Iberdrola’s public information

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

Annual information

• **Annual Financial Report**
  Prepared according to International Financial Reporting Standards (IFRS) and audited.

• **Statement of Non-Financial Information**
  Prepared according to the Global Reporting Initiative (GRI) guidelines and SASB standards, and externally assured.

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

• **Online ESG Report**
  Prepared to facilitate consultation of Iberdrola’s ESG performance by its stakeholders.

• **Annual Corporate Governance Report**
  Prepared according to the form provided by the National Securities Market Commission of Spain.

• **Annual Directors Remuneration Report**
  Prepared according to the form provided by the National Securities Market Commission of Spain.

• **Annual Activities Report of the Board of Directors and of the Committees thereof**
  Prepared following the recommendations of the Good Governance Code of Listed Companies and best international practices.

Additional information

**Economic / financial**

- Quarterly Results Report
- Presentation of results
- IBE Watch Fact Sheet
- Quarterly Shareholder Bulletin

**Environmental**

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

**Social**

- Diversity and Inclusion Report
- Sustainability
- Innovation
- Talent
- Culture
- Social Commitment
- SHAPES

**Corporate Governance**

- About Us
- Report on Tax Transparency of the Iberdrola group
- Innovation Report
- Shareholders and investors
- Corporate Governance

Access the annual reports for financial year 2021 and supplementary documentation regarding the Iberdrola group by scanning the corresponding QR code using your smart phone or tablet..
Letter from the chairman & CEO

Iberdrola’s strong performance in financial year 2021, still marked by the pandemic and its economic and social consequences, has confirmed the success of our sustainable growth strategy, built around promoting the electrification of the economy through investment in renewables, power grids and energy storage.

This strategy, based on the highest environmental, social and governance standards, actively contributes to improving energy security and independence and reducing greenhouse gas emissions, thus allowing us to deliver ever expanding economic activity, wealth and employment.

In that spirit, in the coming years we will intensify our investments in smart grids and clean energy, while leading the way in the development of green hydrogen. We have the people, the technological capabilities, the financial strength and the support of our stakeholders required to achieve this.
We also have the energy policy guidelines set out in the European Green Pact and the Fit for 55 package, through which the EU has marked out the path towards a system that combines energy independence with the consolidation of our continent’s leadership on environmental and climate issues. However, stable and incentivising regulatory frameworks will be crucial for attracting the substantial investment required to make this a reality.

For more than two decades, Iberdrola has made it clear that the energy transition is a golden opportunity to promote sustained and inclusive social progress. Year on year, our growth has been accompanied by a deeper commitment to our environment. Because when companies are based on solid values, their size is proportional to their potential for contributing to the progress and well-being of all.

This Integrated Report describes the group’s activities throughout financial year 2021 and its future outlook, at all times linking the operating and financial parameters with Iberdrola’s contribution to sustainability. Based on this model, which we have called “ESG + F”, all of our businesses are focused on the comprehensive development of the regions in which we are present, creating industry, employment and opportunities for all through our investments, our purchasing activities and our tax contributions.

Ignacio S. Galán
Chairman of Iberdrola & CEO of Iberdrola
## Contents

1. **Iberdrola today**  
   1.1 The utility of the future  
   1.2 Purpose and values  
   1.3 Value chain  
   1.4 Company performance  
   1.5 Key figures  
   1.6 Presence by areas of activity  
   1.7 Key milestones of 2021  
   1.8 Iberdrola and the war in Ukraine  
   1.9 Recognitions and comparative results

2. **Business model and strategy**
   2.1 Climate Action  
   2.2 A successful and consolidated business model  
   2.3 Regulatory environment  
   2.4 EU taxonomy  
   2.5 Sustainable finance  
   2.6 Networks Business  
   2.7 Electricity Production and Customers Business  
   2.8 Management of financial capital

3. **Environment**
   3.1 Management of natural capital  
   3.2 Emissions  
   3.3 Sustainable use of resources and Circular economy  
   3.4 Rational use of water and waste  
   3.5 Biodiversity

4. **Society**
   4.1 Management of social and relationship capital  
   4.2 Summary of the Materiality study  
   4.3 Iberdrola and the SDGs  
   4.4 Leaders in ESG+F  
   4.5 Management of human capital  
   4.6 Community support and electricity access programmes  
   4.7 Innovation, digitalisation and quality for our customers

5. **Governance and Sustainability**
   5.1 Governance and sustainability system  
   5.2 The Three Lines model  
   5.3 Risks  
   5.4 Ethics and integrity  
   5.5 Cybersecurity and information privacy  
   5.6 Promotion of socially responsible practices in the supply chain  
   5.7 Fiscal responsibility

6. **About this report**
   6.1 About this report  
   6.2 Glossary of terms and abbreviations

*The company Iberdrola, S.A., parent company of the Iberdrola group, is referred to as “Iberdrola”, the “Company” or the “company” in this report. Iberdrola (as parent company) and the group of subsidiaries over which Iberdrola, S.A. has the power of control or joint control are also referred to as the “Iberdrola group” or the “group”.

*The figures included in this translation follow the customary English convention, with figures in thousands separated by a comma (,) and decimals indicated by a full stop (.).

*€M: millions of euros; $M: millions of dollars; £M: millions of pounds sterling; R$ Brazilian reais.

*IFRS-11 is not being applied in the operational indicators (installed capacity, output, etc.).
1. Iberdrola today

1.1. The utility of the future
1.2. Purpose and values
1.3. Value chain
1.4. Company performance
1.5. Key figures
1.6. Presence by areas of activity
1.7. Key milestones of 2021
1.8. Iberdrola and the war in Ukraine
1.9. Recognitions and comparative results
1.1. The utility of the future

With over 170 years of history behind us, the Iberdrola group is now a global energy leader and one of the world's largest electricity utilities in terms of market capitalisation\(^1\). Iberdrola has anticipated to the energy transition by two decades to combat climate change and provide a sustainable and competitive business model that creates value in the places where the company operates.

The group supplies energy to almost 100 million people in dozens of countries, employs close to 40,000 people and has assets in excess of €140,000 million\(^1\).

**Key figures of the group**

1. At year-end 2021.
2. Consumers: for electric power, total number of liberalised market customers is used for areas of distribution and liberalised supply in the liberalised market, while supply points are used for the other areas. For gas: total number of liberalised market gas customers is used, except for the United States, where total number of supply points is used.
4. Includes the purchase of Neoenergia Brasilia (CEB-D), in the amount of €409 million.
5. Data from the Study of Iberdrola’s Impact, prepared by PwC using data for financial year 2020.
1.2. Purpose and values

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

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

This purpose expresses:

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

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

**Sustainable energy**: the group seeks to always be a model of inspiration, creating economic, social and environmental value in all of its surroundings, and with the future in mind.

**Integrating force**: the group works with strength and responsibility, combining talents, for a Purpose that is to be achieved by all and for all.

**Driving force**: the group brings about small and large changes in order to make people’s lives easier, always seeking to improve, and to do so efficiently and with high self-imposed standards.
1.3. Value chain

Generation of electricity and green hydrogen

Construction, operation and maintenance of generating plants; and purchase/sale of energy on wholesale markets.

Transmission and distribution

Construction, operation and maintenance of electrical lines, substations, transformer centres and other infrastructure, to bring electrical power from production centres to the end user and to integrate distributed generation within the grid.

Electricity production

- 18% Nuclear
- 19% Combined cycle
- 57% Renewable
- 6% Cogeneration

164,266 GWh

(1) Percentages are over owned production, which amounts 129,331 GWh.

Electric networks

- 4,571 High- to medium-voltage transformer substations.
- 19,489 km of transmission lines
- 1,342 km of distribution lines

(2) At 31 December 2021.
Sale of electricity and gas, innovative products and services (Smart)

End user supply of electricity, gas, “smart” and innovative energy products and services.

1.6 million Medium- to low-voltage distribution transformers.

Underground lines
1,022,113 km of transmission lines
197,193 km of distribution lines

Consumers

36.1 million

IEI
3%

Brazil
44%

Spain
31%

United Kingdom
13%

United States
9%

44%
## 1.4. Company performance

### Sales (€M)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (€M)</td>
<td>31,263</td>
<td>35,076</td>
<td>36,438</td>
<td>33,145</td>
<td>39,114</td>
</tr>
</tbody>
</table>

### EBITDA (€M)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (€M)</td>
<td>7,319</td>
<td>9,349</td>
<td>10,104</td>
<td>10,038</td>
<td>12,006</td>
</tr>
</tbody>
</table>

### Net profit (€M)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit (€M)</td>
<td>2,804</td>
<td>3,014</td>
<td>3,466</td>
<td>3,611</td>
<td>3,885</td>
</tr>
</tbody>
</table>

### Total installed capacity (MW)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total installed capacity (MW)</td>
<td>48,447</td>
<td>46,694</td>
<td>52,082</td>
<td>55,111</td>
<td>58,320</td>
</tr>
</tbody>
</table>

### Net production (GWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net production (GWh)</td>
<td>137,549</td>
<td>145,605</td>
<td>151,758</td>
<td>162,842</td>
<td>164,266</td>
</tr>
</tbody>
</table>

### Distributed electricity (GWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributed electricity (GWh)</td>
<td>230,151</td>
<td>233,409</td>
<td>233,541</td>
<td>224,971</td>
<td>237,752</td>
</tr>
</tbody>
</table>

### Assets (€M)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets (€M)</td>
<td>110,689</td>
<td>113,038</td>
<td>123,025</td>
<td>122,518</td>
<td>141,752</td>
</tr>
</tbody>
</table>

### Employees

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>34,255</td>
<td>34,078</td>
<td>35,374</td>
<td>37,127</td>
<td>39,955</td>
</tr>
</tbody>
</table>

### Consumers (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers (millions)</td>
<td>33.0</td>
<td>33.6</td>
<td>33.9</td>
<td>34.4</td>
<td>36.1</td>
</tr>
</tbody>
</table>
Own emission-free installed capacity (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>74</td>
<td>77</td>
<td>77</td>
<td>79</td>
<td>81</td>
</tr>
</tbody>
</table>

Own specific CO₂ emissions (t / GWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>136</td>
<td>112</td>
<td>110</td>
<td>98</td>
<td>96</td>
</tr>
</tbody>
</table>

Water use / overall production (m³/GWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>597</td>
<td>604</td>
<td>583</td>
<td>434</td>
<td>307</td>
</tr>
</tbody>
</table>

Gender diversity (% women on workforce)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
</tbody>
</table>

Accident frequency rate¹

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1.75</td>
<td>1.37</td>
<td>1.33</td>
<td>1.20</td>
<td>1.06</td>
</tr>
</tbody>
</table>

Hours of training per employee trained

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>41.8</td>
<td>45.2</td>
<td>54.9</td>
<td>53.4</td>
<td>58.6</td>
</tr>
</tbody>
</table>

¹ Frequency rate = (number of accidents with leave*1,000,000) / hours worked.
## Key figures

### Financial performance (€M)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Δ Annual average 2017-2021 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>31,263</td>
<td>35,076</td>
<td>36,438</td>
<td>33,145</td>
<td>39,114</td>
<td>5.8</td>
</tr>
<tr>
<td>Consolidated gross margin</td>
<td>13,364</td>
<td>15,435</td>
<td>16,263</td>
<td>16,145</td>
<td>17,062</td>
<td>6.3</td>
</tr>
<tr>
<td>Consolidated EBITDA</td>
<td>7,319</td>
<td>9,349</td>
<td>10,104</td>
<td>10,038</td>
<td>12,006</td>
<td>13.2</td>
</tr>
<tr>
<td>Amortisation, ...</td>
<td>(4,606)</td>
<td>(3,910)</td>
<td>(4,227)</td>
<td>(4,474)</td>
<td>(4,663)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>2,713</td>
<td>5,439</td>
<td>5,564</td>
<td>7,343</td>
<td>28.3</td>
<td></td>
</tr>
<tr>
<td>Financial results</td>
<td>2,713</td>
<td>5,439</td>
<td>5,564</td>
<td>7,343</td>
<td>28.3</td>
<td></td>
</tr>
<tr>
<td>Results from companies consolidated by the equity method</td>
<td>(29)</td>
<td>56</td>
<td>(91)</td>
<td>(74)</td>
<td>(26.4)</td>
<td></td>
</tr>
<tr>
<td>Pre-tax profit (EBT)</td>
<td>2,026</td>
<td>4,348</td>
<td>4,720</td>
<td>5,034</td>
<td>6,226</td>
<td>32.6</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>1,397</td>
<td>959</td>
<td>914</td>
<td>1,083</td>
<td>1,914</td>
<td></td>
</tr>
<tr>
<td>Minority interests</td>
<td>(366)</td>
<td>(323)</td>
<td>(348)</td>
<td>(467)</td>
<td>(6.3)</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>2,804</td>
<td>3,014</td>
<td>3,466</td>
<td>3,611</td>
<td>3,885</td>
<td>8.5</td>
</tr>
<tr>
<td>Total assets</td>
<td>110,689</td>
<td>113,038</td>
<td>123,025</td>
<td>122,518</td>
<td>141,752</td>
<td>6.4</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>42,733</td>
<td>43,977</td>
<td>47,195</td>
<td>47,219</td>
<td>56,126</td>
<td>7.1</td>
</tr>
<tr>
<td>Gross investments</td>
<td>6,632</td>
<td>6,173</td>
<td>8,158</td>
<td>9,246</td>
<td>9,940</td>
<td>10.6</td>
</tr>
<tr>
<td>Funds from Operations (FFO) adjusted</td>
<td>6,479</td>
<td>7,328</td>
<td>8,060</td>
<td>8,292</td>
<td>8,993</td>
<td>8.5</td>
</tr>
<tr>
<td>Adjusted net Bank borrowings</td>
<td>32,856</td>
<td>34,149</td>
<td>37,769</td>
<td>35,142</td>
<td>39,119</td>
<td>4.5</td>
</tr>
</tbody>
</table>

### Financial ratios

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Δ Annual average 2017-2021 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA margin (EBITDA / revenues) (%)</td>
<td>23.4</td>
<td>26.7</td>
<td>27.7</td>
<td>30.3</td>
<td>30.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Net profit margin (Net profit / Revenues) (%)</td>
<td>9.0</td>
<td>8.6</td>
<td>9.4</td>
<td>10.9</td>
<td>9.9</td>
<td>2.4</td>
</tr>
<tr>
<td>NOE / Gross margin (%)</td>
<td>31.2</td>
<td>26.9</td>
<td>26.6</td>
<td>26.5</td>
<td>24.8</td>
<td>(5.6)</td>
</tr>
<tr>
<td>Adjusted Net financial debt / EBITDA (multiple)</td>
<td>4.49</td>
<td>3.65</td>
<td>3.74</td>
<td>3.5</td>
<td>3.2</td>
<td>(8.1)</td>
</tr>
<tr>
<td>Adjusted financial leveraging (%)</td>
<td>43.5</td>
<td>43.7</td>
<td>44.7</td>
<td>42.3</td>
<td>41.0</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Funds from Operations (FFO) / Adjusted net financial debt (NFD) (%)</td>
<td>19.7</td>
<td>21.5</td>
<td>21.5</td>
<td>23.6</td>
<td>23.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Retained cash flow (RCF / NFD) (%)</td>
<td>17.2</td>
<td>20.2</td>
<td>20.0</td>
<td>21.4</td>
<td>20.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Return on equity (ROE) (%)</td>
<td>7.8</td>
<td>8.4</td>
<td>9.2</td>
<td>9.7</td>
<td>8.6</td>
<td>2.5</td>
</tr>
</tbody>
</table>

