the contents of the report. The additional information requested was then included.

On 2 June 2023, Iberdrola received a letter from the Central Delegation of Large Taxpayers of the Spanish Tax Administration Agency certifying the submission of the report, and which highlighted the tremendous willingness and availability offered in voluntarily sending information for financial year 2021 and thanking it for the transparency provided.

The Iberdrola Group’s Annual Report on Tax Transparency for financial year 2022 was submitted on 25 October 2023.



As part of the improvements to the Report for the 2022 financial year, Iberdrola has supplemented the content of the information relating to the level of compliance with the BEPS principles and actions. Similarly, in the Report for financial year 2021, Iberdrola voluntarily included a new specific section regarding the cooperative relationship and tax governance, which includes information on cooperative compliance programmes, good tax practices, reporting procedures, tax transparency, etc. This initiative was positively received by the Tax Agency. The information contained in this section has been similarly reinforced in the report for the 2022 financial year.

The voluntary submission of the Iberdrola Group's report has been acknowledged on the Tax Administration's website, expressly mentioning Iberdrola as a company that submits its transparency report.

3. Documentation on related-party transactions under the Code of Best Tax Practices

At the Plenary Session of the Forum of Large Businesses of the Spanish Tax Administration Agency, held on 8 June 2023, a proposal relating to the voluntary submission of documentation on related-party transactions within the framework of the *Code of Good Tax Practices* was passed.

The submission of the information would take place six months after the end of the Income Tax return period.

In accordance with the provisions established by the tax authorities, on 25 January 2024 Iberdrola voluntarily submitted the aforementioned transfer pricing documentation for the financial year 2022, in due time and in the appropriate form.

Multilateral cooperative procedure: *International Compliance Assurance Programme (ICAP)*

The ICAP is a voluntary risk evaluation programme launched by the OECD aimed at greater cooperation between tax authorities in the supervision of tax risks in multinational groups relating to transfer pricing, providing a faster, clearer and more effective way to improve multilateral tax certainty.

Today, **the ICAP Programme is the most advanced element of the cooperative relationship between multinational enterprises and tax authorities.**

The Spanish State Tax Administration Agency participates in the ICAP Programme and regards the signing of bilateral or multilateral Preliminary Assessment Agreements as a line of work that should be strengthened, as outlined in the Tax Agency's Strategic Plan 2020-2023.

In this context, Iberdrola joined this programme in 2022, in coordination with the Spanish Tax Administration Agency and the Bizkaia Regional Treasury, with the participation of the administrations of the United Kingdom, the United States, Germany, Italy and Ireland.



In this regard, multilateral and bilateral meetings were held on 30 June and 1 July 2022 at Iberdrola's Innovation and Training Campus in Madrid with the various administrations to review the Iberdrola Group's transfer pricing policies at the global level.

In 2023 work continued in with the various administrations involved in the programme by clarifying operational procedures and, where appropriate, providing additional documentation.

Finally, in the fourth quarter of 2023 the Spanish tax administration, as coordinator of the cooperative relations instrument, brought the programme to an end. On 16 November 2023 the Spanish tax administration sent a letter of appreciation for having voluntarily participated in the programme, including multilateral evaluation letters from the tax authorities in Spain (State Tax Administration Agency and Bizkaia Provincial Treasury), Germany, the United States of America, Ireland, Italy and the United Kingdom, with an overall rating of "low risk".

Risk review by the United Kingdom tax authorities (HMRC)

The commitment to applying good tax practices and cooperating with the tax authorities has also been extended to the other countries in which the Iberdrola Group operates, such as the United Kingdom.

As a member of the group of large taxpayers in the United Kingdom, Scottish Power actively participates in the collaborative relationship programme with HMRC, based on the figure of a Client Relationship Manager (CRM) as the liaison between the tax authorities and the taxpayer, and on the annual rating of the taxpayer's risk profile.

In the case of Scottish Power, a risk review was carried out by HMRC in 2023, and the operations were rated as "low risk".

Programa de Conformidade Cooperativa Fiscal (Confia)

In application of the highest standards of cooperation and tax transparency, Neoenergia is a member of the *Receita Federal* (Brazilian tax authorities) programme.

As part of the collaboration framework, Neoenergia was invited by *Receita Federal* to voluntarily participate in setting up a programme to establish new parameters for the interaction between taxpayers and the tax authorities, focusing on voluntary cooperation and mutual trust, called the *Programa de Conformidade Fiscal Cooperativa (Confia)*.

Neoenergia, through its Tax team, has attended the meetings of the *Fórum de Diálogo Confia* since its creation, having participated in the Forum meetings held on 25 September and on 23 November 2023.

Código de Boas Práticas Tributárias by the Portuguese tax authorities

Iberdrola has adhered to the Portuguese Code of Best Practices – similar to the Code of Best Practices of the State Tax Administration Agency.

In addition, in 2022 Iberdrola Clientes Portugal and other companies forming part of the Group applied for access to the *Fórum de Grandes Empresas de la Autoridade Tributária e Aduaneira (AT)*.

As of the date of publication of this Report, Iberdrola is awaiting the decision on its application for membership in the *Fórum de Grandes Empresas* in Portugal.

Relation de confiance / accompagnement personnalisé des PME with French tax administration

The French tax administration has an enhanced cooperation programme aimed at assisting and reassuring businesses on tax issues defined jointly by the taxpayer and the administration itself, such as general tax issues, VAT issues, withholding taxes, international taxation, transfer pricing, etc.

On 1 December 2023 Iberdrola's Tax Division held the first meeting with the French Tax Administration to discuss its participation in this collaborative programme. The conclusions of the meeting were positive and the work will continue in 2024.

Certifications and recognitions

Certifications



AENOR Certification to the UNE 19602 Standard: Tax compliance management systems.

Satisfactory audit with no non-conformities for the fifth consecutive year.



Tax Transparency Seal 2022. Awarded the highest level "t****" rating by the Foundation, as 100% of the proposed measurement indicators were met.

Iberdrola has been recognised, for yet another year, as one of the most transparent IBEX-35 companies in tax matters. This is a certification from an independent institution that assures compliance with transparency standards (similar to ISO/UNE).



