



# Specific Risk Policies for the Various Group Businesses

21 February 2023

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## Risk Policy for the Networks Businesses of the Iberdrola Group

The *Risk Policy for the Networks Businesses of the Iberdrola Group* provides the framework for the monitoring and management of risks associated with the networks businesses of each country in which the Group has a presence within applicable regulations and the general guidelines set out in the *General Risk Control and Management Policy*.

The policy applies to all regulated electricity and gas distribution and transmission/transport activities carried out by the Group's companies in:

### ■ Spain

Regulated networks activities:

- a. Distribution of electricity, including the planning, development and operation and maintenance of networks.
- b. Billing and collection of usage charges for direct-to-market customers and retailers.
- c. Reading of the meters of consumers connected to their networks.
- d. Cut-off and reconnection of customers on behalf of retail companies or on their own behalf for direct customers.

### ■ United Kingdom

Regulated networks activities:

- a. Planning, development and operation and maintenance of electricity distribution and transmission networks.

### ■ United States of America

Regulated networks activities:

- a. Electricity transmission and distribution.
- b. Gas distribution and storage.
- c. Retail sale of electricity and natural gas at regulated rates.

### ■ Brazil

Regulated activities of:

- a. Regulated distribution of electricity, including the planning, construction, operation and maintenance of networks.
- b. Supply of electricity for sale at regulated rates, including contracting, measurement, billing, customer service, collection, cut-offs and re-connections for regulated customers.
- c. Planning, construction, operation and maintenance of electricity transmission facilities, including lines and substations.

Significant risks include those associated with the remuneration mechanisms and the incentives and penalties established by each of the regulatory frameworks applicable to each of the distributors in relation to: investments, operational costs, quality and continuity of supply, customer service, technical and commercial losses and, if the applicable regulation establishes an obligation to supply energy at a regulated rate, energy supply and customer arrears.

## Risk Policy for the Electricity Production and Customers Businesses of the Iberdrola Group

The *Risk Policy for the Electricity Production and Customers Businesses of the Iberdrola Group* provides the framework for the monitoring and management of risks associated with the electricity production and retail businesses of the Group's companies within applicable regulations and the general guidelines set out in the *General Risk Control and Management Policy* in the various countries and territories in which they operate, defining the activities affected thereby and establishing appropriate management guidelines in accordance with the structure of each market:

- a. Production of renewable, nuclear, cogeneration and conventional thermal energy.
- b. Wholesaling of energy (electricity, natural gas and liquid natural gas) and other energy products (green-certified and similar).
- c. Supply of fuel (for combined cycle and nuclear).
- d. Retail sale of electricity, gas and energy services, including long-term sales of electricity through power purchase agreements ("PPAs").

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- e. Management of integrated position, based on the particular nature of each country and territory, using energy derivatives.
- f. Investments in new generation plants, as well as investments to acquire customers or investments dedicated to supplying customers with electricity.
- g. Production and supply of hydrogen.
- h. Implementation of industrial heating and cooling projects and facilities.
- i. Operation and maintenance of facilities.

Main production and sale activities by country:

- **Spain:** production and sale of renewable and nuclear energy and gas at combined cycle and cogeneration plants. Retail sale of electricity and natural gas.
- **Mexico:** production and sale of renewable energy and gas at combined cycle and cogeneration plants.
- **United Kingdom:** production and sale of renewable energy and retail sale of electricity and natural gas.
- **Brazil:** production and sale of renewable energy and gas at combined cycle plants.
- **United States of America:** production and sale of renewable energy.
- **Other countries:** production and sale of renewable energy in Australia, Portugal, Germany, France and other European countries. Retail sale of electricity and natural gas in Portugal, Italy and France.

Main risks managed:

- Market risk, mitigated by energy sales at regulated rates to long-term fixed price customers (including long-term PPAs) and by hedges, as well as the risks associated with hydro, solar and wind resources and the availability of facilities.
- Credit risks associated with non-payment for electricity by customers and wholesale energy counterparties.
- Operational risks associated with the management of production plants and serving the millions of customers of the Group's companies.
- The regulatory risks under which businesses operate, associated with the various energy sources used to produce electricity in each country and territory.

## Risk Policy for the Real Estate Business

The *Risk Policy for the Real Estate Business* establishes the framework for the monitoring and management of risks affecting the business carried out by "Iberdrola Inmobiliaria, S.A." (Sociedad Unipersonal) in order to mitigate and reduce the risks associated with the fulfilment of its objectives within the general guidelines set out in the *General Risk Control and Management Policy*.

Particularly contemplated are the risks associated with activities of land management, real estate development and the lease of assets of "Iberdrola Inmobiliaria, S.A." (Sociedad Unipersonal) in Spain and in other countries and territories.



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