### Stock market performance

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>Δ Annual average 2017-2021 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock market capitalisation at year-end (€M)</td>
<td>40,811</td>
<td>44,898</td>
<td>58,404</td>
<td>74,296</td>
<td>66,271</td>
<td>12.9</td>
</tr>
<tr>
<td>Number of shares at year-end (millions)</td>
<td>6,318</td>
<td>6,398</td>
<td>6,362</td>
<td>6,350</td>
<td>6,366</td>
<td>0.2</td>
</tr>
<tr>
<td>Share price at year-end (€)</td>
<td>6.46</td>
<td>7.02</td>
<td>9.18</td>
<td>11.70</td>
<td>10.41</td>
<td>12.7</td>
</tr>
<tr>
<td>Earnings per share (EPS)</td>
<td>0.44</td>
<td>0.47</td>
<td>0.53</td>
<td>0.55</td>
<td>0.58</td>
<td>7.2</td>
</tr>
<tr>
<td>Dividend per share (DPS)</td>
<td>0.312</td>
<td>0.326</td>
<td>0.351</td>
<td>0.405</td>
<td>0.422</td>
<td>7.8</td>
</tr>
<tr>
<td>Dividend yield (%)</td>
<td>4.83</td>
<td>4.64</td>
<td>3.82</td>
<td>3.46</td>
<td>4.05</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Total dividend (including cash payments) (€M)</td>
<td>1,996</td>
<td>2,077</td>
<td>2,247</td>
<td>2,517</td>
<td>2,664</td>
<td>7.5</td>
</tr>
<tr>
<td>Payout ratio (%)</td>
<td>71.2</td>
<td>68.9</td>
<td>66.0</td>
<td>73.9</td>
<td>75.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Share price / net earnings per share (PER)</td>
<td>14.68</td>
<td>14.94</td>
<td>17.32</td>
<td>21.18</td>
<td>17.81</td>
<td>5.0</td>
</tr>
</tbody>
</table>
### Operating performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Installed capacity (MW)</th>
<th>Net Own Capacity</th>
<th>Third-party Capacity</th>
<th>Net production (GWh)</th>
<th>Electric power distributed (GWh)</th>
<th>Km of lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>48,447</td>
<td>43,811</td>
<td>4,636</td>
<td>137,549</td>
<td>230,151</td>
<td>1,156,611</td>
</tr>
<tr>
<td>2018</td>
<td>46,694</td>
<td>42,056</td>
<td>4,636</td>
<td>145,605</td>
<td>233,409</td>
<td>1,173,672</td>
</tr>
<tr>
<td>2019</td>
<td>52,082</td>
<td>45,702</td>
<td>6,380</td>
<td>151,758</td>
<td>233,541</td>
<td>1,191,288</td>
</tr>
<tr>
<td>2020</td>
<td>55,111</td>
<td>47,965</td>
<td>7,146</td>
<td>162,842</td>
<td>224,988</td>
<td>1,206,783</td>
</tr>
<tr>
<td>2021</td>
<td>58,320</td>
<td>51,174</td>
<td>7,146</td>
<td>164,266</td>
<td>237,752</td>
<td>1,240,137</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Δ Annual average 2017-2021 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.7</td>
</tr>
<tr>
<td>4.0</td>
</tr>
<tr>
<td>11.4</td>
</tr>
<tr>
<td>4.5</td>
</tr>
<tr>
<td>5.3</td>
</tr>
<tr>
<td>2.0</td>
</tr>
<tr>
<td>0.8</td>
</tr>
<tr>
<td>1.8</td>
</tr>
</tbody>
</table>

### Environmental performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Emission-free installed capacity (%)</th>
<th>Emission-free output (%)</th>
<th>Specific CO₂ emissions (GWh)</th>
<th>Fossil fuel (tep/GWh)</th>
<th>Energy savings of green products and services (GJ)</th>
<th>Energy produced under certified environmental management systems (%)</th>
<th>Water use/overall production (m³/GWh)</th>
<th>Direct emissions of CO₂, Scope 1 (kt)</th>
<th>Direct emissions of CO₂, Scope 2 (kt)</th>
<th>Other indirect emissions, Scope 3 (kt)</th>
<th>CO₂ avoided due to efficiency initiatives</th>
<th>SO₂ emissions (kt/GWh)</th>
<th>NOx emissions (kg/MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>74</td>
<td>70</td>
<td>136</td>
<td>189</td>
<td>50,925,130</td>
<td>80</td>
<td>597</td>
<td>15,020</td>
<td>3,415</td>
<td>56,212</td>
<td>23,460</td>
<td>0.038</td>
<td>0.113</td>
</tr>
<tr>
<td>2018</td>
<td>77</td>
<td>75</td>
<td>112</td>
<td>174</td>
<td>43,742,176</td>
<td>80</td>
<td>604</td>
<td>13,328</td>
<td>2,544</td>
<td>51,969</td>
<td>24,334</td>
<td>0.023</td>
<td>0.082</td>
</tr>
<tr>
<td>2019</td>
<td>77</td>
<td>72</td>
<td>110</td>
<td>173</td>
<td>49,048,936</td>
<td>83</td>
<td>583</td>
<td>13,064</td>
<td>2,082</td>
<td>54,278</td>
<td>18,543</td>
<td>0.011</td>
<td>0.363</td>
</tr>
<tr>
<td>2020</td>
<td>79</td>
<td>75</td>
<td>98</td>
<td>169</td>
<td>222,495,154</td>
<td>78</td>
<td>434</td>
<td>13,136</td>
<td>1,883</td>
<td>57,852</td>
<td>31,300</td>
<td>0.008</td>
<td>0.375</td>
</tr>
<tr>
<td>2021</td>
<td>81</td>
<td>75</td>
<td>96</td>
<td>216</td>
<td>266,134,260</td>
<td>80</td>
<td>307</td>
<td>13,207</td>
<td>2,162</td>
<td>53,898</td>
<td>27,720</td>
<td>0.007</td>
<td>0.365</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Δ Annual average 2017-2021 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3</td>
</tr>
<tr>
<td>1.7</td>
</tr>
<tr>
<td>(3.3)</td>
</tr>
<tr>
<td>3.4</td>
</tr>
<tr>
<td>(0.0)</td>
</tr>
<tr>
<td>(15.3)</td>
</tr>
<tr>
<td>(3.2)</td>
</tr>
<tr>
<td>(10.8)</td>
</tr>
<tr>
<td>(1.0)</td>
</tr>
<tr>
<td>(34.5)</td>
</tr>
</tbody>
</table>

### Social performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumers (millions)</th>
<th>Electric power</th>
<th>Spain</th>
<th>United Kingdom</th>
<th>United States</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>33.0</td>
<td>29.0</td>
<td>29.8</td>
<td>30.1</td>
<td>31.7</td>
<td>3.7</td>
</tr>
<tr>
<td>2018</td>
<td>33.6</td>
<td>29.5</td>
<td>28.9</td>
<td>30.1</td>
<td>31.7</td>
<td>3.7</td>
</tr>
<tr>
<td>2019</td>
<td>33.9</td>
<td>29.8</td>
<td>30.1</td>
<td>31.7</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>34.5</td>
<td>30.1</td>
<td>31.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>36.1</td>
<td>31.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Δ Annual average 2017-2021 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3</td>
</tr>
</tbody>
</table>

#### Electric power

- Spain: 10.2
- United Kingdom: 3.0
- United States: 2.2
- Brazil: 13.6

#### Gas

- Spain: 1.0
- United Kingdom: 2.0
- United States: 1.0

#### Number of employees

- 2017: 34,255
- 2018: 34,078
- 2019: 34,374
- 2020: 37,127
- 2021: 39,378

### Notes

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

2. Calculated on own production.

3. Conversion factor used: 1GWh = 0.023888889 Tep.


5. Consumers: for electric power, total number of customers is used where there are areas of electricity distribution and retailing, supply points are used for the other areas. For gas: total number of gas customers is used, except for the United States, where total number of supply points is used.

6. Accident frequency rate = (number of accidents with leave*1,000,000) / hours worked.

7. Increase in contribution to society in 2020 due to the company’s effort in the fight against COVID-19.

8. Amount awarded in 2021: €12,163 milion.
## 1.6. Presence by areas of activity

### Iberdrola in Spain

![El Sedregal wind farm - Asturias, Spain](image)

### Key figures 2021

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installed capacity (MW)</td>
<td>28,427</td>
</tr>
<tr>
<td>Renewable installed capacity (MW)</td>
<td>19,210</td>
</tr>
<tr>
<td>Net production (GWh)</td>
<td>60,968</td>
</tr>
<tr>
<td>Km / Power lines</td>
<td>269,595</td>
</tr>
<tr>
<td>Distributed energy (GWh)</td>
<td>90,962</td>
</tr>
<tr>
<td>Millions of consumers</td>
<td>11.2</td>
</tr>
<tr>
<td>Employees</td>
<td>9,727</td>
</tr>
<tr>
<td>€M Gross investments</td>
<td>2,272</td>
</tr>
<tr>
<td>€M Direct tax contribution</td>
<td>3,469</td>
</tr>
</tbody>
</table>

(1) Total number of liberalised market electricity and gas customers.
3 Batteries
14 MW

19 Cogeneration plants
347 MW

212 Wind farms
6,125 MW

5 Nuclear plants
3,177 MW

18 Photovoltaic plants
2,086 MW

10 Combined cycle gas plants
5,695 MW

153 Hydroelectric plants\(^1\) + mini-hydroelectric plants
10,985 MW

---

(1) The data on hydroelectric plants include the Daivoses and Gouvaes power plants in Portugal, although they appear on the Iberdrola Energía International map.
## Iberdrola in the United Kingdom

![East Anglia ONE offshore wind farm - North Sea, United Kingdom](image)

### Primary brands

<table>
<thead>
<tr>
<th>Local brand</th>
<th>Operating brand</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ScottishPower</td>
</tr>
<tr>
<td></td>
<td>ScottishPower Renewables</td>
</tr>
<tr>
<td></td>
<td>SP Energy Networks</td>
</tr>
</tbody>
</table>

### Key figures 2021

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installed capacity</td>
<td>3,008 MW</td>
<td></td>
</tr>
<tr>
<td>Renewable installed capacity</td>
<td>3,008 MW</td>
<td></td>
</tr>
<tr>
<td>Net production</td>
<td>6,717 GWh</td>
<td></td>
</tr>
<tr>
<td>Km / Power lines</td>
<td>110,681</td>
<td></td>
</tr>
<tr>
<td>GWh</td>
<td>32,221</td>
<td>Distributed energy</td>
</tr>
<tr>
<td>Millions of consumers¹</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>5,708</td>
<td></td>
</tr>
<tr>
<td>€M Gross investments</td>
<td>1,081</td>
<td></td>
</tr>
<tr>
<td>€M Direct tax contribution</td>
<td>720</td>
<td></td>
</tr>
</tbody>
</table>

---

¹ Total number of liberalised market electricity and gas customers.
## Iberdrola in the United States

Amazon wind farm - North Carolina, United States.

### Primary brands

<table>
<thead>
<tr>
<th>Local brand</th>
<th>Operating brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVANGRID RENEWABLES</td>
<td>BERKSHIRE GAS</td>
</tr>
<tr>
<td>AVANGRID</td>
<td>CENTRAL MAINE POWER</td>
</tr>
<tr>
<td></td>
<td>CNG</td>
</tr>
<tr>
<td></td>
<td>MAINE NATURAL GAS</td>
</tr>
<tr>
<td></td>
<td>NYSEG</td>
</tr>
<tr>
<td></td>
<td>RG&amp;E</td>
</tr>
<tr>
<td></td>
<td>SCG</td>
</tr>
<tr>
<td></td>
<td>UI</td>
</tr>
</tbody>
</table>

### Key figures 2021

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installed capacity (MW)</td>
<td>9,149</td>
</tr>
<tr>
<td>Renewable installed capacity (MW)</td>
<td>8,309</td>
</tr>
<tr>
<td>Net production (GWh)</td>
<td>22,591</td>
</tr>
<tr>
<td>Km / Power lines</td>
<td>168,044</td>
</tr>
<tr>
<td>GWh Distributed energy</td>
<td>38,756</td>
</tr>
<tr>
<td>Millions of consumers</td>
<td>3.3</td>
</tr>
<tr>
<td>Employees</td>
<td>7,349</td>
</tr>
<tr>
<td>€M Gross investments</td>
<td>2,732</td>
</tr>
<tr>
<td>€M Direct tax contribution</td>
<td>1,037</td>
</tr>
</tbody>
</table>

(1) Total number of electricity and gas supply points.
Wind farms: 69, 7,945 MW
Cogeneration plants: 1, 636 MW
Hydroelectric plants: 9, 118 MW
Other renewables: 5, 13 MW
Photovoltaic plants: 5, 232 MW
Combined cycle gas plants: 3, 204 MW

Projects under construction:
- 4 photovoltaic plants
- 4 wind farms
- 2 combined cycle gas plants
- 1 transmission line

Iberdrola today  |  Presence by areas of activity

www.iberdrola.com

Integrated report. March 2022
Iberdrola in Brazil

Itpaebi hydroelectric plant - Bahia and Minas Gerais, Brazil

Primary brands

Local brand

Operating brand

NEOENERGIA BRASILIA

NEOENERGIA PERNAMBUCO

NEOENERGIA COELBA

NEOENERGIA COSERN

NEOENERGIA ELEKTRO

Key figures 2021

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installed capacity (MW)</td>
<td>4,547</td>
</tr>
<tr>
<td>Renewable installed capacity (MW)</td>
<td>4,014</td>
</tr>
<tr>
<td>Net production (GWh)</td>
<td>15,129</td>
</tr>
<tr>
<td>Km / Power lines</td>
<td>691,817</td>
</tr>
<tr>
<td>Distributed energy (GWh)</td>
<td>75,813</td>
</tr>
<tr>
<td>Employees</td>
<td>15,058</td>
</tr>
<tr>
<td>€M Gross investments</td>
<td>2,058</td>
</tr>
<tr>
<td>Millions of consumers</td>
<td>15.7</td>
</tr>
</tbody>
</table>

(1) The brands of the distributors operating in Brazil have been unified under the Neoenergia brand.
(2) Total number of electricity supply points.
(3) Includes the purchase of Neoenergia Brasilia (CEB-D), in the amount of €409 million.
Iberdrola in Brazil

- **Hydroelectric plants**: 8, 3.031 MW
- **Combined cycle gas plants**: 1, 533 MW
- **Wind farms**: 32, 984 MW

**Projects under construction**
- **Transmission lines**: 6
- **Electricity distribution**: 1
- **Area of influence**: 27

[www.iberdrola.com](http://www.iberdrola.com)
Iberdrola in Mexico

Cuyoaco solar photovoltaic power plant - Puebla, Mexico

Primary brands

Local brand

IBERDROLA MÉXICO

Operating brands

IBERDROLA MÉXICO RENOYABLES

IBERDROLA MÉXICO GENERACIÓN

Key figures 2021

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own installed capacity</td>
<td>3,537 MW</td>
</tr>
<tr>
<td>Own renewable installed capacity</td>
<td>1,232 MW</td>
</tr>
<tr>
<td>Net own production</td>
<td>19,361 GWh</td>
</tr>
<tr>
<td>Third-party capacity</td>
<td>7,146 MW</td>
</tr>
<tr>
<td>Third-party installed renewable capacity</td>
<td>103 MW</td>
</tr>
<tr>
<td>Net third-party production</td>
<td>34,935 GWh</td>
</tr>
<tr>
<td>Employees</td>
<td>1,296</td>
</tr>
<tr>
<td>€M Gross investments</td>
<td>244</td>
</tr>
<tr>
<td>€M Direct tax contribution</td>
<td>266</td>
</tr>
</tbody>
</table>
Photovoltaic plants
642 MW

Cogeneration plants
202 MW

Wind farms
693 MW

Combined cycle gas plants
2.103 MW own
7.043 MW for third parties

Main offices
Area of influence
Area with projects under construction

Projects under construction

www.iberdrola.com
### Iberdrola Energía Internacional (IEI)

#### Primary brands

<table>
<thead>
<tr>
<th>Local brand</th>
<th>Operating brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBERDROLA INTERNACIONAL</td>
<td>IBERDROLA INTERNACIONAL RENOVABLES</td>
</tr>
<tr>
<td>IBERDROLA</td>
<td></td>
</tr>
</tbody>
</table>

#### Key figures 2021

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Installed capacity</td>
<td>2,505 MW</td>
</tr>
<tr>
<td>Renewable installed capacity</td>
<td>2,262 MW</td>
</tr>
<tr>
<td>Millions of consumers</td>
<td>1.1</td>
</tr>
<tr>
<td>GWh Net production</td>
<td>4,565</td>
</tr>
<tr>
<td>GWh Net renewable production</td>
<td>4,531</td>
</tr>
<tr>
<td>Employees</td>
<td>817</td>
</tr>
<tr>
<td>€M Gross investments</td>
<td>1,566</td>
</tr>
<tr>
<td>€M Direct tax contribution</td>
<td>286</td>
</tr>
</tbody>
</table>

(1) Total number of electricity and gas customers.
(1) The data on the Daivoes and Gouvaes power plants in Portugal are included in Iberdrola España, although they appear on this map.
## Installed capacity (MW)\(^1,2\)