Accolades

World Jurist Association	<p>Iberdrola has been awarded the World Jurist Association's "Pioneers and Legal Practice" Medal of Honour in 2023. The World Association of Jurists honours outstanding individuals and institutions that promote the rule of law around the world.</p> <p>The medal was presented by His Majesty the King at the United Nations Headquarters.</p>
Legal Power List A Word About Wind	<p>The General Secretary and of the Board of Iberdrola has been recognised as the world's most influential lawyer in the energy sector according to the Legal Power List compiled by the A Word About Wind association.</p>
Top In-House Leaders by Financial Times	<p>The General Secretary and Secretary of the Board of Iberdrola has been recognised in 2023 as one the world's 20 best lawyers.</p>
Global Counsel Awards by Lexology	<p>The Iberdrola Group's Global Head of Taxation was recognised as European and Global Tax Manager of the Year 2021 at the Global Counsel Awards in the Corporate Tax area.</p> <p>The Global Counsel Awards are considered one of the most prestigious awards for distinguishing professionals who are industry leaders and recognising in-house legal professionals.</p>
Top 50 Women in the Legal Sector in Spain and Portugal Iberian Lawyer InspiraLaw	<p>Iberian Lawyer's Top 50 Women in the Legal Sector in Spain and Portugal is an annual award that recognises the fifty women whose work promotes the role of women in the legal sector and in society in general.</p> <p>Iberdrola's Global Head of Taxation has been recognised in the 2024 list as one of the fifty most inspirational women who increase the visibility, diversity and inclusion of women in business in general and in tax in particular.</p>
Top 100 Mujeres Líderes en España	<p>Top 100 Mujeres Líderes en España España (Top 100 Women Leaders in Spain) is an organisation whose main objective is to give visibility to female talent in order to build a society based on equality. In the 2023 edition, Iberdrola Group's Global Head of Taxation was recognised as one of the Top 100 Women Leaders in Spain in the category of executives.</p>



Top In-House Leaders by Financial Times	<p>The tax and legal team has been ranked by the Financial Times and legal think tank RSGI in their Top In-House-Legal Leaders ranking, which recognises the top 20 legal teams in the world.</p> <p>The Financial Times highlighted the creation of the Iberdrola Legal Innovation Center and the support given to pro bono programmes.</p>
Awards Tu Economía La Razón	<p>“Tu Economía” award for Excellence in Corporate Governance by La Razón. Iberdrola received the <i>Tu Economía</i> award from the newspaper <i>La Razón</i> for Excellence in Corporate Governance in 2023. The award is recognition of the fact that Iberdrola’s commitment to environmental, social and governance criteria is a hallmark of the company.</p>
Innovative Lawyers by Financial Times	<p>Iberdrola’s “Pro Bono Jurídico” programme has received the 2023 Financial Times Innovative Lawyers award in the Sustainability category. This is Europe’s most prestigious award for innovation and recognises the most disruptive projects of law firms and in-house legal departments.</p>
Gold Awards by Iberian Lawyers	<p>Iberdrola won the 2023 award for the Best In-House Team of the year in the energy sector. The Golden Awards by Iberian Lawyers are recognition of the excellence of in-house legal and tax professionals in Spain and Portugal.</p>
World Finance Corporate Governance Awards	<p>Iberdrola and Avangrid received the World Finance awards for Best Corporate Governance in Spain and the United States in 2023.</p> <p>The awards are in recognition of companies with governance platforms that are proof of their commitment to transparency.</p>
Aptísimi Awards by ESADE	<p>In 2023, the Office of the Secretary General and Secretary of the Board of Directors received the ESADE Award for the Best Corporate Law Department. The awards are considered the benchmark awards in the field of corporate law in Spain, recognising the multidisciplinary nature and work as a single team of the Office of the Secretary General and Secretary of the Board of Directors of Iberdrola.</p>



Whistleblower channels

The Iberdrola Group has established ethics mailboxes in order to promote compliance with legal provisions and with the rules of conduct established in the *Code of Ethics* and the reporting of possible improper activities.

These channels allow customers, suppliers and the professionals of the Iberdrola Group to report any conduct that may involve the commission of an improper act or an act in violation of legal provisions or of the rules of conduct laid down in this *Code of Ethics* and to ask questions that may arise regarding the interpretation thereof, thus including conduct in the tax area.

Communications made through ethics mailboxes are dealt with anonymously and must meet truthfulness and proportionality standards, and are at all times considered confidential information.

Social commitment

Creating sustainable value for society

We put energy into the things that matter

Iberdrola is firmly convinced of the role it must play in society to improve opportunities for all groups; employees, shareholders and investors, suppliers and customers.

The Group has made it part of its culture to contribute to the transition to a new socio-economic model that is climate neutral, resilient, sustainable and inclusive.

In line with the social dividend recognised in the By-Laws, Iberdrola promotes a variety of initiatives that demonstrate its social commitment to values such as community service (solidarity), equal opportunity, and diversity and inclusion, in areas such as sports, education, cooperation, and assistance to the most underprivileged groups.

Through its Foundations, the Iberdrola Group promotes social initiatives with the aim of contributing to the development of the local communities in which it has a presence. One of the aims of Iberdrola's Foundations is to promote positive changes for the sustainable development of the planet and the most vulnerable people.

During financial year 2023 the Iberdrola Group's Foundations allocated approximately €25 million to programmes supporting the communities in which the company operates in the fields of training and research, social action, art and culture, biodiversity, and in the institutional area, with almost 17,000 people taking part in its volunteer programmes.



At the global level, Iberdrola's International Corporate Volunteering Programme is an initiative created to channel the spirit of community service among its employees and motivate them to participate in social projects aimed at the integration of vulnerable groups, the improvement of the environment and sustainable development. The people who make up the Office of the General Secretary and Secretary of the Board of Directors of Iberdrola also participate in this programme.

The Programme is in line with the SDGs, in particular SDG 3 (good health and well-being), SDG 4 (quality education), SDG 7 (affordable and clean energy), SDG 10 (reduced inequalities) and SDG 13 (climate action).

In October 2023, the Iberdrola Group celebrated its 12th Annual International Volunteering Week. Under the theme "Together we build the world we want", which rallied more than 8,000 volunteers –14 % more than the previous year– to carry out around 130 community service initiatives related to environmental protection, the fight against climate change, the inclusion of vulnerable groups and social assistance.

During the week, numerous initiatives were organised around Iberdrola's commitment to care for the environment and support vulnerable groups, including reforestation, recycling, beach and seabed clean-up and water conservation, among others. There were also online challenges and donations of food, clothing, hygiene products and school kits for children at risk of exclusion.

In addition, the "Electricity for All" project has the goal of delivering electricity to more than 16 million people in emerging markets and developing countries who currently have no access to this source of energy by 2030.

Launched in January 2014, Iberdrola's "Electricity for All" programme has helped 11 million people gain access to electricity through projects in various countries in Latin America and Africa.