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>United Kingdom</th>
<th>United States</th>
<th>Brazil</th>
<th>Mexico</th>
<th>IBER</th>
<th>Total Iberdrola</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore wind</td>
<td>19,210</td>
<td>17,411</td>
<td>3,008</td>
<td>2,864</td>
<td>8,309</td>
<td>7,982</td>
<td>4,014</td>
</tr>
<tr>
<td>Offshore wind</td>
<td>6,124</td>
<td>6,292</td>
<td>1,986</td>
<td>1,950</td>
<td>7,945</td>
<td>7,721</td>
<td>984</td>
</tr>
<tr>
<td>Hydroelectric</td>
<td>10,700</td>
<td>9,715</td>
<td>0</td>
<td>0</td>
<td>118</td>
<td>118</td>
<td>3,031</td>
</tr>
<tr>
<td>Nuclear</td>
<td>3,177</td>
<td>3,177</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gas combined cycle</td>
<td>5,695</td>
<td>5,695</td>
<td>0</td>
<td>0</td>
<td>204</td>
<td>204</td>
<td>533</td>
</tr>
<tr>
<td>Cogeneration</td>
<td>347</td>
<td>353</td>
<td>0</td>
<td>0</td>
<td>636</td>
<td>636</td>
<td>0</td>
</tr>
<tr>
<td>Coal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>28,427</td>
<td>26,635</td>
<td>3,008</td>
<td>2,864</td>
<td>9,149</td>
<td>8,822</td>
<td>4,547</td>
</tr>
</tbody>
</table>

Net electricity production (GWh)

<table>
<thead>
<tr>
<th></th>
<th>Spain</th>
<th>United Kingdom</th>
<th>United States</th>
<th>Brazil</th>
<th>Mexico</th>
<th>IBER</th>
<th>Total Iberdrola</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onshore wind</td>
<td>28,420</td>
<td>25,919</td>
<td>6,717</td>
<td>6,677</td>
<td>19,400</td>
<td>19,371</td>
<td>11,935</td>
</tr>
<tr>
<td>Offshore wind</td>
<td>11,937</td>
<td>11,617</td>
<td>3,284</td>
<td>3,581</td>
<td>18,943</td>
<td>18,930</td>
<td>2,313</td>
</tr>
<tr>
<td>Hydroelectric</td>
<td>14,620</td>
<td>13,111</td>
<td>0</td>
<td>0</td>
<td>132</td>
<td>120</td>
<td>9,622</td>
</tr>
<tr>
<td>Nuclear</td>
<td>347</td>
<td>353</td>
<td>0</td>
<td>0</td>
<td>636</td>
<td>636</td>
<td>0</td>
</tr>
<tr>
<td>Combined cycle(^3)</td>
<td>7,023</td>
<td>7,216</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>6</td>
<td>3,194</td>
</tr>
<tr>
<td>Cogeneration</td>
<td>2,331</td>
<td>2,166</td>
<td>0</td>
<td>0</td>
<td>3,184</td>
<td>2,745</td>
<td>0</td>
</tr>
<tr>
<td>Coal(^4)</td>
<td>0</td>
<td>237</td>
<td>0</td>
<td>0</td>
<td>3,184</td>
<td>2,745</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>60,968</td>
<td>59,854</td>
<td>6,717</td>
<td>6,677</td>
<td>22,591</td>
<td>22,122</td>
<td>15,129</td>
</tr>
</tbody>
</table>

---

(1) Data for Production and Installed Capacity include the power stations in which Iberdrola has a stake, based on its percentage interest.
(2) Totals may vary due to rounding of decimals.
(3) Includes capacity of Peaking United States and IEI.
(4) Coal-fired electricity production prior to the final closure of coal-fired power plants in Spain.
1.7. Key milestones of 2021

- **January**
  - Iberdrola Mexico completes the Cuyoaco photovoltaic plant project with 200 MW of installed capacity.
  - AVANGRID commissions the 155 MW Tatanka Ridge wind farm.

- **February**
  - Iberdrola joins the launch of the “Race to Zero Breakthrough” initiative to achieve a zero-emission economy by 2050.
  - Publication of the agreement with DP Energy to acquire a majority stake in offshore wind projects on the east, west and south coasts of Ireland.

- **March**
  - Iberdrola Mexico commissions the 105 MW Santiago wind farm, the seventh in the country.
  - The Iberdrola Stakeholders’ Hub holds its eighth meeting to further promote company-wide Stakeholder engagement.

- **April**
  - Neoenergia finalises the acquisition of Brazilian distributor CEB-D.
  - Launch of UK’s largest electrolyser project at the Whitelee complex.

- **May**
  - Neoenergia finalises the acquisition of Brazilian distributor CEB-D.
  - First wind turbine installed at the Port Augusta wind-solar facility in Australia.

- **June**
  - Iberdrola heads the new Reskilling 4 Employment programme developed by the European Round Table (ERT).
  - Agreement signed with GS Energy for joint development of projects in South Korea and other Asian regions.

- **July**
  - Construction begins on Europe’s first and largest green hydrogen plant in Puertollano (Spain).
  - Signing of Europe’s first energy loan linked to reduced water consumption.

- **August**
  - ScottishPower and Shell team up to develop floating offshore wind farms in Scotland.
  - Iberdrola ranked as sustainability leader in the utilities sector, according to Sustainalytics ESG Risk Rating.

- **September**
  - Commissioning of the first wind turbines at the Chafariz complex, Neoenergia’s largest wind project.
  - Iberdrola, founding partner of the Global Alliance for Sustainable Energy.

- **October**
  - Iberdrola launches its new renewables subsidiary in Japan.
  - Iberdrola once again ranks as a world leader in the fight against climate change according to Influence Map.

- **November**
  - ScottishPower is the main sponsor of COP26 in Glasgow.
  - Iberdrola named by Standard & Poor’s as the world’s best energy company in terms of environmental, social and governance criteria.

- **December**
  - Iberdrola and H2 Green Steel agree to invest €2,300 million to build a 1,000 MW green hydrogen plant.
  - Iberdrola and H2 Green Steel agree to invest €2,300 million to build a 1,000 MW green hydrogen plant.

---

(1) On 17 January 2022, the companies won the United Kingdom’s largest offshore wind auction to develop three large-scale projects totalling 7,000 MW, with an estimated investment of €22,500 million.
1.8. Iberdrola and the war in Ukraine

In 2022, the war in Ukraine has had socio-economic impacts that are still difficult to quantify, triggering a migration crisis unparalleled in Europe since World War II and jeopardising commodity supplies for many countries inside and outside Europe.

This situation is also affecting energy prices, driven by the increase in gas prices, around 40% of which comes from Russia in the case of Europe.

More than ever, the invasion of Ukraine accentuates the importance of Europe’s energy security and self-sufficiency, a goal that is fully compatible with decarbonisation. As noted in the European Commission’s March 2022 communication, both targets can be met by accelerating the deployment of new renewable capacity; increasing electricity interconnections and grids to facilitate electrification; and maximising energy storage capacity.

Iberdrola supports regulatory developments that strengthen the independency of the European Union in the short, medium and long term, with a safe and efficient supply from a cost perspective. Iberdrola is poised to take a leading role in this process, as the company’s chairman has stated in various international forums.

Iberdrola’s support for society

Iberdrola is actively supporting the people impacted through various measures and initiatives.

As an example, the company has made a network of accommodations and residences available to the authorities, to be used by refugees coming to Spain. Iberdrola will also make its Innovation and Training Campus in San Agustín de Guadalix available to the central government to teach Spanish to refugees, as well as skills to facilitate their adaptation and integration into the labour market, with special focus on women and children.

The company has also offered the use of its logistical infrastructure to transport medical supplies, food, clothing and other provisions. In this regard, Iberdrola has expressed its intention to work with the Official Associations of Spanish Pharmacists for the purchase and shipment of health products. It would also be able to send electric generators for use in possible refugee camps.

Finally, the company has mobilised its 12,000 volunteers (8,000 in Spain) so that they can help in the different lines of activity that have been implemented, including for example fundraising efforts in favour of the UNHCR to provide shelter, warm clothes, mattresses, blankets, water and immediate food aid to those fleeing Ukraine and arriving at EU borders.

Iberdrola will continue to monitor the humanitarian and economic crisis so as to continue acting proactively and anticipating the possible negative impacts thereof, both on the company and on its main stakeholders.
1.9. Recognitions and comparative results

External recognitions

The only European utility included for the past 22 years, it is considered one of the most sustainable electric utilities in the world. DJSI World & DJSI Europe.

- **Selected in 2021**
  - Global 100

- **Selected for the index since 2009**
  - FTSE4Good

- **A score of ‘A’ in the CDP Climate Change Index 2021**

- **Chosen as CDP Supplier Engagement Leader**

- **Selected AAA**
  - MSCI ESG Ratings

- **Selected in several Euronext Vigeo Eiris indices**

- **Classified as “Silver Class” in the electricity sector**
  - Sustainability Award Silver Class 2022
  - S&P Global

- **mercoEMPRESAS 2021: Iberdrola among the 10 best-positioned companies**

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

- **Fortune Global 500: Selected**

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

- **Ranked first in the Climate Policy Engagement Ranking**

- **Included in the top 10 Standard & Poor’s (S&P) Global Clean Energy Index**

The only European electric utility selected in all years. Selected in recognition of its equal opportunity and gender policies.

- **First place in the 2021 ranking.**

- **Classified as Prime**
  - Corporate ESG Performance

- **Selected in Forbes 2021 World’s Largest Public Companies**

- **Selected in Forbes 2021 Global 2000: World’s Largest Public Companies**

- **Included in the leading indices**

- **Second-place utility worldwide in the EI Green Utilities Report 2021**

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

- **Among the 500 most valuable brands globally**

- **Among the highest-rated utilities**

- **Among the top 5 of the world’s 50 most influential electric utilities**

- **Included in the index**

- **2020 disclosure score above the average**

- **Ranked first in 2021**

- **Included in the top 10 World’s Top Female Friendly Companies 2021 de Forbes**
Iberdrola today | Recognitions and comparative results

For the company:

• Best Corporate Governance in Spain and United States (World Finance): 2021.
• World’s Most Ethical Company (Ethisphere Institute): 2021.
• World’s best energy company for ESG (Standard & Poor’s): 2021.
• Forbes World’s Top Female Friendly Companies 2021.
• Europe’s leading private electricity company in terms of R&D investment, according to the report “The 2020 Industrial R&D Investment Scoreboard”: 2021.
• Royal Terra Carta Seal (HRH Prince Charles, Prince of Wales): 2021.
• Spanish Company of the Year (Official Spanish Chamber of Commerce in France): 2021.
• Emergency Response Award to AVANGRID distributors (Edison Electric Institute): 2021.
• Best issuer of green corporate bonds and hybrid bonds at the latest “Global Capital Awards”: 2021.
• Gold Star 2021 to ScottishPower for its actions in favour of the most vulnerable groups in the United Kingdom, awarded by the Energy UK industry association.
• ABRADEE award to Neoenergia’s distributors, in recognition of their management quality, social and environmental responsibility and operational management: 2021.
• Ibero-American Quality Award to Iberdrola Mexico (Ibero-American General Secretariat and Fundibeq): 2021.
• Ethics and Values in Industry 2021 Award to Iberdrola Mexico, from the Confederation of Industrial Chambers of the United Mexican States (Confederación de Cámaras Industriales de los Estados Unidos Mexicanos) (CONCAMIN): 2021.
• Pro-Ethics Company Award to Neoenergia (Comptroller General of the Federation): 2021.
• Best utility in the area of Investor Relations (IR Magazine): 2021.
• National Marketing-Sponsorship Award (Spanish Marketing Association): 2021.

To the chairman:

• FEMUR Men for Equality Award (Federation of Rural Women): 2021.
• Award for the promotion of Galician industry (A Coruña Business Confederation): 2021.
• One of the 100 CEOs included in the Brand Finance Brand Guardianship Index 2021 (2021).
• Management Leadership Award (Spanish Quality Association): 2020.
• Alfonso de Salas Award for Economic Personality of the Year (El Economista): 2020.
• Honour Award at the 7th Castilla y León Awards for Best Manager (Castilla y León Económica magazine): 2020.
• Award for professional career (Forinvest): 2020.
• One of the 30 most influential leaders in the fight against climate change (Bloomberg): 2019.
• One of the five best-performing CEOs in the world and top CEO in the utilities sector (Harvard Business Review): 2019.
• Best European Utility CEO (Institutional Investor Research): 2017, for the eleventh time.
• Commander of the Most Excellent Order of the British Empire: 2014.
• Honorary Doctorate from the Universities of Salamanca (2011), Strathclyde (2013) and Edinburgh (2011).
Comparative results

Growth in market capitalisation

Growth in market capitalisation 2011-2021

Average comparables  Iberdrola
11.9%  115.0%

10 years ago, Iberdrola, S.A. held sixth place among comparable companies in terms of capitalisation¹. It now is the leader among those in which the government does not hold an interest.

Share price

Share price 2011-2021

Average comparables  EuroStoxx Utilities  Iberdrola
56.6%  114.2%  182.7%

Comparative performance of total shareholder return 2011-2021

Average comparables  EuroStoxx Utilities  Iberdrola
29.4%  68.0%  132.8%

Iberdrola’s performance

Iberdrola has increased its assets by more than 46% and its revenues by approximately 24% over the last 10 years. It has also improved its EBITDA by more than 57% and its Net Profit by more than 39%, and shareholder remuneration has increased by more than 26%, improving its financial strength.

<table>
<thead>
<tr>
<th>Iberdrola</th>
<th>31-Dec-11</th>
<th>31-Dec-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets (€M)</td>
<td>96,905</td>
<td>141,752</td>
</tr>
<tr>
<td>Revenues (€M)</td>
<td>31,648</td>
<td>39,114</td>
</tr>
<tr>
<td>EBITDA (€M)</td>
<td>7,650</td>
<td>12,006</td>
</tr>
<tr>
<td>Net Profit (€M)</td>
<td>2,805</td>
<td>3,885</td>
</tr>
<tr>
<td>Dividends (€/share)</td>
<td>0.336</td>
<td>0.422</td>
</tr>
<tr>
<td>Net Debt / EBITDA</td>
<td>4.145</td>
<td>3.200</td>
</tr>
</tbody>
</table>

(1) Comparable companies analysed: Engie, EDF, E.On, Enel, RWE.
2. Business model and strategy

2.1. Climate Action
2.2. A successful and consolidated business model
2.3. Regulatory environment
2.4. EU taxonomy
2.5. Sustainable finance
2.6. Networks Business
2.7. Electricity Production and Customers Business
2.8. Management of financial capital
2.1. Climate Action

As a world leader in the fight against climate change, Iberdrola firmly believes that the transition to a carbon neutral economy by 2050 is technologically possible, economically viable and socially necessary.

To this end, over the last two decades, the company has led the energy transition through a sustainable business model, implemented with innovation, flexibility and efficiency in all its business lines.

Iberdrola’s Climate Action Policy establishes the framework for the company’s strategy and business model, aligned with the Paris Agreement and the 2030 Agenda, in the fight against climate change. Through this policy Iberdrola commits to continue assuming a leadership position and contributing to a carbon neutral and sustainable future. The Policy includes among its principles of conduct the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), whereby Iberdrola was one of the first companies to commit to implementing them, as well as those of other standard-setting organisations.

Climate Governance

With a view to ensuring the highest level of compliance and implementation of its policies, the Company has various corporate bodies and internal committees tasked with overseeing the implementation thereof. The bylaws approved by the shareholders at the General Shareholders’ Meeting in June 2021 formalise the Board of Directors’ obligation to approve, monitor and regularly report on the Climate Action Plan.

In response to the need for professionalisation, diversification and qualification on major issues, the Board runs a training and refresher programme for its members, including topics such as decarbonisation and the fight against climate change. The Annual Activities Report of the Board of Directors and of the Committees thereof describes and lists the matters dealt with by the Board and its Committees, and includes all content relating to climate change risk and opportunities. For its part, the structure of remuneration of executive.

In turn, the remuneration structure for executive directors and the management team takes into account economic/financial, operational and sustainability aspects. A long-term remuneration plan (2020-2022 Strategic Bonus) was approved in April 2020 covering parameters related to Sustainable Development Goals, such as reducing the average intensity of CO₂ emissions and increasing the number of suppliers subject to sustainable development standards, among others.

More detailed information can be found in the Governance and Sustainability System section of the Corporate website.

At the operational and management level, an internal multidisciplinary working group was set up in 2017 to coordinate the work carried out in the framework of implementing the TCFD recommendations. Alongside this working group, there are other internal groups, such as the Global Working Group on Climate Change, which brings together different perspectives and organisations in this field.

Climate action objectives and elements

In 2021, Iberdrola has pursued its target of reducing direct emissions intensity to 60 gCO₂/kWh in Europe and 96 gCO₂/kWh globally by 2021, making progress towards the announced targets, which are set out below:
CLIMATE GOALS OF THE IBERDROLA GROUP

So as to achieve its commitment to reduce emissions, Iberdrola will continue to promote a business model and its investment plan.

The Company is working towards fast-tracking its decarbonisation targets. Its climate objectives are linked to the growth and investment strategy which, in turn, is fully geared towards driving a rapid, equitable and inclusive energy transition.

Iberdrola’s Climate Action Plan is also based on core elements such as technological and business innovation, forming alliances and active participation in the main milestones of the climate agenda as well as support for key initiatives that pursue more ambitious climate goals, raising awareness through both external and internal actions and through collaboration with leading institutions.

Climate risks and opportunities. Evaluation and management

Iberdrola’s investment plan is committed to developing renewable energy, smart grids, digitalisation and the geographical and technological diversification of its business. Its design is based on analysing future scenarios to test their resilience to the risks and opportunities of climate change.

The identification, analysis and management of climate change risks has been integrated, with a global focus, into the corporate ERM philosophy that has guided Iberdrola’s risk management since the second half of the last decade.

A review of the climate change risks in 2021 has yielded similar results to previous years, putting the group in a position where the opportunities arising from the decarbonisation of the global economy (growth in renewables, investment in smart grids, electrification of transport, green hydrogen, etc.) clearly outweigh the risks. Furthermore, factors such as advancing the transformation of the business model, asset diversification, past experience, and the integration of climate change science into its decision-making process suggest that, overall, Iberdrola’s business model can be classified as resilient to climate change.

Nevertheless, it is necessary to make further progress and analyse the possible risks—both physical, associated with specific facilities, as well as transition risks—and to continue to strengthen the inclusion of the climate change variable within the Company. For more information, see the chapter on Climate Risk and Opportunity Management in the Statement of Non-Financial Information. Sustainability Report 2021, published on the corporate website.

Indicators and metrics

Iberdrola monitors a number of indicators relating to the climate and to the strategy for combating climate change, which are key for the constant monitoring of the strategy’s resilience in view of the scenarios analysed. These indicators include the inventory of greenhouse gas emissions, emissions intensity, reduction targets, use of energy, energy intensity, the energy mix, renewable installed capacity, water use, source of water, R&D and Capex in the development of low-emission products, services and/or technology.

For more information on the company’s actions to mitigate and adapt to the consequences of climate change, see the specific “Climate Change” section of the website.
2.2. A successful and consolidated business model

Iberdrola firmly believes that the transition to a carbon-neutral economy by 2050 is technologically possible, economically feasible and socially necessary. The decarbonisation of the economy is a tremendous opportunity to create wealth, generate employment and improve both the condition of the planet and people’s health. The group is therefore committed to leading the energy transition, a path it embarked on 20 years ago and that has led it to invest €120,000 million since then.

This commitment will be fulfilled by promoting:

- **Decarbonization of electricity**
  - Offshore wind
  - Pumped Hydro
  - Solar PV
  - Batteries
  - Onshore wind

- **Grid-based integration of system**
  - Automation
  - Smart Grids
  - HVDC
  - DSO Model

- **Electrification of demand**
  - Transport
  - Buildings
  - Industry
  - Heat Pumps
  - Electric Vehicles
  - Green Hydrogen

**MORE RENEWABLES**

**MORE NETWORKS**

**MORE STORAGE**

**MORE ENERGY SOLUTIONS FOR OUR CUSTOMERS**

Two decades of growth based on strong strategic foundations that drive future growth

- **Geographical diversification**
  - Countries with sound credit ratings and ambitious climate policies.

- **Energy transition**
  - Enabling decarbonisation and electrification.

- **Efficiency**
  - Continuous drive for operational excellence.

- **Portfolio optimisation**
  - Contributing to environmental and financial sustainability of our business model.

- **Innovation**
  - Laying foundation for the future.

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

1. Satisfy the expectations of Its Stakeholders.
2. Investment is concentrated in the regulated businesses or businesses with long-term contracts, which provide known and recurring cash flows.
3. Accelerate the growth of its renewable activities, mainly offshore wind, photovoltaic and the production of green hydrogen, to meet its decarbonisation goal.
4. Geographic diversification, with a presence in a growing number of countries.
5. Dividend policy is focused on a strong and growing dividend in line with the increase in the company’s results.
6. Maintain a strong financial position, allowing for the achievement of investment goals.
7. The main funding instrument is Green Finance, which ensures transparency on impact and use, aligned with the EU Taxonomy, thus enabling adequate liquidity to be maintained.
2.3. Regulatory environment

United Kingdom

Following the Government’s announcement in late 2020 of an ambitious Nationally Determined Contribution under the Paris Agreement that called for a cut in emissions of at least 68% by 2030 compared to 1990 levels, in April 2021, the Government adopted the Sixth Carbon Budget under the Climate Change Act that called for a 78% reduction in emissions by 2035 (compared to 1990 levels). This level of ambition for the 2033-2037 period was in line with the recommendations of the independent Climate Change Committee.

In November 2021, the Government published its Net Zero Emissions strategy, outlining its policies and proposals to decarbonise all sectors of the economy on a path towards meeting the legally binding Net Zero target by 2050. This strategy was submitted to the United Nations Framework Convention on Climate Change as the second longterm low greenhouse gas emission development strategy under the Paris Agreement.

Spain

2021 has been marked by volatility and high gas prices, resulting in higher prices in the daily wholesale electricity markets, aggravated by the existence of a regulated tariff for households linked to this price. The Government has adopted a number of measures to mitigate this effect:

- **Temporary tax reductions** (VAT and excise tax), charges on access tariffs, suspension of the electricity generation tax, expansion of the subsidised bonus social rate.
- A charge on non-emitting electricity generation relating to gas prices was approved until the end of March 2022 (Royal Decree 17/2021), from which energy in bilateral contracts was ultimately excluded (Royal Decree 23/2021), notably reducing the impact on electric utility companies. This charge has been extended until June 30th 2022, affecting new contracts which underlying energy price reference is above 67 €/MWh.

In terms of legislation, the Climate Change and Energy Transition Act (Ley de Cambio Climático y Transición Energética) and the final version of the National Integrated Energy and Climate Plan (Plan Integrado de Energía y Clima) (PNIEC) 2021-2030 were adopted, as well as the draft Recovery, Transformation and Resilience Plan, setting out the investment plans for implementing the European aid funds allocated to Spain. Based on the PNIEC and the Recovery Plan, the strategies for Energy Storage, Safe, Sustainable and Connected Mobility 2030, and the roadmaps for the development of Offshore Wind and Self-consumption have been approved. In addition, a number of different aid programmes have been announced through which the funds of the Recovery Plan will be channelled.

European Union

The regulation establishing the allocation rules of the Recovery and Resilience Fund will be completed in 2021, thus facilitating the allocation of a total of €872.5 thousand million, of which €140 thousand million correspond to Spain (€69,500 million in grants, 10.3% of the EU total). Spain will earmark 40% of the allocation for climate objectives and 28% for digitalisation. Projects will have to be aligned with the objectives of the European Green Deal, as well as promote the substitution of fossil fuels.

The Climate Law was enacted, which sets the goal of climate neutrality by 2050 at European level. This law sets a greenhouse gas emission reduction target for 2030 of 55% vs 1990 and requires the European Commission (EC) to propose, by 2024, a target for 2040 and an indicative carbon budget for the period 2030-2050, consistent with a global temperature increase projections of +1.5°C.

In line with the Climate Law, the European Commission published two “Fit for 55” legislative packages to be proposed in the coming years and which embody the European Green Deal on energy. The objectives include:

- **Emission reductions of 61% vs 2005** in the sectors participating in the European Emissions Trading Scheme “EU-ETS”; and inclusion of maritime, road transport and building sectors.
- **Increase of the renewables target to 40% by 2030.**
- **Increased energy efficiency** with primary and final energy savings targets of 39% and 36% in 2030 respectively, compared to the baseline scenario.
- **Decarbonisation of buildings by 2050;** ban on financial incentives for gas boiler installations from 2027.
- Energy taxes consistent with the “polluter pays” principle.
- Promoting clean vehicle **charging infrastructure** in cities, main road networks, ports and airports.
- 100% new passenger cars and vans with zero emissions by 2035.
- Gradual decarbonisation of ships and aircraft.
- Development of **hydrogen** and low carbon gas markets.

Finally, the European Commission presented the first Delegated Act specifying the **Taxonomy** for classifying activities as sustainable, as part of the climate change mitigation and adaptation objectives. For the energy sector, the Act considers renewable electricity generation, electricity distribution and transmission, renewable hydrogen production and the deployment of charging facilities for electric vehicles as sustainable activities.
United States and Canada

During his first year in office, President Biden has pushed forward his commitment to reducing emissions by signing several executive orders. Actions include a federal commitment to achieving net zero emissions by 2050, a goal of 100% carbon-free electricity by 2030, a commitment to deploy 30 GW of offshore wind by 2030, and a number of electric system security initiatives.

In March, Congress approved the $1.9 trillion American Rescue Plan to accelerate the pandemic recovery process.

In November, Congress passed the $1.2 trillion Infrastructure Investment and Jobs Act. It provides funding for a number of areas, including improving resilience of the grid and investment in smart grids, electric vehicle charging infrastructure, clean hydrogen pilot projects, and port upgrades.

The US administration has also launched a number of regulatory actions to advance its climate and Environmental, Social and Governance (ESG) agenda. These actions include: repeal of changes to the licensing rules of the National Environmental Policy Act, requirement for the Securities and Exchange Commission to require climate risk disclosure for listed companies, etc.

Mexico

Significant changes to energy policy and regulation were promoted during 2021 that are contrary to private investment and the development of renewable energy, which are described below:

- In March 2021 an amendment to the Electricity Industry Law (Ley de la Industria Eléctrica) (LIE) was published, but was suspended due to legal proceedings filed by individuals against the law and injunctions issued by the courts, on the grounds that the proposed amendments distort free competition and hinder the growth of renewable energy.

- On 30 September 2021, the Executive submitted an initiative to Congress to reform the Political Constitution on electricity matters, fundamentally aimed at making the Federal Electricity Commission (Comisión Federal de Electricidad) (CFE) the only company authorised to sell energy to end customers (sales monopoly), reducing the role of private companies to mere suppliers of energy to CFE (purchasing monopoly), in addition to abolishing the regulator (Comisión Reguladora de Energía) (CRE) and incorporating the system operator (CENACE) within the CFE. There is no fixed date for this initiative to be debated by the Chamber of Deputies and the Senate, but it could be as early as the second quarter of 2022.

- In June 2021 the CRE provisionally adjusted the method for calculating the charges for basic enduser supply tariffs, temporarily from June to December, applying inflation variations to the actual tariffs for 2020. However, for 2022, the CRE approved the basic supply tariffs based on the methodology published in 2017 based on the real generation costs incurred by CFE Suministro Básico.

Brazil

Several measures were adopted to ensure service in case of drought, including:

- Regulatory Ordinance, for the submission of bids for Voluntary Reduction of Electricity Demand (RVD) by large consumers and industrial users.

- Creation of the Chamber of Exceptional Rules for Hydropower Management (CREG).

- The Incentive Programme for the Voluntary Reduction of Electricity Consumption.

- The establishment of the “Water Scarcity Flag” for all consumers of the SIN (Sistema Interligado Nacional) (except those registered within the subsidised Tarifa Social tariff), entailing a maximum surcharge on consumer tariffs.

In December, the government published an Interim Measure authorising the structuring of credit transactions to cover the distributors’ additional costs arising from the water crisis, so as to mitigate the impacts of this increase on the final consumer.

Also in December, a draft Law was passed to create the regulatory framework for distributed micro- and minigeneration (DG). The draft Law will maintain the current rules until 2045 for units that already have Distributed Generation, as well as for those that apply for distributor access within 12 months of the Law’s publication.
2.4. EU taxonomy

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

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

In 2021 the reporting obligation is limited to the percentage of eligibility, representing the weight of the activities described by Royal Decree 2139/2021. For subsequent years, these eligible activities will have to be analysed from the point of view of alignment with the Taxonomy.

The eligible activities performed by the companies of the Iberdrola group are also eligible under the climate change mitigation and adaptation objectives.

The weights of the eligible activities in the Iberdrola group are presented in the table below.

<table>
<thead>
<tr>
<th>Eligible activities</th>
<th>2021</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenues (Thousands of euros)</td>
<td>OpEx (Thousands of euros)</td>
</tr>
<tr>
<td>Total eligible activities (a)</td>
<td>19,615,644</td>
<td>-2,601,982</td>
</tr>
<tr>
<td>Total Iberdrola group (b)</td>
<td>39,113,454</td>
<td>-4,051,718</td>
</tr>
<tr>
<td>Eligibility percentage (a/b) %</td>
<td>50.2 %</td>
<td>64.2 %</td>
</tr>
</tbody>
</table>

Eligible activities included in the values shown above, according to the nomenclature of Annex I and II of the Delegated Regulation, are:

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

---

(1) This heading includes the following products sold:
- Smart Home: control of the energy consumption of each household appliance, changes in consumption and advice on how to save on bills.
- Smart Mobility: solution for charging electric vehicles with 100% renewable energy. Installation of a charging point, electric contract with zero CO\(_2\) emissions and control from mobile phone with the Smart Mobility Home App.
- Smart Solar: complete solar solution, with installation and maintenance of solar panels so that customers can generate their own electricity.
2.5. Sustainable finance

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

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

By way of summary, at year-end 2021, the composition of the group’s ESG financial operations portfolio was as follows:

<table>
<thead>
<tr>
<th>IBERDROLA GROUP ESG FINANCIAL TRANSACTIONS PORTFOLIO (31/12/2021)</th>
<th>Millions of euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>20,922</td>
</tr>
<tr>
<td>Bonds</td>
<td>14,961</td>
</tr>
<tr>
<td>Bank loans</td>
<td>354</td>
</tr>
<tr>
<td>Multilateral loans</td>
<td>2,658</td>
</tr>
<tr>
<td>Structured funding</td>
<td>2,949</td>
</tr>
<tr>
<td><strong>Sustainable</strong></td>
<td><strong>17,836</strong></td>
</tr>
<tr>
<td>Loans</td>
<td>250</td>
</tr>
<tr>
<td>Credit facilities</td>
<td>12,586</td>
</tr>
<tr>
<td>Commercial paper programmes</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total ESG</strong></td>
<td><strong>38,758</strong></td>
</tr>
</tbody>
</table>

Green finance transactions

The group has signed new green finance transactions in 2021 in the total amount of €7,080\(^1\) million. This brings the total amount of green finance at the end of 2021 to €20,922 million.

The differentiating feature of this financing is the commitment to use the funds to invest in environmentally sustainable and socially responsible projects, fundamentally in renewable energy; expansion and digitalisation of electricity transmission and distribution grids; researching new, more efficient technologies; or in intelligent mobility projects. The company also commits to regularly report the environmental return that its investments in these projects have yielded during the respective period.

The funds secured through all these operations have gone towards financing or refinancing investments in projects that meet certain environmental and sustainable development criteria, as described in Iberdrola’s respective Frameworks for green financing, AVANGRID or Neoenergia. These Frameworks are aligned with the Green Bond Principles endorsed by the International Capital Markets Association (ICMA).

---

(1) Including 100% of the financing in which Iberdrola participates with partners.
2.6. Networks Business

Regulatory environment

Spain

• 1 July saw the placement into services of the I-DE capacity map, which published the availability of the grid while re-enabling the ability of generation facilities to make access and connection requests, thus ending the moratorium in force since June 2020.

• In October, submissions were made on the proposed Remuneration Orders for the first regulatory period (2016-2019), currently provisionally remunerated at the value initially published in 2016.

• In December, the CNMC published the parameters that will define the calculation of the new loss incentive for the 2022-2025 period. The recognised value is expected to develop favourably over the next few years due to the level of I-DE losses compared to the industry average.

• Towards the end of 2021, Royal Decree 1125/2021 was released to regulate the granting of subsidies to distributors from European funds, amounting to some €325 million over 2021-2023. These amounts will finance 50% of the investments submitted for network digitalisation/automation as well as grid upgrades for >250 kW recharging points. The investment ceiling may also be increased by twice the amount subsidised in the following financial year.

• At the end of March 2022, Royal Decree-Law 6/2022 on urgent response measures to the war in Ukraine was published, highlighting its impact on distribution, streamlining the environmental processing of renewable projects, mainly in the distribution grid and the need that investment plans are allocated at least 10% to increase the renewable connection capacity.

United Kingdom

• In October the Competition Market Authority published its final decision on the appeal lodged by the gas and electricity transmission companies in March against Ofgem’s final decision on RIIO-T2. The efficiencies imposed by Ofgem are reduced from 1.2% to 1.0%. The 4.25% cost equity proposed by Ofgem remains unchanged, while eliminating the capture of the first 23 basis points of ROE in efficient companies.

• On 1 December all the Distribution Network Operators (DNOs) in Great Britain provided Ofgem with their Business Plans for the RIIO-ED2 period (April 2023 – March 2028). SPEN presented its plan with a TOTEX (CAPEX + OPEX recognised in tariffs) amounting to £3.270 million (actual 20-21 prices) for the five-year period. This proposal represents 28% growth over RIIO-ED1 levels, mainly driven by increased investments in grid development towards electrification and digitisation to develop the role of the DSO.