Iberdrola is committed to the energy, cultural, environmental and social development of the communities in which it has a presence, incorporating the Social Dividend in the By-Laws. Fundación Iberdrola España embodies a firm commitment to the development of initiatives that contribute to improving the quality of life of people, through actions to support training and research by awarding scholarships, environmental preservation with projects to protect nature, cultural development, paying special attention to the protection, conservation and maintenance of artistic and cultural heritage, cooperation and community service (solidarity), through social and labour inclusion initiatives for the most vulnerable groups, all to support the training a new generation of people capable of driving the transformation towards a sustainable energy model.

In Spain, Iberdrola earmarks 0.7 % of its Income Tax quota for social purposes through the annual tax return.



Scottish Power makes regular contributions to community organisations and participates in activities to help the communities in which it operates, engaging every day in activities that have a positive impact on society.

Through the Scottish Power Foundation, the Group has helped support dozens of inspiring projects that benefit thousands of people across the United Kingdom. In 2023, 19 charities benefited from £1.2 million in ScottishPower Foundation funding.

Scottish Power employees make significant donations from their payroll to cooperative programmes, including the partnership with Cancer Research UK, the leading cancer research organisation in the world, for which more than £47 million has been raised since the programme began, as well as other charities chosen by the employees.



Avangrid takes an active part in community support initiatives that seek to help the most vulnerable groups, supporting, among others, initiatives to improve energy efficiency and reduce energy costs.

It partners in programmes like the *Connecticut Neighborhood Assistance Act* (NAA) Tax Credit Program, aimed at funding municipal organisations to invest in community development programmes. Through the Avangrid Foundation, the Group invests in charities, aid programmes and philanthropic partnerships in the communities in which Avangrid and its subsidiaries operate, having invested millions of dollars in grants to build sustainable, vital and healthy communities to improve the lives of people in the communities they serve.



The Neoenergia Group works with national and international organisations tasked with providing principles and guidelines for the sustainable management of its business.

Through *Instituto Neoenergia*, they contribute to helping the local populations where they are present, connecting people, strengthening civil society networks and contributing to overcoming social inequality.

At Neoenergia, the Junt+s Programme, which focuses on promoting a working environment of respect for diversity, empowerment and combating prejudice, is particularly noteworthy. The initiative has the following strategic pillars that underpin the programme's vision: (i) to raise awareness, discuss and influence people working in the company, (ii) to develop and implement inclusion projects, (iii) to contribute to increasing the number of women, people of colour and people with disabilities in the company, and (iv) to develop diversity actions in partnership with people working in the company.



Iberdrola Mexico remains socially committed to the communities in which it operates, carrying out a range of activities in conjunction with other non-governmental entities and organisations that have a positive impact on society's vulnerable groups.

Through Fundación Iberdrola México, it promotes initiatives that contribute to improving the quality of life of the inhabitants in communities in which Iberdrola México has a presence, with the goal of attending to local needs, collaborating in actions dedicated to training, research and innovation, the improvement of biodiversity, and sustainable human development.

Through its social action, Fundación Iberdrola México contributes to fulfilling the following SDGs: 1 (no poverty), 3 (good health and well-being), 5 (gender equality), 7 (affordable and clean energy), 10 (reduced inequalities) and 17 (partnerships for the goals).

In Mexico, Iberdrola allocated 0.48 % of its profits in the financial year 2023 to support disadvantaged sectors. Through its tax returns, it also contributes to training and research activities, biodiversity and climate change.

Iberdrola's "Pro Bono Jurídico" programme

Pro-bono legal and tax services

Small changes that make life easier for people

The main goal of Iberdrola's "Pro Bono Jurídico" programme, which is applied in all the countries where the Group operates, is to contribute to the development of society, extending the qualified value of our legal professionals to the third sector and promoting their participation in pro-bono activities, making training, guidance and legal and tax advice services available to NGOs and organisations without resources, to cover their legal needs.

In 2022 **Iberdrola was the first company to join the Pro Bono España Foundation, marking a milestone in pro-bono practice in Spain.** Fundación Pro Bono España channels the demand for pro-bono legal services, acting as an intermediary between social organisations in need of legal assistance and lawyers with the capacity to help. Since its creation in 2018, it has been working to promote pro-bono practice and raise awareness among lawyers of the social dimension of the legal profession. With a network of more than 40 law firms and several partner universities, Iberdrola is now the first corporate member.



“Construyendo Juntos”, an agreement for society

In Spain, “Construyendo Juntos” (Building Together), a pro-bono legal project for social entities has been launched in collaboration with 14 law firms. On 28 November 2023 the programme was presented to more than 100 participants, including social organisations such as Save The Children and UNICEF, as well as the main law firms in Spain.

Sustainable legal and tax advice

The pro-bono initiative represents part of the ethical and professional responsibility required of legal professionals and is a further contribution by Iberdrola to fulfilling its sustainability commitments in line with ESG criteria. It also addresses the concerns of Iberdrola’s professionals, which have intensified in the current social context.



The programme aims to promote access to justice for those most in need and to strengthen commitment to the global agenda through law as a transformative tool that multiplies social impact, in line with the United Nations Sustainable Development Goals. With this programme, Iberdrola contributes to the achievement of SDG 1 (No poverty), SDG 5 (Gender equality), SDG 10 (Reduced inequalities) and SDG 16 (Peace, justice and strong institutions).

Organisation of Iberdrola’s “Pro Bono Jurídico” Programme

The Pro Bono Programme focuses on three activities: providing legal and tax advice to not-for-profit organisations, providing training, and promoting and raising the profile of the pro bono culture, all in partnership with the most prestigious global law firms.

This initiative has a global committee that defines and promotes the implementation of the programme’s strategy, and local pro bono committees in Spain, the United Kingdom, the United States, Brazil and Mexico, which ensure that the objectives set by the programme’s management are met and coordinate the legal assistance provided to cases submitted by the different organisations.



Iberdrola's "Pro Bono Jurídico" Programme in figures

In 2023, more than 80 Iberdrola professionals participated in initiatives promoted by Iberdrola's "Pro Bono Jurídico" Programme, dedicating a total of 650 hours to providing legal and tax services to various third sector organisations.



Iberdrola has a leading and pioneering team of in-house legal advisors who engage and work every day to provide society with knowledge and experience that will enable us to live in a more just, socially responsible and sustainable world.





12. Country-by-country tax contribution



Overall tax contribution data

The tax contribution as part of the social dividend

Tax contribution 2023

Tax contribution of €9,281 million in 2023, an increase of 24 % over the previous financial year.

Own taxes charged to the income statement of €4,417 million, representing 44 % of profit before tax.

In Spain, the tax contribution amounts to €3,500 million. The amount of tax paid in Spain is higher than all the personnel, operational and financial costs of the company in the country.