• During 2021 SP Transmission Ltd. switched to the RIIO2 tariff framework, while SPD Ltd. and SPM Plc. continued to operate under the RIIO-ED1 framework, meeting all investment and quality targets agreed with Ofgem.

United States

• The investigation commenced in April by the Maine regulator (MPUC) on how Central Maine Power Company (CMP) handled the surge in applications to connect renewables to its grid concluded that CMP responded robustly, although it was slow to detect and resolve certain technical problems arising from the massive penetration of renewables. In December CMP submitted a joint proposal with Maine’s renewable associations to close the investigation and release the analyses on renewable grid integration capacity.

• The New York Resiliency and Customer Compensation Act was passed in June. This Bill regulates the preparation of resiliency plans by utilities and acknowledges their right to recover their investment in those plans. In addition, it regulates the compensation provided to customers following prolonged service outages.

• New tariff conditions for United Illuminating Company -UI-D- (Connecticut) came into force in July and will be valid until April 2023. There was no change in the recognised ROE (9.10%) or in the equity ratio (50%) and it was agreed that the company would offset regulatory tax liabilities so as not to pass on increased non-UI-D costs to tariffs.

• In July MPUC released the management audit carried out by Liberty Consultants on CMP. Overall, the report found no serious failures in the management of the company and recognised improvements in CMP’s service, although it criticised certain aspects of the organisational structure. The MPUC asked CMP to draw up an improvement plan to address these issues. CMP submitted this plan in November, receiving support from the Main Office of the Public Advocate.

• In September, after meeting the customer service targets required by MPUC, CMP requested the withdrawal of the transitional ROE adjustment (-100bp) to which it is subject. MPUC’s analysts gave their favourable opinion and this adjustment is expected to be lifted in 2022.

Brazil

• In April Neoenergia Coelba and Neoenergia Cosern implemented their annual tariff readjustments. The increase in tariffs mainly reflects the change in the General Price Index and recognises the improvement in supply quality. The Neoenergia Elektro readjustment was carried out in August. All the adjustments included a number of mitigating measures to ensure that the average effect on consumers involved tariff increases that were acceptable in the COVID-19 crisis scenario.

• That same month saw a scheduled tariff revision for Neoenergia Pernambuco. The increase in tariffs mainly reflects the company’s updated asset base and recognises its operational improvement. The revision of Neoenergia Distribuição Brasilia took place in October. Mitigating measures were also applied in both revisions.

• In November the AGENCIA NACIONAL DE ENERGIA ELETRICA (ANEEL) gave distributors the opportunity to justify the need to recognise the impacts of the pandemic through an extraordinary tariff revision. Companies are expected to submit their applications in the first quarter of 2022.
## Key figures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>€M</td>
<td>1,981</td>
<td>1,964</td>
<td>1,381</td>
<td>1,302</td>
<td>2,911</td>
<td>2,775</td>
<td>2,000</td>
<td>1,575</td>
<td>8,273</td>
<td>7,615</td>
</tr>
<tr>
<td>EBITDA</td>
<td>€M</td>
<td>1,632</td>
<td>1,614</td>
<td>1,053</td>
<td>1,001</td>
<td>1,251</td>
<td>1,089</td>
<td>1,459</td>
<td>1,079</td>
<td>5,394</td>
<td>4,783</td>
</tr>
<tr>
<td>Distributed energy</td>
<td>GWh</td>
<td>90,962</td>
<td>88,361</td>
<td>32,221</td>
<td>31,738</td>
<td>38,756</td>
<td>38,012</td>
<td>75,813</td>
<td>66,860</td>
<td>237,752</td>
<td>224,971</td>
</tr>
<tr>
<td>Supply Points (Electricity)</td>
<td>Millions</td>
<td>11.28</td>
<td>11.21</td>
<td>3.55</td>
<td>3.54</td>
<td>2.30</td>
<td>2.27</td>
<td>15.74</td>
<td>14.28</td>
<td>32.87</td>
<td>31.29</td>
</tr>
<tr>
<td>Gas supply</td>
<td>GWh</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>61,365</td>
<td>59,134</td>
<td>--</td>
<td>--</td>
<td>61,365</td>
<td>59,134</td>
</tr>
<tr>
<td>Supply Points (Gas)</td>
<td>Millions</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>1.03</td>
<td>1.02</td>
<td>--</td>
<td>--</td>
<td>1.03</td>
<td>1.02</td>
</tr>
<tr>
<td>Gross investments</td>
<td>€M</td>
<td>657</td>
<td>554</td>
<td>627</td>
<td>567</td>
<td>1,777</td>
<td>1,589</td>
<td>968</td>
<td>905</td>
<td>4,030</td>
<td>3,615</td>
</tr>
<tr>
<td>Workforce</td>
<td>No. of people</td>
<td>3,484</td>
<td>3,544</td>
<td>3,054</td>
<td>2,958</td>
<td>5,904</td>
<td>5,699</td>
<td>14,528</td>
<td>12,308</td>
<td>26,970</td>
<td>24,509</td>
</tr>
</tbody>
</table>

(1) Includes the purchase of Neoenergia Brasilia (CEB-D) for €409 million.
Activities, risks and objectives

Main activities 2021, industrial capital

- **Spain:** Investments are planned to meet the decarbonisation and electrification targets of the Integrated National Energy and Climate Plan, with a focus on digitalising the Low Voltage network.
- **United Kingdom:** Implementation of investments contained in RIIO-T1, RIIO ED1 and the new RIIO-T2 tariff framework, which started in 2021. Delivery of the RIIO-ED2 five-year Business Plan. Progress on projects under the Green Economy Fund in Scotland to favour decarbonisation and accelerate the deployment of electric vehicle recharging infrastructure.
- **United States:** Continued development of a transmission and distribution network that allows for achievement of the electrification and decarbonisation objectives, promoting the integration of renewables, improving resilience and increasing the quality of customer service.
- **Brazil:** Neoenergia took over the operation of Companhia Energética de Brasília (CEB-D), which delivers energy to 1.1 million customers in the Federal District. During the second quarter of the year, the integration process was finalised, creating Neoenergia Distribuição Brasília (NDB). In December 2021 Neoenergia was also awarded lot 4 in the auction by the Brazilian regulator (ANEEL), with R$661 million of investment for the construction and startup of a substation in the state of Minas Gerais. In addition, the second and last stretch (221 km) of the Santa Luzia project, corresponding to Lot 6 of the 2017 Transmission auction, entered into commercial operation. With this, Neoenergia has been awarded a total of 13 projects in auctions since 2017 for a total investment of more than R$10,000 million and is progressing on schedule with the permitting and construction of these projects.

Customer service

- **Spain:** i-DE mobilised all its supply restoration resources during the year’s snow and heavy rain storms, Filomena and Dana, and managed to restore service to 70% of customers in less than 30 minutes, thanks to the grid’s high level of automation.
- **United States:** AVANGRID’s distributors, UI, NYSEG and CMP, each won the prestigious “Emergency Response Award”, presented each year by the Edison Electric Institute, for their readiness to respond to the storms that affected parts of the country in late 2019 and 2020.
- **Brazil:** This year, the National Electrical Energy Agency (ANEEL) presented two awards to the distributors Neoenergia Cosern and Neoenergia Distribuição Brasília for their response to customer needs: the Ombudsman Award and the ANEEL 2020 Quality Award – Consumer Satisfaction Index.

Operational excellence

- Operating expenses continue to be adjusted in order to maintain and improve efficiency ratios in all countries.
- Neoenergia’s distributors received the 2021 Abradee Award in recognition of their operational performance (in quality, management and social and environmental responsibility), placing them among the best in the country. For its part, NYSEG was awarded the New York State Platinum Engineering Award in the Energy category by the New York Council of Engineering Companies for its reconstruction of the electric cable under Seneca Lake.

Digitalisation of the network and flexibility

- **ScottishPower** Energy Networks was awarded 555 MW of Flexibility Services in the Spring 2021 Auction. These bids allow the company to identify the available level of flexible capacity in areas where the system could benefit, understand the capabilities of these resources, and assess the feasibility of using the flexibility to meet network needs.
- The Global Smartgrid Innovation Hub (located in Bilbao), a global centre of innovation in smart grids to lead the energy transition was inaugurated in October. This centre brings together the innovative potential of over 200 professionals in the development of R&D projects related to the electricity networks of the future. Over 120 innovation projects have been identified, with a value of €110 million, related to digitalisation, data processing, new consumption models, electric mobility and self-consumption.
- Neoenergia Distribuição Brasília inaugurated a new Integrated Operations Centre for real-time monitoring of network operations.

Significant risks

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

Objectives

- Zero accidents.
- Offer our customers excellent service based on the quality of supply and information regarding the grid.
- Maximise efficiency in the operation of the system through operational excellence and the digitalisation of our assets.
- Lead the energy transition towards a cleaner model favouring a more efficient integration of electric power (centralised and distributed) and the deployment of electric vehicles and heat pumps, through the use of smart grids.
2.7. Electricity Production and Customers Business

Regulatory environment

Spain

- **The second auction** under the financial regime for renewable energy (Régimen Económico de Energías Renovables) (REER) was held on 19 October, with 3,123 MW awarded out of the 3,300 MW announced.
- In addition, the Government has pledged to streamline application procedures for granting permits and bolstering the offshore wind value chain.
- On 21 December the government approved Royal Decree-Law 29/2021, adding a nine-month extension to the deadlines established by Royal Decree-Law 23/2020 for developers to obtain the different authorisations without losing their access and connection permits and the associated guarantees. At the same time, a deadline of 23 January was set for voluntary withdrawal by promoters who decided to do so, recovering the associated guarantees.
- Royal Decree-Laws 12/2021, 16/2021, 17/2021, 23/2021, 29/2021 and 6/2022 have been approved to mitigate the impact of the increase in energy prices. These Royal Decree-Laws include the following measures:
  - **Increased customer discounts** under the subsidised rate (Bono Social) mechanism until 30 June 2022, increase in the number of beneficiaries, and approval of the minimum essential supply for vulnerable customers.
  - **VAT reduced** to 10% and excise duty on electricity reduced to 0.5% until 30 June 2022.
  - **Suspension of the 7% tax on electricity production** from July 2021 until 30 June 2022.
  - **Reduction in remuneration for electricity produced using CO₂ emission-free and manageable inframarginal technology** until 30 June 2022. Energy covered by forward pricing agreements prior to the entry into force of RDL 6/2022 is exempt, and for subsequent contracts, a deduction is applied if the forward price is higher than 67 €/MWh.
  - In April 2021 the Ministry for Ecological Transition launched a public hearing on the Draft Ministerial Order to establish a centralised capacity market to enable the System Operator to purchase confirmed capacity at auction.

United States

- The Biden administration has expressed strong support for the renewable sector, setting targets like reaching 30 GW of offshore wind by 2030. To this end, the Bureau of Oceanic Energy Management (BOEM) has proposed tenders in new areas in New York, North Carolina, California, Oregon and the Gulfs of Mexico and Maine. The Government has also pledged to streamline application procedures for granting permits and ease taxation on the offshore wind value chain.
- At state level, commitments have also been upheld and increased for developing renewables, not only by setting targets but also by enabling the overall regulatory and supply chain environment to be further developed.

Brazil

- Brazil has a well-established auction programme, with three auctions for new energy to be held in 2022.
- The regulatory development of major aspects continues, including hybridisation of power plants and offshore wind.
- In December 2021 ANEEL, MME and CCEE held the country’s first capacity reservation auction, in which the termopernambuco combined cycle plant was awarded a 15-year capacity contract starting in July 2026.

Mexico

- In July 2021 the CRE issued a resolution to pay the Revenue Sufficiency Guarantee mechanism to generators impacted by the increase in natural gas prices due to the cold snap in Texas in February 2021.

International

- At international level, more ambitious decarbonisation targets are being established. More and more countries are also introducing favourable regulatory frameworks for offshore wind (site and route-to-market auctions) and hydrogen. The competitive mechanisms for capacity allocation are being strengthened.
- Auctioned capacity volumes are increasing due to more ambitious renewable penetration targets, as well as higher electricity demand forecasts and accelerated phasing out of thermal generation.

www.iberdrola.com

Integrated report. March 2022
## Key figures

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>€M</td>
<td>4,405</td>
<td>4,130</td>
<td>1,503</td>
<td>1,755</td>
<td>1,004</td>
<td>893</td>
<td>316</td>
<td>234</td>
<td>1,030</td>
<td>1,034</td>
<td>549</td>
<td>505</td>
</tr>
<tr>
<td>EBITDA</td>
<td>€M</td>
<td>2,745</td>
<td>2,185</td>
<td>687</td>
<td>1,008</td>
<td>719</td>
<td>597</td>
<td>251</td>
<td>170</td>
<td>779</td>
<td>883</td>
<td>327</td>
<td>334</td>
</tr>
<tr>
<td>Electricity contracts</td>
<td>Millions</td>
<td>10.0</td>
<td>10.0</td>
<td>2.8</td>
<td>2.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.8</td>
<td>0.7</td>
<td>13.6</td>
<td>13.6</td>
<td>13.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Gas contracts</td>
<td>Millions</td>
<td>1.2</td>
<td>1.1</td>
<td>1.9</td>
<td>1.9</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
<td>0.3</td>
<td>3.4</td>
<td>3.3</td>
<td>3.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Smart Solutions contracts</td>
<td>Millions</td>
<td>7.8</td>
<td>6.3</td>
<td>2.2</td>
<td>2.1</td>
<td>0.3</td>
<td>0.2</td>
<td>0.8</td>
<td>0.8</td>
<td>11.1</td>
<td>9.4</td>
<td>11.1</td>
<td>9.4</td>
</tr>
<tr>
<td>Total Contracts</td>
<td>Millions</td>
<td>19.0</td>
<td>17.4</td>
<td>7.0</td>
<td>6.8</td>
<td>0.3</td>
<td>0.2</td>
<td>1.9</td>
<td>1.8</td>
<td>28.1</td>
<td>26.2</td>
<td>28.1</td>
<td>26.2</td>
</tr>
<tr>
<td>Gross Investments</td>
<td>€M</td>
<td>1,614</td>
<td>1,434</td>
<td>454</td>
<td>754</td>
<td>955</td>
<td>1,027</td>
<td>505</td>
<td>183</td>
<td>441</td>
<td>1,566</td>
<td>1,642</td>
<td>5,338</td>
</tr>
<tr>
<td>Workforce</td>
<td>Number of people</td>
<td>4,338</td>
<td>4,333</td>
<td>2,015</td>
<td>1,962</td>
<td>1,030</td>
<td>939</td>
<td>524</td>
<td>516</td>
<td>1,111</td>
<td>1,121</td>
<td>869</td>
<td>743</td>
</tr>
</tbody>
</table>

### EBITDA of Electricity Production and Customers Business by geography in 2021

- Spain: 14%
- United States: 13%
- Mexico: 12%
- Brazil: 6%
- IEI: 5%

### Gross investment of Electricity Production and Customers Business by geography in 2021

- Spain: 30%
- United States: 29%
- Mexico: 9%
- Brazil: 5%
- IEI: 18%
Activities, risks and objectives

Main activities 2021, industrial capital

- 3,484 MW of new installed capacity was added during the year (net increase of 3,215 MW):
  - Onshore wind: 68 MW in Spain, 224 MW in the United States, 36 MW in the United Kingdom, 11 MW in Mexico, 468 MW in Brazil, 210 MW in Australia, 13 MW in Greece and 113 MW in Poland.
  - Photovoltaic solar: 986 MW in Spain, notably Francisco Pizarro, 103 MW in the United States, 10 MW in the United Kingdom, 53 MW in Australia, 20 MW in Italy and 9 MW in Portugal.
  - Batteries: 14 MW in Spain, 45 MW in the UK, 53 MW in Ireland, and 50 MW in Australia.
  - Hydroelectric: 998 MW from the Daïoves and Gouvaes plants in Portugal.
  - During the year, 236 MW of onshore wind and 31 MW of hydro were divested in Spain.
  - Iberdrola also has approximately 6,300 MW currently under construction:
    - Onshore wind: more than 1,300 MW in Spain, the United States, Brazil, Greece, Poland and Australia.
    - Photovoltaic solar: more than 2,200 MWdc in Spain, the United States, the United Kingdom, Brazil, Australia, Italy and Portugal.
  - In addition, 100 MW of batteries are being installed in the United Kingdom and Spain, and 160 MW of hydropower in Portugal.
  - Offshore wind: Growth continues with the construction of the 496 MW Saint-Brieuc project in France and the 476 MW Baltic Eagle project in Germany, the 806 MW Vineyard Wind and 804 MW Park City project in the United States.
  - In addition, work continues to develop new projects, including the 300 MW Windanker project in Germany and the 1,232 MW Commonwealth Wind project in the United States, which were awarded during the year.
  - Green hydrogen: development of the largest complex for industrial use in Europe (in Puertollano-Ciudad Real), operational in early 2022 and the first commercial production and dispensing plant for the Barcelona bus fleet (TMB) (see detail in section "4.7. Innovation, digitalisation and quality for our customers").
  - Spain: Continuous development of products and services including plans adapted to consumption habits and solutions tailored to customers' needs (Smart services, Smart mobility, Smart solar, Smart home, Smart climate and Smart Cities). In addition, the prices agreed in the contracts signed have been respected, protecting our customers from the rise in energy prices.
  - United Kingdom: In the wake of the collapse of distributors Entice Energy and Orbit Energy, ScottishPower took over the supply of 68,000 electricity and 53,000 gas contracts. A cumulative total of 1.9 million smart meters has also been installed in the United Kingdom.
  - Mexico: More than 9,000 MW of conventional generation, as the country’s largest private electricity producer.
  - Europe: Growth of retail activity and connection to customers through Smart Solutions, leading to more than 11 million smart contracts worldwide during 2021.

Asset management

Maximising the load factor and availability of facilities, through operation and maintenance actions, with continuous improvement of processes: global standardisation and systematisation, taking advantage of the opportunities offered by digitalisation.

Growth

Development of onshore wind and photovoltaic projects in Spain, the United Kingdom, the United States, Brazil, Mexico and International (Continental Europe, Australia and South Africa) and offshore wind projects in France, Germany, the United Kingdom and the United States, together with the new development agreements in Japan and Sweden.

Continued development of more than 60 green hydrogen production projects in 8 countries to decarbonise industry and heavy transport, in particular has a solid hydrogen portfolio with numerous projects submitted to the Next Generation EU programme. Continue to build customer loyalty and develop new digital products and Smart solutions adapted to customers’ needs, which promote efficiency and renewable energy consumption in the countries where we operate.

Significant risks

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

Objectives

- Occupational safety and health.
- Efficiency in operations to optimise the operation of assets.
- Development of new digital, smart and innovative solutions, centred around customers: electrifying energy demand, with new services and providing them with greater decision-making capacity.
- Operational excellence and continuous improvement, delivering outstanding and competitive supplies.
- Identify and minimise risks. Environmental management and protection of biodiversity.
- Profitable growth from various technologies in the group’s strategic countries, and in new countries.
- Development of a robust portfolio that covers the company’s growth plan.
## 2.8. Management of financial capital

<table>
<thead>
<tr>
<th>Management approach</th>
<th>2021 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable growth through green finance</strong></td>
<td>• Gross investments of €9,940 million (including €409 million of non-organic investment), of which nearly 89% has been assigned to the Renewables and Networks businesses. This is a record figure, representing 7.5% growth compared to 2020.</td>
</tr>
<tr>
<td>• Ensure a return on capital through projects and investments preferably in regulated businesses or renewable assets.</td>
<td>• Investments in Network assets have increased by almost 12% compared to 2020, with the United States and Brazil having the largest volume of investment.</td>
</tr>
<tr>
<td>• Increase geographical diversification, with the aim of becoming a leader in the countries in which it operates.</td>
<td>• Approximately 3.5 GW of renewable capacity has come online during 2021, with an additional 7.8 GW under construction.</td>
</tr>
<tr>
<td>For this purpose, and as one of the pillars, green financing will be the main instrument for funding eligible activities under the taxonomy, as the preferred option in terms of guarantee, traceability and taxonomy.</td>
<td></td>
</tr>
<tr>
<td><strong>Strength of the financial structure</strong></td>
<td>• In 2021, the Iberdrola group achieved an Adjusted Net Profit of €3,705 million, in line with the expectations outlined by the company at the beginning of 2021.</td>
</tr>
<tr>
<td>• Iberdrola considers financial strength to be a strategic pillar that allows it to successfully face potential turbulence in the markets and to be in a position to exploit growth opportunities in the countries in which it does business.</td>
<td>• Adjusted EBITDA amounted to €11,187.4 million, up by 11.4% compared to 2020, which excluding the exchange rate effect would reach €11,356.4 million, representing growth of 13.1% compared to 2020. Operating Cash Flow reached €8,914 million, an increase of 9% compared to 2020.</td>
</tr>
<tr>
<td>• The financial policy seeks the consolidation of strong solvency ratios, balancing an increase in debt with the generation of additional cash flow from new investments.</td>
<td>• Liquidity in excess of €19,500 million (including subsequent events), covering more than 24 months of financial needs in the base case.</td>
</tr>
<tr>
<td>• The debt structure is in line with the profile of the business, which is mostly regulated, and the composition thereof reflects the results obtained in the relevant currencies.</td>
<td></td>
</tr>
<tr>
<td><strong>Sustainable results and dividends</strong></td>
<td>• At the next General Shareholders’ Meeting, Iberdrola will propose a 4.8% increase in annual remuneration for the 2021 financial year, amounting to €0.44 gross per share.</td>
</tr>
<tr>
<td>• The company offers its shareholders and other Stakeholders, through the bylaw-established social dividend, an enterprise for the long-term creation of value. The confidence of its shareholders allows Iberdrola to secure the resources needed to move its enterprise forward while offering the shareholders an attractive and sustainable return.</td>
<td>• Flexible dividend offering tax benefits, the repurchase of shares to avoid dilution, adding the cash payment option.</td>
</tr>
<tr>
<td><strong>Operational excellence</strong></td>
<td>• Net operating expenses declined by 1.4% to €4,227 million, as the Group’s growth, increased workforce and efficiency plans were more than offset by the positive impact of the exchange rate (EUR 86 million) and asset rotation in Spain. Excluding currency devaluation, net operating expenses increased 0.6% as a result of the Group’s stronger activity, including the consolidation of companies in Australia, France and Brazil.</td>
</tr>
<tr>
<td>• While the efficiency levels achieved are considered to be high, the company believes that there is still a margin for improvement, helped by investments in digitalisation and innovation.</td>
<td></td>
</tr>
<tr>
<td>• The implementation of best practices in all areas will allow for additional savings and an increase in synergies at the global level.</td>
<td></td>
</tr>
</tbody>
</table>
Gross margin by business¹

- Networks: 52%
- Electricity Production and Customers: 48%

EBITDA by business¹

- Networks: 54%
- Electricity Production and Customers: 46%

Gross investment by geography

- Spain: 19%
- United States: 28%
- Mexico: 23%
- United Kingdom: 16%
- Brazil: 11%
- IEI: 3%

Gross financial debt by product type

- EUR market bonds: 26%
- USD market bonds: 19%
- GBP market bonds: 12%
- Multilaterals: 8%
- Structured: 5%
- Bank loans: 7%
- Leasing: 6%
- Other Bonds: 15%
- Notes: 1%

Structure of adjusted net debt broken down by currency

- Euro: 43%
- Dollar: 26%
- Pound: 14%
- Reais and others: 18%

Maturity of financial debt (€M)

- 2022: 4,579
- 2023: 3,953
- 2024: 4,782
- 2025: 5,306
- 2026: 4,259
- 2027+: 16,552

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

www.iberdrola.com

Integrated report. March 2022
3. Environment

3.1. Management of natural capital
3.2. Emissions
3.3. Sustainable use of resources and Circular economy
3.4. Rational use of water and waste
3.5. Biodiversity
### 3.1. Management of natural capital

<table>
<thead>
<tr>
<th>Management approach</th>
<th>Main activities 2021</th>
</tr>
</thead>
</table>
| **Protect the environment and stop the loss of biodiversity** | • Conserve and recover the ecosystems associated with our activities, coordinating the biodiversity plans of the businesses in affected areas.  
• Improve the compatibility of Iberdrola’s infrastructure with protection of the environment.  
• Avoid discharges and pollution of water and soil, all in line with Iberdrola’s Biodiversity Policy and Environmental Policy.  
• Iberdrola commits to continuously improve biodiversity protection standards in order to reach a net positive balance at all new generation infrastructures that it deploys by 2030, applying mitigation hierarchy principles and avoiding placement in protected areas  
| • Acquisition of ISO-TS 14072 certificate for Corporate Environmental Footprint (CEF) 2020.  
• Sustainable 2021 General Shareholders’ Meeting: ISO 20121 certification as a sustainable event for fourth consecutive year.  
• Renewal of all ISO 14001:2015 certificates. Certificates extended to the operation of offshore wind farms.  
• Biodiversity Action Plans  
• Environmental guidelines linked to the SDGs.  
• Development of projects under the Iberdrola Trees programme, 2 million trees planted in the 2020-21 period. |
| **Combat climate change and its effects** | • Prevent pollution and the emission of greenhouse gases (GHGs) through practices that reduce or eliminate the production of pollutants at source.  
• Reduce the emissions of non-GHGs into the air.  
• Gradually replace equipment that uses ozone layer-reducing substances.  
• Promote awareness-raising campaigns regarding air quality.  
• New GHG emissions-free facilities (renewable, wind, hydroelectric, etc.).  
| • Emissions in Spain were 69 g CO$_2$ / kWh.  
• Certification of Neoenegaría’s GHG inventory under the ISO 14064 standard.  
• Approval of SBTi Targets regarding the group’s emissions according to 1.5ºC.  
• Increased ambition in commitment to reduce specific emissions.  
• Sustainable mobility plan: more than 20 specific actions in which the company seeks to strengthen its commitment to sustainability. |
| **Guarantee sustainable modes of production and consumption** | • Continuous improvement in operational performance.  
• Implementation of actions to increase energy efficiency.  
• Decrease in consumption of natural resources.  
• Inclusion of environmental variable in the design of infrastructure (Eco-design).  
• Improvement in control and management of waste generated.  
| • Innovative activities in environmental management and control.  
• Efficient management of water consumption.  
• Improvement in withdrawal and consumption of inland water at all generation facilities.  
• Improvement in reuse and recycling of waste.  
• Active awareness-raising on the circular economy.  
• Iberdrola Circularity Report based on WBCSD indicators.  
• Report on Iberdrola’s water scarcity footprint. |
| **Revitalise partnerships with Stakeholders for sustainable development** | • Strengthen transparent dialogue with Stakeholders in order to work together in seeking solutions to environmental problems.  
• Manage environmental compliance by suppliers.  
• Transparently report on environmental results and activities.  
• Optimisation of and innovation in environmental management systems.  
| • Public-private partnership with the Basque Government on environmental issues.  
• Participation in the European REEF project to develop environmental product footprints together with EDP.  
• Active participation in the WEF initiatives Business for Nature, 1t.org Corporate Alliance.  
• Participation in the “The Day After” partnership with ITD-UPM, REDS and IS Global. Active participation in the four work communities that have been established: Economy, Environment, Cities and Cooperation. |


3.2. Emissions

Iberdrola is a global leader in the energy transition and the fight against climate change within the energy sector. Its ambitious decarbonisation targets place it among the most advanced companies in this regard.

Specific CO₂ emissions from facilities in Europe:

<table>
<thead>
<tr>
<th>Company</th>
<th>2007</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verbund</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Statkraft</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>PVO</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>EDF</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>PVO</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>E.ON</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Iberdrola</td>
<td>60</td>
<td>- 72.4 % vs European average</td>
</tr>
</tbody>
</table>

Intensity of emissions in Spain (g CO₂/kWh):

<table>
<thead>
<tr>
<th>Year</th>
<th>European Carbon Factor: 218 g / CO₂/kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>301</td>
</tr>
<tr>
<td>2021</td>
<td>96</td>
</tr>
</tbody>
</table>

(1) The figure of 60 g CO₂ in this chart refers to emissions generated by Iberdrola’s facilities in Europe during 2021. The other companies only include the European space for 2020, and the source is Climate Change and Electricity: European carbon factor. PwC France. Dec. 2021.
Scope 1 CO₂ emissions by geography

- Spain: 46%
- Mexico: 13%
- United States: 12%
- Brazil: 7%
- IEI: 0%

Total: 13,207 kt

Scope 2 CO₂ emissions by geography

- Spain: 45%
- United States: 13%
- México: 19%
- Brazil: 0%
- IEI: 23%

Total: 2,162 kt

Scope 3 CO₂ emissions by typology

- Emissions associated with the generation of energy for third parties: 30.6%
- Emissions from employee business travel: 6.4%
- Emissions associated with the energy purchased from third parties for sale to end customers: 0.0%
- Emissions associated with the supply chain: 9%
- Emissions associated with employee commuting to/from the workplace: 22.6%
- Emissions associated with the use of gas products: 0.1%
- Upstream (WTT) emissions from fuel acquired and consumed: 31.4%

Total: 53,898 kt
3.3. Sustainable use of resources and Circular economy

For Iberdrola the circular economy is a key element for sustainable development and represents an opportunity as a driver for climate action and the energy transition.

Iberdrola’s sustainable energy model, which relies on the decarbonisation and electrification of the economy as well as innovation, is directly aligned with the circular economy through the reduction of emissions, the use of renewable resources for production, improved efficiency, the optimisation of resources, and the maximisation of waste reutilisation.

The challenges of sustainability cannot be approached in an isolated manner, but rather must be addressed holistically. Therefore, in 2019 Iberdrola defined its circular economy model, which includes the entire value chain from suppliers to customers, along with its operations. The model's approach is summarised in the following chart:

Iberdrola is a signatory to the Spanish government’s circular economy agreement with the Ministry for Ecological Transition and Demographic Challenge since 2017.
3.4. Rational use of water and waste

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

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

### Water withdrawal, discharge and consumption

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All areas</td>
<td>Water stress areas</td>
<td>All areas</td>
</tr>
<tr>
<td>Withdrawal by water source</td>
<td>1,871,098</td>
<td>712,706</td>
<td>1,885,436</td>
</tr>
<tr>
<td>Water discharge by destination (ML)</td>
<td>1,820,726</td>
<td>694,493</td>
<td>1,814,868</td>
</tr>
<tr>
<td>Total water consumption (ML)</td>
<td>50,362</td>
<td>18,214</td>
<td>70,644</td>
</tr>
<tr>
<td>Total Consumption/Withdrawal (%)</td>
<td>2.7%</td>
<td>2.6%</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

#### Waste management

Iberdrola’s goal is to reduce the generation of waste for any process or activity (construction, operation, maintenance of facilities and work centres), and to prioritise recycling and the reuse thereof. Iberdrola is committed to the “circular economy” concept together with all the agents involved in its activity.

Waste is managed in accordance with the following principles:

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

The volume of waste processed is distributed as follows:

- **Re-use**: 5%
- **Recycled**: 27%
- **Other recovery operations**: 68%

---

(1) Calculated only since 2020.
3.5. Biodiversity

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

Iberdrola, aware that ecosystem conservation is an essential condition for global sustainability, is committed to assuming a leadership role in the conservation and promotion of biodiversity in its industry, and to promoting, along with its Stakeholders, a social culture in which biodiversity is valued, preserved, restored and sustainably used, maintaining ecosystem services, favouring a healthy planet, and providing essential benefits for all.

Iberdrola understands that respect for biodiversity and ecosystems must have a preeminent position within its business strategy. Consequently, Iberdrola has had a Biodiversity Policy.

The Biodiversity Policy sets out the main principles of conduct and defines four priority lines of action that are reflected in the points detailed in the Action Plan:

- The protection of biodiversity and the sustainable use of natural capital, adopting the hierarchy of preservation, integrating into its management the best practices along the entire lifecycle and promoting actions in favour of regenerating and conserving natural heritage.
- Identifying, quantifying and assessing the impacts and the dependencies of the group’s activities on natural capital with a focus on biodiversity during the entire lifecycle of facilities and promoting research and improving the knowledge of the ecosystems in the environments of the territories in which it operates.
- Engaging with Stakeholders, considering their needs and expectations regarding biodiversity in order to integrate these needs and expectations in action plans, and partnering on research projects.
- Communication, awareness-raising and training, both internally and externally.