Committed to responsible taxation and tax compliance

More than €1 million paid every hour

Taxes paid are **twice as high** as the Group's net profit

More than €25 million paid every day

€1,500 million in Income Tax

Own taxes up 36 %

€1,100 million in electricity taxes, up 110 % over the previous year

€510 million euros paid in windfall profit taxes

More than €40,000 million paid in taxes over the last five years

The total direct tax contribution in the 2023 financial year amounted to €9,281 million, distributed among the following categories:

TTC € million	2023
Own taxes	4,417
Corporate Income Tax	1,492
Non-deductible VAT and similar	8
Company contributions on salaries	380
Local taxes	1,139
Electricity taxes	1,080
Other own taxes	318
Taxes collected	4,864
VAT and similar	3,648
Withheld third-party income	962
Other taxes collected	254
Total	9,281



Tax contribution for the 2023 financial year



**Other
regulatory
payments**

**€286
million**



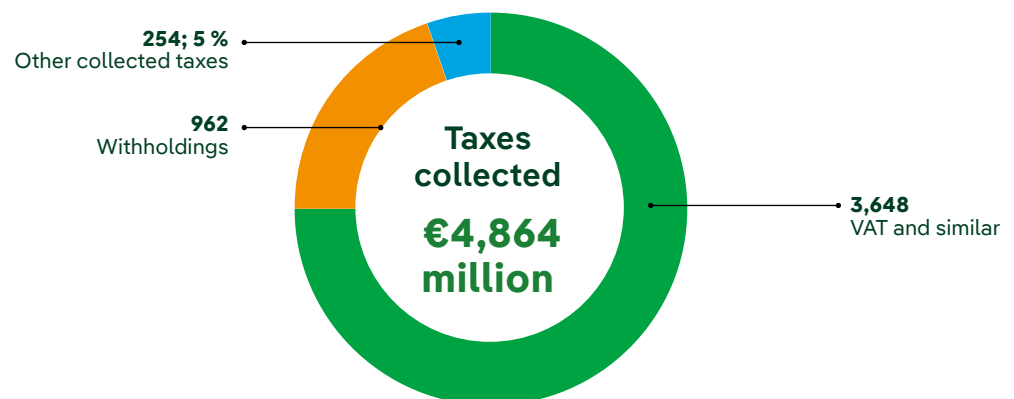
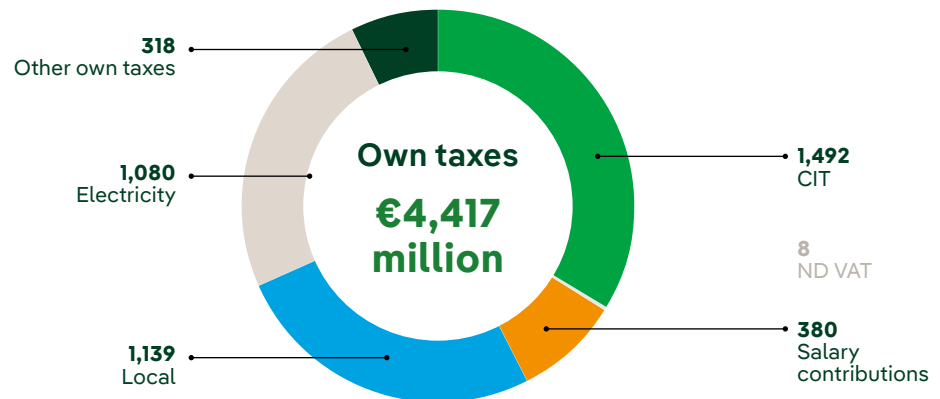
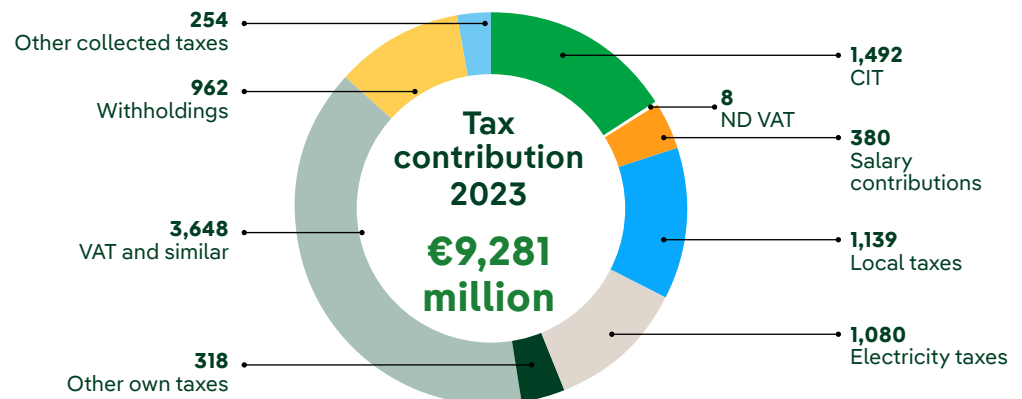
Subsidised rate:

**255
million euros**



**Energy
efficiency:**

**32
million euros**



Total payments to public entities: 9,568



Country-by-country direct tax contribution 2023

Looking only at the distribution of the direct tax contribution, the distribution by country in comparison with the prior year is as follows:

Taxes paid into the public treasury € million	Taxes charged to the income statement		Taxes collected		Total	
	2023	2022	2023	2022	2023	2022
Spain	2,448	1,740	1,034	845	3,482	2,585
United Kingdom	570	197	549	477	1,119	674
United States	889	870	372	363	1,261	1,233
Brazil	235	180	2,295	2,090	2,530	2,270
Mexico	156	150	154	117	310	267
Other countries	119	118	460	311	579	429
Total	4,417	3,255	4,864	4,203	9,281	7,458

The tax contribution in 2023 is up substantially from the previous year by €1,823 million, which represents 24 % more than in 2022.

Taxes paid by the Iberdrola Group are practically twice the net profit figure (€4,803 million)

Tax contribution € million	2023	2022	Change
Own taxes	4,417	3,255	1,162
Corporate Income Tax	1,492	1,064	428
Non-deductible VAT and similar	8	7	1
Company contributions on salaries	380	344	36
Local taxes	1,139	1,106	33
Electricity taxes	1,080	515	565
Other own taxes	318	219	99
Taxes collected	4,864	4,203	661
VAT and similar	3,648	3,182	466
Withheld third-party income	962	747	215
Other taxes collected	254	274	-20
Total	9,281	7,458	1,823

Taxes charged to the income statement

Own taxes, charged to the income statement, were up by 36 % compared to the previous year. This increase is mainly concentrated in corporate income tax and electricity taxes.



Income taxes paid in 2023 increased across the board in almost all countries in which the Group has a presence, mainly as a result of an increase in taxable income, a decrease in refunds received in comparison with the previous year and an increase in withholding taxes due to the effect of higher interest rates.

The breakdown of Income Tax paid by country is as follows:

Corporate Income Tax € million	2023
Spain	925
United Kingdom	157
United States	38
Brazil	143
Mexico	144
Other countries	85
Total	1,492

Electricity taxes also increased, mainly due to the introduction of new taxes, particularly in Spain and the United Kingdom.

Therefore, the total amount of electricity tax payments is entirely in Europe:

Electricity taxes 2023 € million	Electricity taxes	%
Europe	1,080	100 %
Spain	1,006	93.3 %
United Kingdom	66	6.1 %
Greece	3	0.2 %
Poland	4	0.4 %
France	1	0.1 %
Total	1,080	100 %



The breakdown of the main electricity taxes paid is as follows:

Tax	Total € million
Spain	1,006
Temporary energy levy	213
Autonomous region electricity taxes	147
Water Act rates (including Water Charge)	80
Spent nuclear fuel production tax	118
Nuclear Safety Council Fee	14
ENRESA rate	209
Other electricity taxes	225
United Kingdom	66
Electricity Generator Levy	66
Greece	3
Green Taxes 1.7%	3
Poland	4
Claw back	4
Electricity Tax in charge of the company	0
France	1
Claw back: <i>Rente inframarginale</i>	1
Total	1,080

The situation in Spain and electricity taxation

Spanish electricity is overtaxed due to the existence of a large number of taxes, both at national level and in the autonomous regions. Besides the general taxes levied on all business activities, in the case of the Iberdrola Group, electricity is liable to 38 different taxes, of which 20 are regional. This has the effect of completely distorting the "polluter pays" principle, as it is not possible to guarantee compliance with this principle in view of the dispersed nature of the regulatory capacity to tax this activity, which is 100 % renewable.

An example is the case of electricity generated by hydroelectric plants, where turnover is taxed in parallel by the water charge (25.5%), the tax on the value of electrical energy (7 %, which has been temporarily suspended in 2023, although gradually reinstated in 2024), the new temporary energy levy (1.2 %) and various additional regional taxes that vary according to the Autonomous Community in which the plant is located. This does not include other taxes such as Property Tax, Business Tax and Corporate Income Tax. All of these taxes are levied on the same source of clean energy that, hypothetically, should be incentivised to speed up the energy transition.

It therefore appears that the Spanish tax system is not contributing to the necessary energy transition towards renewable energy sources.

Taxes collected

The amount of the contribution for payments from third parties, for its part, increased mainly in VAT and similar taxes, mainly due to the variation in the prices of the regulated activity and to a decrease in refunds received compared to the previous year, resulting from the very mechanics of the tax itself. There was also an increase in withholding taxes, mainly as a result of higher dividend payments, higher labour costs and higher interest rates.

Lastly, Iberdrola makes other payments to regulatory entities that are not technically classified as taxes, but which also help to contribute to the sustainability of public finances. Therefore, the Iberdrola Group makes additional contributions and pays concessions in various parts of the world.

In Spain, the contributions to finance the “Subsidised Electricity Rate” (*Bono social eléctrico*) and Energy Efficiency stand out, amounting to €286 million in 2023, a significant increase of 63% compared to the previous year.

With regard to the Subsidised Rate, the increase is mainly due to legislative changes which, among other things, extend the group of consumers having access to this measure and increase the applicable discount (i.e. in the case of vulnerable consumers, highly vulnerable consumers, low-income households, etc.).

There was also a significant increase in the contribution to the National Energy Efficiency Fund (FNEE), as a result of changes to the regulations in 2023, which almost doubled the financial contribution of obligated entities to the FNEE in that year and increased the savings targets.

It should also be noted that the overall exchange rate effect in 2023 was moderate.

ECB exchange rates	2023	2022
GBP / EUR	0.87	0.85
USD / EUR	1.08	1.05
BRL / EUR	5.40	5.44
MXN / EUR	19.20	21.18

The main country-by-country details of the Iberdrola group’s tax contribution are set forth below.



Spain

Total paid into public treasury	
Own taxes	2,448
Taxes collected	1,034
Total	3,482

Spain (€ million)	
Own taxes	2,448
Corporate Income Tax	925
Non-deductible VAT and similar	6
Salary contributions	153
Local taxes	350
Electricity taxes	1,006
Other own taxes	8
Taxes collected	1,034
VAT and similar	605
Withheld third-party income	398
Other taxes collected	31
Total	3,482

Comments

Iberdrola is a Group in which the parent company is located in Spain.

A significant amount of Corporate Income Tax was paid, accounting for almost 38% of the total taxes charged to the income statement.

This is higher than in the previous year, mainly due to the increase in taxable income and a greater proportion of withholdings stemming, in part, from the effect of the rise in interest rates.

The amount of electricity taxes is high, increasing by 112% in 2023 compared to the previous year. This difference is explained by the increase in the tax burden on energy companies following the approval of the Temporary Energy Levy, which led to the payment of €213 million, and the collection of the Water Charge in the amount of €80 million.

There is also an increase in VAT collected, which is largely attributable to the lower refunds received in 2023, stemming from the mechanics of the tax itself.

Significant legal entities

- Iberdrola, S.A.
- Iberdrola España, S.A.U.
- Iberdrola Energía Internacional, S.A.U.
- Iberdrola Energía, S.A.U.
- Hidrola I, S.L.
- Iberdrola Participaciones, S.A.U.
- Iberdrola Generación Nuclear, S.A.U.
- Iberdrola Generación Térmica, S.L.U.
- Iberdrola Renovables Energía, S.A.U.
- Iberdrola Renovables Internacional, S.A.U.
- Iberdrola Redes España, S.A.U.
- Iberdrola Energía España, S.A.U.
- Iberdrola Energía Sostenible España, S.L.
- I-DE Redes Eléctricas Inteligentes, S.A.U.



United Kingdom

Total paid into public treasury	
Own taxes	570
Taxes collected	549
Total	1,119

United Kingdom (€ million)	
Own taxes	570
Corporate Income Tax	157
Non-deductible VAT and similar	0
Salary contributions	46
Local taxes	152
Electricity taxes	66
Other own taxes	149
Taxes collected	549
VAT and similar	385
Withheld third-party income	90
Other taxes collected	74
Total	1,119

United Kingdom (Local currency-million)	
Own taxes	496
Corporate Income Tax	137
Non-deductible VAT and similar	0
Salary contributions	40
Local taxes	132
Electricity taxes	57
Other own taxes	130
Taxes collected	477
VAT and similar	335
Withheld third-party income	78
Other taxes collected	64
Total	973

Comments

The country has a classical tax structure, with a homogenous mix of own and collected taxes as well as a centralised tax authority.

The exchange rate effect in the United Kingdom in 2023 is moderate.

The amount of taxes charged to the income statement in 2023 increased significantly.

The increase in Corporate Income Tax is mainly due to the net negative amount of this tax in 2022 due to reimbursements. This, combined with the increased base in 2023, means that the tax is much higher than the year before.

Electricity taxes also increased significantly as a result of the increase in the tax burden on energy companies following the approval of the Electricity Generator Levy, resulting in €66 million paid.

Local taxes also rose, driven by business rate hikes in a number of local authorities.

Finally, VAT receipts increased as a result of the higher CAP price set by OFGEM.

Significant legal entities

- Scottish Power Investments, Ltd.
- Scottish Power, Ltd.
- Scottish Power UK, Plc
- Scottish Power Renewable Energy Ltd.
- Scottish Power Retail Holdings Ltd.
- Scottish Power Energy Networks Holdings Ltd.
- Scottish Power Renewables (UK) Ltd.
- Scottish Power Generation (Assets) Ltd.
- Scottish Power Energy Retail Ltd.
- Scottish Power Energy Management Ltd.
- SP Transmission Plc



United States of America

Total paid into public treasury	
Own taxes	889
Taxes collected	372
Total	1,261

United States of America (€ million)	
Own taxes	889
Corporate Income Tax	38
Non-deductible VAT and similar	0
Salary contributions	72
Local taxes	627
Electricity taxes	0
Other own taxes	152
Taxes collected	372
VAT and similar	110
Withheld third-party income	191
Other taxes collected	71
Total	1,261

United States (local currency - million)	
Own taxes	962
Corporate Income Tax	41
Non-deductible VAT and similar	0
Salary contributions	79
Local taxes	677
Electricity taxes	0
Other own taxes	164
Taxes collected	402
VAT and similar	119
Withheld third-party income	207
Other taxes collected	77
Total	1,364

Comments

The United States of America is a country with a classical structure and a large variety of tax jurisdictions.

The exchange rate effect in the United States in 2023 is moderate.

For Corporate Income Tax, there are certain federal and state tax incentives that apply to the Avangrid Group. The existence of tax credits from previous years means that effective taxation (cash) at the federal level is not significant. However, there was an income tax increase in 2023 due to the approval of the Corporate Alternative Minimum Tax.

There was also a significant increase in withholdings due to, among other things, salary increases and an increase in the number of employees.

Significant legal entities

- Avangrid, Inc.
- Avangrid Management Company LLC.
- Avangrid Networks Inc.
- Avangrid Renewables Holding Inc.
- Avangrid Renewables LLC
- Atlantic Renewable Energy Corporation
- Atlantic Wind LLC
- Central Maine Power Company
- Avangrid New York TransCo, LLC
- UIL Group, LLC
- New York State Electric & Gas Corporation
- Rochester Gas and Electric Corporation
- West Valley Leasing Company, LLC



Brazil

Total paid into public treasury	
Own taxes	235
Taxes collected	2,295
Total	2,530

Brazil (€ million)	
Own taxes	235
Corporate Income Tax	143
Non-deductible VAT and similar	0
Salary contributions	80
Local taxes	6
Electricity taxes	0
Other own taxes	6
Taxes collected	2,295
VAT and similar	2,151
Withheld third-party income	89
Other taxes collected	55
Total	2,530

Brazil (local currency - million)	
Own taxes	1,272
Corporate Income Tax	770
Non-deductible VAT and similar	0
Salary contributions	438
Local taxes	35
Electricity taxes	0
Other own taxes	29
Taxes collected	12,396
VAT and similar	11,624
Withheld third-party income	476
Other taxes collected	296
Total	13,669

Comments

Brazil has a complex tax structure, arising from its political, federal and state structure of multiple tax jurisdictions.

The plethora of taxes and jurisdictions means that the tax burden is high, particularly in the area of indirect taxation.

The exchange rate effect in Brazil in 2023 is moderate.

There was an increase in the Corporate Income Tax contribution due to a higher level of taxable income and a lower level of offsets compared to the previous year.

In Brazil, the amount of tax collected is highly significant, given that the regulated business involves large-scale invoicing to a large number of customers, with the corresponding taxes being passed on.

Accordingly, an increase in VAT revenue was recorded in 2023, mainly due to the increase in the rates applicable to the tax on the circulation of goods and services (*ICMS - Imposto sobre Circulação de Mercadorias e Serviços*).

Significant legal entities

- Neoenergia S.A.
- Companhia de Eletricidade do Estado do Bahia, S.A.
- Companhia Energética de Pernambuco, S.A.
- Companhia Energética do Rio Grande do Norte, S.A.
- Elektro Redes, S.A.
- Elektro Renováveis do Brasil, S.A.
- Enerbrasil-Energias Renováveis do Brasil, S.A.
- Termopernambuco, S.A.
- Elektro Comercializadora de Energia Ltda.
- Neoenergia Renováveis, S.A.



Mexico

Total paid into public treasury	
Own taxes	156
Taxes collected	154
Total	310

Mexico (€ million)	
Own taxes	156
Corporate Income Tax	144
Non-deductible VAT and similar	0
Salary contributions	12
Local taxes	0
Electricity taxes	0
Other own taxes	0
Taxes collected	154
VAT and similar	124
Withheld third-party income	28
Other taxes collected	2
Total	310

Mexico (local currency - million)	
Own taxes	2,997
Corporate Income Tax	2,772
Non-deductible VAT and similar	0
Salary contributions	222
Local taxes	2
Electricity taxes	0
Other own taxes	0
Taxes collected	2,984
VAT and similar	2,387
Withheld third-party income	542
Other taxes collected	55
Total	5,981

Comments

Mexico has a simple tax framework, based on Corporate Income Tax and on VAT, with a federal-level administrative centralisation.

The exchange rate effect in Mexico in 2023 is significant.

The amount of Corporate Income Tax paid in the year decreased compared to the previous year (in local currency), mainly due to the offsetting of credit balances that were generated in 2022.

Furthermore, there is an increase in VAT collection, considering that in 2022 there were significant refunds of credit balances, and these refunds will be lower in 2023.

In addition, there was an increase in withholding taxes as a result of the increase in financing and the effect of inflation.

Significant legal entities

- Iberdrola México, S.A. de C.V.
- Iberdrola Generación México, S.A. de C.V.
- Iberdrola Renovables México, S.A. de C.V.
- Iberdrola Servicios Corporativos S.A. de C.V.
- Iberdrola Clientes, S.A. de C.V.
- Iberdrola Generación, S.A. de C.V.



Other countries

Total paid into public treasury	
Own taxes	119
Taxes collected	460
Total	579

Other countries (€ million)	
Own taxes	119
Corporate Income Tax	85
Non-deductible VAT and similar	2
Salary contributions	17
Local taxes	4
Electricity taxes	8
Other own taxes	3
Taxes collected	460
VAT and similar	273
Withheld third-party income	166
Other taxes collected	21
Total	579

Comments

This category includes significant jurisdictions in terms of their tax contribution, including Germany, France, Greece, Hungary, Italy, Portugal and Romania.

The tax contribution in these countries in 2023 has increased, in line with the performance and expansion of businesses.

In 2023 the increase in Corporate Income Tax in Germany and Portugal stands out. The increase in Germany is due to a substantial amount of dividends that are subject to withholding tax and in Portugal to an increase in the tax base of the deregulated business.

With regard to Value Added Tax:

- Germany recorded an increase due to the activity of the marketing company Iberdrola Energie Deutschland.
- Contributions in Australia are lower as a result of a reduction in the Goods and Services Tax (GST) refunds received during the year.
- In France, VAT receipts were lower mainly as a result of additional refunds in respect of the construction of the Ailes Marines offshore wind farm.

Significant legal entities

- Iberdrola Renovables France, S.A.S.
- Iberdrola Renovables Deutschland GmbH
- Iberdrola Renewables Portugal S.A.
- Iberdrola Clientes Portugal, Unipessoal Lda.
- Iberdrola Energie France, S.A.S.
- Iberdrola Energie Deutschland GmbH
- Iberdrola Clienti Italia, S.R.L.
- Aalto Power, S.A.S.
- Aalto Power, GmbH
- C.Rokas Industrial Commercial Company, S.A.
- Rokas Hidroelectric, S.A.
- Iberdrola Australia, Ltd.
- Iberdrola Renewables Australia PTY, Ltd.



Summary table: total tax contribution (millions of euros)

2023 € million	Own taxes						Own taxes	Taxes collected			Taxes collected	Total
	Corporate Income Tax	Non- deductible VAT and similar	Company contributions on Salaries	Local taxes	Electricity taxes	Other own taxes		VAT and similar	Withheld third-party income	Other taxes collected		
Spain	925	6	153	350	1,006	8	2,448	605	398	31	1,034	3,482
United Kingdom	157	0	46	152	66	149	570	385	90	74	549	1,119
United States	38	0	72	627	0	152	889	110	191	71	372	1,261
Brazil	143	0	80	6	0	6	235	2,151	89	55	2,295	2,530
Mexico	144	0	12	0	0	0	156	124	28	2	154	310
Other countries	85	2	17	4	8	3	119	273	166	21	460	579
Total	1,492	8	380	1,139	1,080	318	4,417	3,648	962	254	4,864	9,281

Summary table: total tax contribution (millions of local currency)

2023 Local Currency million	Own taxes						Own taxes	Taxes collected			Taxes collected	Total
	Corporate Income Tax	Non- deductible VAT and similar	Company contributions on Salaries	Local taxes	Electricity taxes	Other own taxes		VAT and similar	Withheld third-party income	Other taxes collected		
Spain	925	6	153	350	1,006	8	2,448	605	398	31	1,034	3,482
United Kingdom	137	0	40	132	57	130	496	335	78	64	477	973
United States	41	0	79	677	0	164	962	119	207	77	402	1,364
Brazil	770	0	438	35	0	29	1,272	11,624	476	296	12,396	13,669
Mexico	2,772	0	222	2	0	0	2,997	2,387	542	55	2,984	5,981
Other countries	85	2	17	4	8	3	119	273	166	21	460	579
Total	4,731	8	949	1,201	1,071	335	8,295	15,343	1,866	544	17,753	26,048



Taxes paid and collected by the Iberdrola Group in each country by category

2023 € million	Own taxes						Own taxes	Taxes collected			Taxes collected	Total
	Corporate Income Tax	Non- deductible VAT and similar	Company contributions on Salaries	Local taxes	Electricity taxes	Other own taxes		VAT and similar	Withheld third-party income	Other taxes collected		
Germany	64	2	2	0	0	0	68	78	138	2	218	286
Algeria	0	0	0	0	0	0	0	0	0	0	0	0
Australia	0	0	4	0	0	1	5	-6	15	0	9	14
Brazil	143	0	80	6	0	6	235	2,151	89	55	2,295	2,530
Bulgaria	0	0	0	0	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0	1	0	1	1
Qatar	0	0	0	0	0	0	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0	0	1	0	0	1	1
South Korea	0	0	0	0	0	0	0	0	0	0	0	0
Egypt	0	0	0	0	0	0	0	0	0	0	0	0
Spain	925	6	153	350	1,006	8	2,448	605	398	31	1,034	3,482
United States	38	0	72	627	0	152	889	110	191	71	372	1,261
France	0	0	5	1	1	0	7	-76	1	5	-70	-63
Greece	8	0	1	0	3	0	12	0	2	1	3	15
Honduras	0	0	0	0	0	0	0	0	0	0	0	0
Hungary	3	0	0	1	0	0	4	7	0	0	7	11
Ireland	0	0	0	0	0	0	0	-1	0	0	-1	-1
Italy	0	0	2	0	0	0	2	97	3	4	104	106
Japan	0	0	0	0	0	0	0	0	0	0	0	0
Kenya	0	0	0	0	0	0	0	0	0	0	0	0
Latvia	0	0	0	0	0	0	0	1	0	0	1	1
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0
Morocco	0	0	0	0	0	0	0	0	0	0	0	0
Mexico	144	0	12	0	0	0	156	124	28	2	154	310
Montenegro	0	0	0	0	0	0	0	0	0	0	0	0
Norway	0	0	0	0	0	0	0	0	0	0	0	0
Netherlands	-12	0	0	0	0	0	-12	0	0	0	0	-12
Poland	3	0	0	1	4	1	9	-9	1	0	-8	1
Portugal	17	0	3	0	0	1	21	187	5	9	201	222
United Kingdom	157	0	46	152	66	149	570	385	90	74	549	1,119
Romania	2	0	0	1	0	0	3	-6	0	0	-6	-3
Singapore	0	0	0	0	0	0	0	0	0	0	0	0
South Africa	0	0	0	0	0	0	0	0	0	0	0	0
Sweden	0	0	0	0	0	0	0	0	0	0	0	0
Taiwan	0	0	0	0	0	0	0	0	0	0	0	0
Vietnam	0	0	0	0	0	0	0	0	0	0	0	0
Total	1,492	8	380	1,139	1,080	318	4,417	3,648	962	254	4,864	9,281



Direct tax contribution in country-by-country Income Tax

Corporate Income Tax has traditionally been considered the tax that shows the main contribution of companies to public coffers. Although far from reality, it is true that the Corporate Income Tax continues to be the tax to which most effort is dedicated by the various tax authorities, in terms of study, analysis and proposals for improvement in order to avoid the shifting of profits into low-tax jurisdictions. In relative terms, Income Tax represents 34 % of the total own taxes affecting the Iberdrola Group.

In 2023, the Iberdrola Group paid a total of €1,492 million in Corporate Income Tax with a particularly significant contribution in countries such as Germany, Brazil, Spain, Mexico and the United Kingdom.

The Corporate Income Tax paid represents approximately 22 % of its profit before Income Tax.

In terms of accrual, according to the data included in the consolidated annual accounts of the Iberdrola Group, the Corporate Income Tax expense amounted to €1,610 million in financial year 2023, which is more than 23% of its profit before Corporate Income Tax.

In order to provide maximum transparency, Iberdrola voluntarily discloses its Country-by-Country Report (CBCR) taking into account the Corporate Income Tax accrued and paid by country, also including other parameters contained in such report, upon the terms established by the OECD. The Group thus ensures full transparency in the provision of tax information to third parties.

In this regard, in December 2023 Spain published the preliminary draft bill for the transposition of the European Directive, which will guarantee a minimum overall tax rate of 15% for multinational groups and large national groups. This measure is in line with the recommendations of Pillar 2 of the Base Erosion and Profit Shifting Initiative (BEPS) programme agreed by the Organisation for Economic Co-operation and Development (OECD).

As a measure to simplify appropriate and progressive implementation by multinational groups, the Directive proposes a substantive regulation of the transitional safe harbours for 2024-2026, where country-by-country reporting is of particular importance as a basis for calculating and monitoring safe harbour compliance.

In this context, the Iberdrola Group has adapted the configuration of its country-by-country report for financial year 2023 to the requirements of Pillar 2, in order to present a “qualified country-by-country report” for the purposes of the application of the new global minimum tax rules.

Therefore, the main source of data for compiling the country-by-country report presented below is the aggregation of data from the individual IFRS financial statements of the companies that make up the Iberdrola Group’s consolidation boundary (expressed in millions of euros), rather than the consolidated financial statements, which was the method used until the 2022 financial year. These figures exclude companies consolidated under the equity method.



€ million Tax jurisdiction	Revenue			Pre-tax profit (loss)	Corporate income tax - paid	Corporate income tax - accrued (Total)	Corporate income tax - accrued (Current)	Stated capital + Undistributed results	Number of employees
	Third-party revenues	Related revenues	Total						
Germany	665	435	1,100	203	64	38	29	3,194	182
Algeria	0	0	0	0	0	0	0	0	0
Australia	381	0	381	1	0	-7	0	621	237
Brazil	10,301	0	10,301	969	143	78	82	12,808	15,707
Bulgaria	0	0	0	-27	0	0	0	-42	0
Canada	0	0	0	-15	0	0	0	-236	0
Qatar	5	0	5	-1	0	0	0	3	33
Cyprus	4	0	4	3	0	0	0	7	1
South Korea	0	0	0	-2	0	0	0	1	1
Spain	15,118	23,260	38,378	3,392	925	794	886	89,746	9,890
United States	7,488	1,082	8,570	322	38	48	32	90,869	7,999
France	105	90	195	-13	0	-3	7	1,794	153
Greece	68	0	68	33	8	8	8	181	111
Hungary	33	8	41	28	3	3	4	105	10
Ireland	0	6	6	-3	0	0	0	4	2
Italy	517	358	874	-17	0	-5	0	29	115
Japan	0	1	1	-6	0	0	0	26	13
Latvia	14	0	14	6	0	0	0	6	1
Luxembourg	0	3	3	11	0	3	0	83	0
Morocco	0	0	0	0	0	0	0	0	0
Mexico	3,369	531	3,901	284	144	162	200	6,715	1,301
Montenegro	0	0	0	0	0	0	0	0	0
Norway	0	0	0	-1	0	0	0	4	0
Netherlands	0	358	358	0	-12	-19	-19	11	0
Poland	54	5	58	-4	3	5	4	137	39
Portugal	758	904	1,662	223	17	65	68	446	189
United Kingdom	13,026	7,445	20,471	2,067	157	529	289	37,554	6,177
Romania	23	5	28	18	2	4	2	193	5
Singapore	0	0	0	0	0	0	0	-1	1
South Africa	0	0	0	0	0	0	0	-3	0
Sweden	0	0	0	-23	0	0	0	5	1
Taiwan	0	0	0	-7	0	0	0	-14	12
Vietnam	0	0	0	-1	0	0	0	-1	5
Total	51,930	34,491	86,421	7,439	1,492	1,703	1,594	244,245	42,186



In the core jurisdictions (Spain, United Kingdom, United States of America, Mexico and Brazil), the Iberdrola Group shows a high degree of “linearity” in the proportion of the different parameters represented in 2023 (as in previous years).

Analysis of effective rates

Spain: No significant deviations occurred in 2023 between nominal rate and effective rate.

United Kingdom: the spread between the nominal and effective rate is mainly due to the impact of the change in the tax rate applicable to deferred tax balances following the change in the tax rate to 25% from April 2023, as well as to certain differences between accounting and tax recognised during the year.

United States of America: the effective rate is very similar to the nominal rate (federal plus state). The deviation from the nominal rate is due (i) on the one hand, to tax credits associated with the renewables business (“PTCs”) as well as investment credits (“ITCs”); and (ii) on the other hand, to the restatement of deferred tax balances to the prior year-end state tax rate (“DT true-up”) as well as the restatement of the valuation according to the potential future application of tax credits (“valuation allowance”).

Brazil: the effective rate is below the nominal rate mainly due to the (optional) application of the presumptive profit regime in the taxation of some of the companies, the payment of interest on equity and the existence of the SUDENE tax incentive.

Mexico: changes in exchange rates, considering that dollarised accounts are presented, and the existence of certain accounting and tax differences (provisions, deferred income, inflationary effect, valuation of derivatives and recognition differences in fixed assets and the depreciation rates thereof) justify the difference between the nominal and effective rate.

Other countries: primary differences from the nominal rates are due to the impact of the local tax regime applicable to certain local entities in Germany, the accounting criteria for the capitalisation of tax losses carried forward in Australia, additional surcharges applicable in Portugal to increase the tax base, and the existence of certain differences between accounting and taxation (provision) in the marketing entity in France.