The Biodiversity Action Plan can be summarised as follows:
1. NO POVERTY
2. ZERO HUNGER
3. GOOD HEALTH AND WELL-BEING
4. QUALITY EDUCATION
5. GENDER EQUALITY
6. CLEAN WATER AND SANITATION
7. EQUITY, ECOLOGIC AND NON-CONTAMINATING ENERGY
8. DECENT WORK AND ECONOMIC GROWTH
9. INDUSTRY, INNOVATION AND INFRASTRUCTURE
10. REDUCTION OF INEQUALITIES
11. SUSTAINABLE CITIES AND COMMUNITIES
12. RESPONSIBLE CONSUMPTION AND PRODUCTION
13. ACTION FOR THE CLIMATE
14. SUBMARINE LIFE
15. TERRITORIAL ECOSYSTEMS
16. JUST ICE CONSTRUCTIONS SALTWATER
4. Society

4.1. Management of social and relationship capital
4.2. Summary of the Materiality study
4.3. Iberdrola and the SDGs
4.4. Leaders in ESG+F
4.5. Management of human capital
4.6. Community support and electricity access programmes
4.7. Innovation, digitalisation and quality for our customers
4.1. Management of social and relationship capital

Stakeholder engagement

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

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Principles</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Workforce</td>
<td>Responsibility</td>
<td>Encourage the engagement of the Stakeholders through a strategy of close involvement in the communities in which Iberdrola operates and the creation of shared sustainable value for all Stakeholders</td>
</tr>
<tr>
<td>Shareholders and the financial community</td>
<td>Transparency</td>
<td>Respond to the legitimate interests of Iberdrola’s Stakeholders</td>
</tr>
<tr>
<td>Regulatory entities</td>
<td>Active listening</td>
<td>Build trust among the Stakeholders in order to build long-lasting, stable and robust relationships</td>
</tr>
<tr>
<td>Customers</td>
<td>Participation and engagement</td>
<td>Encourage recognition by Stakeholders of Iberdrola’s commitment to diversity</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Consensus</td>
<td>Contribute through all of the above to maintaining corporate reputation in the various countries and businesses</td>
</tr>
<tr>
<td>The media</td>
<td>Collaboration</td>
<td></td>
</tr>
<tr>
<td>Society at large</td>
<td>Continuous improvement</td>
<td></td>
</tr>
<tr>
<td>The environment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

1. IDENTIFY the stakeholders
   - Defined by Board of Directors

2. SEGMENT stakeholder categories into subcategories
   - Based on daily management criteria

3. PRIORITISE stakeholder subcategories
   - According to impact and influence on value creation

4. DEFINE levels of engagement
   - Information, consultation, interaction or collaboration

5. REVIEW channels for engagement
   - Evaluate existing channels and create new ones

6. DESIGN engagement model
   - The best suited to each stakeholder subcategory

7. IDENTIFY relevant issues
   - For both Iberdrola and the stakeholder subcategory

8. IDENTIFY risks and opportunities
   - That help create value for Iberdrola and its stakeholders

9. DESIGN Action Plan
   - Initiatives in relation to the engagement model and relevant issues

10. MONITOR and Report
    - To analyse outcomes and report on performance

Iberdrola Stakeholders’ Hub

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

Relationship channels, relevant issues and best practices

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

Channels and relevant issues for all Stakeholders

<table>
<thead>
<tr>
<th>GENERAL CHANNELS</th>
<th>USAGE FREQUENCY</th>
<th>SIGNIFICANT RELEVANT ISSUES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone, email, website and intranet</td>
<td>Constant</td>
<td>Ethics, integrity and transparency</td>
</tr>
<tr>
<td>Meeting and interviews</td>
<td>Periodic</td>
<td>Fight against climate change and energy transition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Innovation, digitalisation and cybersecurity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Electricity prices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vulnerable customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strategy, investment plans, financial outlook and regulatory changes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Human Rights</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sustainable Development Goals</td>
</tr>
</tbody>
</table>
The company identifies best practices in stakeholder management that are shared across the Iberdrola group using internal communication channels. In 2021 we identified the following best practices:

### Best practices by country

#### Spain

Through the “Ayuntamientos por el clima” (“Town Councils for the Climate”) initiative, Iberdrola España contributes to promoting climate action by local councils committed to the environment in order to achieve emissions neutrality by 2050. This initiative consists of an online platform and community providing tools for measuring carbon footprints, disseminating solutions for greater sustainability, highlighting the actions of those who participate, and generating a knock-on effect to extend climate action to all stakeholders.

#### United Kingdom

In the context of the restrictions imposed by the pandemic, ScottishPower has adapted its consultations with local communities on different renewable projects to an online format. Public events are held online and tailor-made information is offered on the website. Members of the community can submit questions about the projects through the website itself.

#### United States

AVANGRID has engaged in intensive Stakeholder engagement efforts as part of the Excelsior Connect project to build a 420-kilometre underground power line to boost renewable energy in New York State. AVANGRID uses social media to promote the project, as well as organising round tables with all relevant parties, including government, business, labour and environmental organisations.

#### Brazil

Support from Neoenergia towards combating wildfires in Pernambuco, through different actions carried out jointly with the State Environment Agency. The aim is to prevent fires in sugar cane plantations and along power distribution and transmission lines and their consequent impact on the environment and local communities. For such purpose, Neoenergia organises environmental education conferences and workshops, produces educational material for all ages, releases media content, and carries out inspections and visits to plantation areas and other key sites identifying potential hazards.

#### Mexico

Iberdrola Mexico encourages its local suppliers to apply for and obtain the Socially Responsible Company label, and supports and guides them throughout the process. The aim is to foster the adoption of Corporate Social Responsibility principles, in particular those related to business ethics, quality of life in the company, community involvement and environmental protection and preservation.

### Soundness and strength of the brand

- Management of the brand so that it transmits the essence of the Iberdrola group’s Purpose and reflects the company’s strategy to commit to the environment and to Sustainable Development.
- Consolidation of an international brand, strengthening communication and alignment under a single brand positioning strategy in the countries in which the company operates.

### Evolution of the digital ecosystem

- Offer of useful and dynamic information, with messages adapted to each Stakeholder.
- Facilitate direct interaction with our stakeholders, overcoming barriers and making use of existing synergies.

### Iberdrola on social media and the internet

- [Web](#)
- [Twitter](#)
- [Linkedin](#)
- [Facebook](#)
- [Youtube](#)
- [Instagram](#)
- [Pinterest](#)
- [TikTok](#)
- [Blog / Historias en verde](#)
- [Blog / Gente que brilla](#)
- [Blog / Stop cambio climático](#)
- [Fintect](#)
4.2. Summary of the Materiality study

Iberdrola identifies topics that are material to its stakeholders and to the company by producing its own Materiality Study, with the advice of an independent outside firm, based on in-house and outside sources. Iberdrola uses this process to identify economic, social, environmental and governance issues that are significant to its focus on sustainable development.

The analysis for 2021 prioritises those topics of interest identified through the analysis in accordance with their significance both to Stakeholders as well as to the company’s strategy. 18 material topics have been identified in this way, of which 8 topics are considered “priority”. The following image shows the result of the analysis:
4.3. Iberdrola and the SDGs

Our main focus: SDGs 7 and 13

Iberdrola focuses its efforts on the SDGs where its contribution is most significant: the supply of affordable and non-polluting energy (Goal 7) and climate action (Goal 13). This commitment forms part of its governance model and of the sustainable management of the company, and is formalised in objectives tied to the remuneration of the management team: the shareholders at the 2017 General Shareholders’ Meeting approved a long-term incentive plan linked to their contribution to the achievement of these two goals. At the 2020 General Shareholders’ Meeting, the Board of Directors approved a new long-term remuneration plan (Strategic Bonus 2020-2022) linked to both economic/financial performance (changes in Net Profit, Financial Strength and Total Shareholder Return) and the contribution to the UN 2030 Agenda and the Sustainable Development Goals (SDGs). In relation to the latter point, these objectives refer to the fight against climate change, the drive for sustainability in the supply chain and the commitment to equal pay for men and women, which contribute to SDGs 3, 5, 6, 7, 13, 14 and 15.
Our main focus: SDGs 7 and 13

**Electricity for All programme:**
- **Goal:** 16 million beneficiaries by 2030.
- By year-end 2021, the number had surpassed 9.6 million.

**A global leader in renewables:**
- **Goal:** To be carbon neutral by 2050 and reduce global emissions to 50g of CO\(_2\)/kWh by 2030 (Scope 1).
- To reduce absolute Scope 1, 2 y 3 greenhouse gas (GHD) emissions, approved through the SBT initiative.

**Goal:**
- To install over 150,000 electric vehicle charging points in Spain by 2025.

**Contribution to other SDGs**

**Goal:**
- **727** of 1,3 million beneficiaries of the Iberdrola foundations’ programmes over the 2020-2022 period.
- A total of 12,000 volunteers participated in the Corporate Volunteering Programme in 2021.

**Goal:**
- Iberdrola has developed a Sustainable Mobility Plan with the ultimate goal of contributing to a rational use of the means of transportation.

**Goal:**
- To preserve marine ecosystems through innovative measures in the construction and operation of offshore wind farms. Monitoring of marine mammals at the East Anglia ONE windfarm.
- Acoustic insulation techniques (bubble curtains) during the construction of offshore wind projects.

**Goal:**
- Promotion of women to executive positions by 2025 to 30%.
- Iberdrola supports the Women’s Universe (Universo Mujer) programme of the Higher Council for Sports (Consejo Superior de Deportes) (CSD), supporting 16 Spanish women’s federations.

**Goal:**
- To promote biodiversity through reforestation by planting over 2.5 million trees by 2022, reaching 20 million by 2030.
- Overhead Lines Improvement Project, in which a large number of supports have already been adapted for birdlife protection.

**Goal:**
- For 2025, 50% reduction in water use/production intensity ratio by 2030 compared with 2019.
- Pollution prevention programmes for facilities.

**Goal:**
- Obtain independent external certifications or validations of the compliance systems of the holding company and of all of the country subholding companies of the group by 2022.
- The company has renewed the UNE-ISO 37001 and UNE 19601 certifications regarding anti-bribery and compliance.

**Goal:**
- Over 500,000 jobs (direct, indirect and induced employment) by 2025.
- Approximately 400,000 direct, indirect and induced job positions throughout the world. More than €34,000 million in impact on the GDP of the countries in which it does business\(^1\).

**Goal:**
- €400 million annually in R&D&I by 2025.
- Iberdrola is the European Union's leading private sector utility by volume of investments in R&D&I.

---

(1) Data from the Study of Iberdrola’s Impact, prepared by PwC, which is based on 2020 figures. Includes indirect and induced impacts.
4.4. Leaders in ESG+F

Iberdrola, aware that environmental, social and good governance (ESG) factors influence the medium- and long-term results and sustainability of the company, has included sustainability indicators in its business strategy.

Therefore, the group is fully committed to sustainable development and bases its investments on environmental, social and corporate governance along with financial strength (ESG+F) standards, supported by the strategic pillars that have allowed for two decades of sustainable growth, thanks to geographic diversification, leading the energy transition, promoting efficiency, focusing on innovation and generating a sustainable dividend.

Along these lines, the targets that the company has set based on environmental, social and good governance criteria should be highlighted. These objectives synthesise some of the main contents and comments of the corporate policies, which, together with the Purpose and Values, establish the ESG priorities.

The remuneration systems include the consideration of ESG factors as parameters for evaluation, linking to specific results and to initiatives to be undertaken.

<table>
<thead>
<tr>
<th><strong>E</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions per kWh</td>
<td>gCO₂/KWh</td>
<td>2021</td>
<td>2022e</td>
</tr>
<tr>
<td>Biodiversity: reforestation</td>
<td>Trees, in Million</td>
<td>2</td>
<td>2.5</td>
</tr>
<tr>
<td>Water consumption</td>
<td>m³/GWh</td>
<td>306.6</td>
<td>&lt; 500</td>
</tr>
<tr>
<td>Smart Grid implementation</td>
<td>% HV and MV grids</td>
<td>73</td>
<td>75</td>
</tr>
<tr>
<td>Smart meters</td>
<td>Number, in millions</td>
<td>15.3</td>
<td>16.7</td>
</tr>
<tr>
<td>R&amp;D investment</td>
<td>Million euros</td>
<td>337.5</td>
<td>330</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>S</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Training hours</td>
<td>Hours/employee year</td>
<td>58.6</td>
<td>&gt; 55</td>
</tr>
<tr>
<td>Customers: smart services</td>
<td>Number, in millions</td>
<td>11.1</td>
<td>12</td>
</tr>
<tr>
<td>Jobs supported</td>
<td>Contribution to employment</td>
<td>~ 400,000</td>
<td>&gt; 400,000</td>
</tr>
<tr>
<td>Women in relevant positions</td>
<td>% of management positions</td>
<td>24.4</td>
<td>25</td>
</tr>
<tr>
<td>Gender pay gap</td>
<td>% women / men ratio</td>
<td>+7.2%</td>
<td>&gt; -2%</td>
</tr>
<tr>
<td>Electricity for all</td>
<td>Beneficiaries, in millions</td>
<td>9.6</td>
<td>11.5</td>
</tr>
<tr>
<td>Foundation</td>
<td>Beneficiaries, in millions</td>
<td>2.0</td>
<td>1.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>G</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Best practices in Governance</td>
<td>Inclusion in the Governance and Sustainability System</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>Annual number of security assessments</td>
<td>1,670</td>
<td>1,800</td>
</tr>
<tr>
<td>Suppliers</td>
<td>% of suppliers with sustainability policies</td>
<td>73.7%</td>
<td>70%</td>
</tr>
</tbody>
</table>

www.iberdrola.com
4.5. Management of human capital

<table>
<thead>
<tr>
<th>Global human resources management</th>
<th>Main activities 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Achieve the goals of competitiveness and business efficiency in a climate of social peace, fostering stable, high-quality employment.</td>
<td>• Management of an appropriate labour relations framework that can be adapted to meet business, social and labour requirements in the context of COVID-19.</td>
</tr>
<tr>
<td>• Harmonise human resources processes and make inroads with implementing the Iberdrola culture in all countries, respecting specific local conditions.</td>
<td>• Reinforcement of human resources processes aligned with the behavioural model derived from our purpose and values.</td>
</tr>
<tr>
<td>• Promote a culture based on non-discrimination, diversity and inclusion to ensure sustainable growth of the business.</td>
<td>• Launch of the HR function transformation project, with a focus on standardising and digitising processes to enhance the employee experience, allow leaders wider autonomy and position ourselves as strategic partners within the organisation.</td>
</tr>
<tr>
<td>• •</td>
<td>• Set diversity and inclusiveness goals in alignment with the company’s sustainable development philosophy.</td>
</tr>
<tr>
<td></td>
<td>• Ongoing monitoring and management of employee engagement.</td>
</tr>
</tbody>
</table>

Goal of “accident reduction”

- Prioritise the safety of individuals at the group’s facilities and within its sphere of influence, fostering a progressive reduction in injury rates and improving health and safety conditions.
- Replicate throughout the group the best practices identified in the area of occupational health and safety, fostering a culture of excellence in management and coordinating global preventive activities.
- • Obtain and/or maintain the OHSAS 18001/ISO 45001 certification.
- • Maintain global certification of our compliance with COVID-19 and “Healthy Company” protocols.
- • Monitoring of proactive and reactive indicators at the companies of the group.
- • “BE Well” campaign in the form of videos aimed at all employees and articles about diet, exercise and mental health.
- • Continuation of the health and safety global digitalisation project to create a single tool that supports dashboard modules for accident rate indicators, internal audits and employee hazard alerts.
- • Continue with implementation of the Zero Accident Plan at Neoenergía to reduce the accident rate.

Talent management

- Drive staff qualifications, preparing employees to work in a multicultural environment and making continual efforts to improve productivity across the organisation.
- Manage the company’s intellectual capital by ensuring that knowledge is transferred.
- Maintain a team of competent, committed and motivated professionals, which is key for the sustained success of the business.
- Proactively develop and foster future leaders and experts so as to fulfil the Strategic Plan.
- • Implement actions to drive employee development in step with the current social and economic context.
- • Deploy the Learning Strategy, providing new solutions that reinforce strategic capabilities; adopt new ways of working that leverage use of data.
- • Evolve the talent management model towards an integrated strategy across different profiles (high potential, key personnel and successors), while adopting market standards and outlook to strengthen the leadership group.
- • Reinforce actions that encourage the development of individuals and the wider organisation by means of a collaborative environment. Launch the second digital mentoring programme.
- • Reinforce our brand as an employer on social media and target employment channels.

Diversity, equal opportunity and work-life balance

- Guarantee a social model committed to professional excellence and the quality of life of our employees.
- Raise diversity and inclusion management to the status of a strategic priority, and enhance the awareness and capabilities of key actors in this domain.
- Contribute to achieving the SDGs for the 2015-2030 horizon through the Corporate Volunteering Programme.
- • Inclusion of Iberdrola in the 2021 Bloomberg Gender-Equality Index for the fourth consecutive year.
- • Launch of the Global Diversity and Inclusion Council to move the topic forward in all regions, setting priority actions and ensuring their achievement.
- • The “Volunteers against COVID-19” program continued to respond to the social and healthcare crisis caused by the pandemic.
- • Volunteering: Implementation of the Mi huella social (“my social footprint”) project to measure contributions to the SDGs. Expansion of the international INVOLVE programme to two new sites, in Brazil (Natal) and Mexico (Oaxaca). Launch of two new training projects focusing on SDG 5 – social and labour inclusion of women who are victims of gender violence and/or severe exclusion – and return to working life after a protracted absence caused by maternity or family care duties.
- • Corporate Volunteering Activities to improve the quality of life and the integration of vulnerable groups, care for the environment and recovery of natural spaces, and raise awareness of the SDGs.
Ensure the availability of a committed, qualified and diverse workforce in a safe and stable environment.

Social commitment\(^1\)

Iberdrola committed to equality

---

\(^1\) Pre-COVID-19 photos.
### Geographic diversification of the workforce

- **Spa**n: 38%
- United K**ingdom**: 14%
- United S**tates**: 18%
- Bra**zi**l: 12%
- Mex**ico**: 2%
- IEI: 2%

- **Total employees**: 39,955

### Accident frequency rate (2019-2021) (Own personnel)

- **2019**: 1.33
- **2020**: 1.20
- **2021**: 1.06

### Workforce by gender

- **Women**: 23%
- **Men**: 77%

### Workforce by age group

- **More than 51 years old**: 18%
- **Between 31 and 50 years old**: 60%
- **Up to 30 years old**: 21%

- **7%**: More than 51 years old
- **55%**: Between 31 and 50 years old
- **38%**: Up to 30 years old

### Workforce by professional category

- **Qualified technicians**: 7%
- **Skilled workers and support personnel**: 55%
- **Leadership**: 38%

### Entry-level wage compared to legal minimum wage (%)

- **Spain**: 126%
- **United Kingdom**: 100%
- **United States**: 124%
- **Brazil**: 139%
- **Mexico**: 312%

### Total average salary (€)

- **2021**:
  - **Women**: 46,529
  - **Men**: 49,857

### Training and professional development

#### Average hours of training per employee trained

- **Leadership**: 39.32 (Women), 35.49 (Men)
- **Qualified technicians**: 43.41 (Women), 39.82 (Men)
- **Skilled workers and support personnel**: 75.87 (Women), 53.85 (Men)
- **Average hours of training per employee trained**: 62.87 (Women), 58.6 (Men)

#### Hours of training per employee trained

- **2019**: 54.9 (Women), 53.4 (Men)
- **2020**: 53.85 (Women), 53.4 (Men)
- **2021**: 62.87 (Women), 58.6 (Men)

---

(1) Accident frequency rate = (number of accidents with leave*1,000,000) / hours worked.
(2) Includes: Fixed salary, Variable, Supplements.
4.6. Community support and electricity access programmes

Main programmes 2021

- Contribution of €58.1 million to the community, measured according to the Business for Societal Impact (B4SI) international standard, in the countries in which Iberdrola operates.
- Volunteer activities. A total of 12,222 volunteers have participated in activities mainly centred this year on actions to support groups affected by COVID-19.
- Entrepreneurial support: €84 million of purchases from companies in operation for less than 5 years, and over €85 million in venture capital for new initiatives with high technological value.
- Specific programmes and pricing for vulnerable groups in Spain, the United Kingdom, the United States and Brazil.
- Rural electrification programmes in Brazil, to which approximately €51 million has been allocated.
- Programmes implemented by the foundations created by Iberdrola in the principal countries in which it operates.
- Development of the Electricity for All programme.

Electricity for All

- The SDGs recognise energy as an engine for sustainable development.
- The Electricity for All programme is Iberdrola’s response to the need to expand universal access to modern forms of energy, with environmentally sustainable, financially affordable and socially inclusive models. This initiative is focused on sustainable electrification activities in emerging and developing countries.
- Iberdrola has set itself the goal of reaching 16 million beneficiaries of this programme by 2030. The programme had reached 9.6 million users by year-end 2021.

Foundations of the Iberdrola group in 2021

- Iberdrola has strengthened the operation of its foundations in Spain, the United Kingdom, the United States, Brazil and Mexico.
- Overall investment dedicated to activities in all countries in 2021 reached a total of €12.1 million.
- A highlight in the Training and Research area, was the multi-year research grant programme “Energy for Future”, co-funded by the European Commission. We also implemented the Inspira Programme, an initiative for social and labour inclusion of young people at risk of social exclusion and early drop-out from the school system. This year, we allocated additional support to women and girls with educational programmes such as the STEM and STEM 4 Girls chair.
- In Art and Culture, the aim is to protect and safeguard artistic and cultural heritage, promoting conservation and restoration and stimulating local development. The main lighting initiatives focused on the Cathedral of Santiago de Compostela and the Plaza Mayor in Sigüenza. Other standouts included the itinerant exhibitions “El Prado en las Calles” and “Un Patrimonio de Todos” in Castilla-La Mancha.
- In Biodiversity and climate change, the aim is to protect the environment and improve biodiversity to contribute actively to the fight against climate change. In Spain, standouts included the reforestation of the shooting range in Chinchilla as part of Iberdrola’s Forest Defence plan, reforesting 20 hectares, which will absorb more than 2,500 tons of CO₂ over 40 years, the MIGRA programme in Spain, the multi-year project with the WWF (World Wildlife Foundation) for the restoration of seagrasses and oysters by the ScottishPower Foundation, the project in partnership with the Oregon Zoo Foundation by AVANGRID, the conservation of the Fernández Canyon by the Iberdrola México Foundation, and the CORALIZAR project of Instituto Neoenergía.
- In the area of Social Action, Iberdrola is contributing to sustainable human development by supporting the most vulnerable individuals and groups. Over 200 partnerships have been established in the five countries with an impact on over 200,000 people. A key initiative was the raft of calls for proposals for social programmes aimed at supporting and funding more than 30 projects in each country.

Foundation programmes 2021: € 12.1 M

<table>
<thead>
<tr>
<th>Contribution by region (%)</th>
<th>Contribution by area (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>Training and research</td>
</tr>
<tr>
<td>16%</td>
<td>4.9%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Art and Culture</td>
</tr>
<tr>
<td>19%</td>
<td>13.9%</td>
</tr>
<tr>
<td>United States</td>
<td>Biodiversity and Climate</td>
</tr>
<tr>
<td>49%</td>
<td>Change</td>
</tr>
<tr>
<td>Mexico and Brazil</td>
<td>Social Action</td>
</tr>
<tr>
<td>16%</td>
<td>26.0%</td>
</tr>
<tr>
<td></td>
<td>Institutional cooperation</td>
</tr>
<tr>
<td></td>
<td>19.8%</td>
</tr>
</tbody>
</table>
### 4.7. Innovation, digitalisation and quality for our customers

#### Management of intellectual capital

<table>
<thead>
<tr>
<th>Promotion of R&amp;D</th>
<th>Management approach</th>
<th>Main activities 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Iberdrola continues to wager on innovation as one of its main pillars for successfully facing the future energy scenario.</td>
<td>€337.5 million of R&amp;D investment in 2021, a 15% increase over 2020.</td>
</tr>
<tr>
<td></td>
<td>Iberdrola has been recognised for the first time as the private-sector utility that invests most in R&amp;D worldwide.</td>
<td>Formal opening of the Global Smart Grids Innovation Hub technology centre in Bilbao.</td>
</tr>
<tr>
<td></td>
<td>Support for open innovation through partnerships with the world’s leading universities under the Iberdrola U programme, a network that promotes training, entrepreneurship and research and connects 490,000 members, including students, researchers and academics.</td>
<td>Opening of the Iberdrola Campus, a global centre in support of knowledge, innovation and employability.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Efficiency and new products and services</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New developments</td>
<td>Driving flexibility, operational efficiency and the safety of facilities, and a reduction in environmental impact through the implementation of disruptive technologies and the reduction of emissions.</td>
<td>Development of domestic and international R&amp;D projects to promote sustainable development, renewable energy and emerging technologies.</td>
</tr>
<tr>
<td>New products</td>
<td>That guarantee an efficient, agile and high-quality service and improve the experience of over 16 million customers.</td>
<td>New functionalities of the Iberdrola Customerapp: streamlining registration, process automation, integration of management of home-based chargers via the public charging app, digitalisation of the payment process, and an option to pay multiple invoices at once.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disruptive technology and business models</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Through the Iberdrola-PERSEO international start-up programme, investments are made in technologies and new disruptive businesses models, which ensure the sustainability of the energy model. Since its creation, more than €85 million have been invested through the programme worldwide. Lines of activity: Technologies for the integration of renewable energies.</td>
<td>More than 25 projects with start-ups in technological fields: Artificial Intelligence, Big Data, IoT, robotics and batteries.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Aggregation and management of distributed energy resources and energy efficiency Innovative solutions for customers. Electromobility. Energy efficiency.</td>
<td>9 Startup Challenges: in renewable generation, onshore and offshore wind power, photovoltaic generation, electromobility and construction and maintenance of power grids.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Investment: IPOs on the NYSE of two of Perseo’s investees, Wallbox Chargers, S.L., which develops electric mobility solutions, and Stem Inc., which manages distributed energy assets (batteries).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&quot;Venture Builder&quot; initiative for investing and creating electrification support businesses from scratch (in areas like the recycling of modules, wind-turbine blades and batteries, and the circular economy) and in sectors resistant to decarbonisation, like industrial heat production and heavy transport. This initiative prompted the Net-Zero MAR Partnership, which focuses on the decarbonisation of the maritime sector.</td>
</tr>
</tbody>
</table>

#### Investments in R&D (€ million): Iberdrola is the private-sector utility that invests most in R&D worldwide

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>145.0</td>
<td>159.0</td>
<td>170.0</td>
<td>200.0</td>
<td>211.0</td>
<td>246.0</td>
<td>266.5</td>
<td>280.0</td>
<td>292.5</td>
<td>337.5</td>
</tr>
</tbody>
</table>

**% R&D investment by strategic areas**

- Renewables: 21%
- Networks: 22%
- Wholesale and Retail: 24%
- Systems: 33%

---

www.iberdrola.com

Integrated report. March 2022
## Innovation and digital transformation projects

### Main R&D research projects

#### Smart grids
- The TrueValSec project was launched to engage in the in-depth design of the security mechanisms used at the different levels of communication in the electric metering infrastructure of Smart Cities.
- Notable in the field of network integration was the second phase of the Caravaca BESS project, which launched the FLEXIPOWER project to achieve the integration of various battery-based energy storage systems.
- ONE NET and COORDINET continue with the development of new flexibility tools and platforms in coordination with electricity transmission and distribution companies and consumers.

#### Electricity production
- HYDROSMART and HYDRODEMAND projects: strategic initiatives for monitoring and smart control of hydroelectric power plants and development and validation of the operational status of variable-speed turbines.
- Project ROMEO, to analyse and specify best practices and optimisation tools for the operation and maintenance of offshore wind farms.
- Continuation of the NextGEMS project, which aims to develop and apply high-resolution ground-based system models for forecasting the impact of extreme phenomena, such as storms, on existing production systems.
- The COATI project aims to develop a software tool that will enable the implementation of specific loading plans for spent nuclear fuel elements.
- Work commenced on the SIRO project, which involves technological development based on artificial intelligence and aims to develop and validate a robotic inspection system for generators.

#### Customers
- Smart Solar for Homeowners Associations, in which residents’ surpluses and deficits are offset between each other and they can monitor their savings on an app.
- Smart Mobility includes boosting the deployment of high-power stations across the public charging network and the launch of the global charging point management system, which will allow for providing technological support for the deployment of charging points.
- Smart Clima will drive the decarbonisation of homes through the electrification of heat. Start-up of pilot facilities, with aerothermal equipment from leading manufacturers and development of new energy efficiency certificates in homes.

### Green hydrogen, the energy vector of the future
- Iberdrola began the construction of the largest green hydrogen plant for industrial use in Europe.
  - The Puertollano (Ciudad Real province) plant, comprising a photovoltaic solar plant, a lithium-ion battery system and one of the largest hydrogen production systems through electrolysis in the world, will generate green hydrogen as part of ammonia generation processes.
  - In addition, the first phase of the new Barcelona hydrogen plant has begun commercial operation, which will supply hydrogen in 2030 to 60 city-operated buses belonging to TMB (Transports Metropolitans de Barcelona).

### Iberdrola is the only Spanish electric utility to receive European funds to research Artificial Intelligence
- The consortium led by Iberdrola was one of the main winning bidders for European Union Next Generation funds for Artificial Intelligence research.
  - The aim of the project is to develop advanced Artificial Intelligence technology in the energy sector, in renewable generation, smart grids and customer service.
  - IATES is the only AI “driver” project approved in the energy sector, and the one with the highest funding (€13 million).
Our commitment to customers

Quality of electricity supply

<table>
<thead>
<tr>
<th>Country</th>
<th>Average power outage duration</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>TIEPI (min)</td>
<td>&lt; 39</td>
<td>48</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>CML (min)</td>
<td>33.92</td>
<td>31.55</td>
</tr>
<tr>
<td>United States</td>
<td>CAIDI (h)</td>
<td>1.87</td>
<td>1.84</td>
</tr>
<tr>
<td>Brazil</td>
<td>DEC (h)</td>
<td>10.22</td>
<td>11.24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Power outage frequency</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>NIEPI (Nº)</td>
<td>&lt; 0.9</td>
<td>1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>CI (ratio)</td>
<td>37.29</td>
<td>36.59</td>
</tr>
<tr>
<td>United States</td>
<td>SAIFI (index)</td>
<td>1.42</td>
<td>1.37</td>
</tr>
<tr>
<td>Brazil</td>
<td>FEC (frequency)</td>
<td>5.06</td>
<td>5.13</td>
</tr>
</tbody>
</table>

TIEPI: Installed Capacity Equivalent Interrupt Time.
CML: Customer Minutes Lost Per Connected Customer.
CAIDI: Customer Average Interruption Duration Index.
DEC: Equivalent Duration of Interruption by Consumer Unit.
NIEPI: Installed Capacity Equivalent Interrupt Number.
CI: Customer Interruptions Per 100 Connected Customers.
SAIFI: System Average Interruptions Frequency Index.
FEC: Equivalent Frequency of Interruption by Consumer Unit.

Offer a secure supply of energy that is competitive in cost and quality

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

- Combined cycle: 88.4 (2021), 87.2 (2020)
- Cogeneration: 93.7 (2021), 95.7 (2020)
- Nuclear: 88.3 (2021), 91.9 (2020)
- Hydroelectric: 85.4 (2021), 90.6 (2020)
- Wind: 95.2 (2021), 95.7 (2020)

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

5.1. Governance and sustainability system
5.2. The Three Lines model
5.3. Risks
5.4. Ethics and integrity
5.5. Cybersecurity and information privacy
5.6. Promotion of socially responsible practices in the supply chain
5.7. Fiscal responsibility
5.1. Governance and sustainability system

The Governance and Sustainability System is based on ESG criteria to extract value from our environmental performance, our social commitment and the best corporate governance practices.

Board of Directors

<table>
<thead>
<tr>
<th>Position</th>
<th>Director</th>
<th>Status</th>
<th>Date of last appointment</th>
<th>Expiry of mandate</th>
<th>Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman &amp; CEO</td>
<td>José Ignacio Sánchez Galán (Salamanca, Spain, 1950)</td>
<td>Executive</td>
<td>29-03-2019</td>
<td>29-03-2023</td>
<td>Chair of the Executive Committee</td>
</tr>
<tr>
<td>First Vice-Chair and lead independent director</td>
<td>Juan Manuel González Serna (Madrid, Spain, 1955)</td>
<td>Independent</td>
<td>18-06-2021</td>
<td>18-06-2025</td>
<td>Member of the Executive Committee Chair of the Remuneration Committee</td>
</tr>
<tr>
<td>Second Vice-Chair</td>
<td>Anthony L. Gardner (Washington D.C., USA, 1963)</td>
<td>Independent</td>
<td>13-04-2018</td>
<td>13-04-2022</td>
<td>Member of the Executive Committee Member of the Appointments Committee</td>
</tr>
<tr>
<td>Director</td>
<td>Iñigo Víctor de Oriol Ibarra (Madrid, Spain, 1962)</td>
<td>Other external</td>
<td>02-04-2020</td>
<td>02-04-2024</td>
<td>Member of the Remuneration Committee Chair of the Appointments Committee</td>
</tr>
<tr>
<td>Director</td>
<td>María Helena Antolín Raybaud (Toulon, France, 1966)</td>
<td>Independent</td>
<td>29-03-2019</td>
<td>29-03-2023</td>
<td>Chair of the Appointments Committee</td>
</tr>
<tr>
<td>Director</td>
<td>Manuel Moreu Munaiz (Pontevedra, Spain, 1953)</td>
<td>Independent</td>
<td>29-03-2019</td>
<td>29-03-2023</td>
<td>Member of the Executive Committee Member of the Remuneration Committee</td>
</tr>
<tr>
<td>Director</td>
<td>Xabier Sagredo Ormaza (Portugalete, Spain, 1972)</td>
<td>Independent</td>
<td>29-03-2019</td>
<td>29-03-2023</td>
<td>Chair of the Audit and Risk Supervision Committee</td>
</tr>
<tr>
<td>Director</td>
<td>Francisco Martínez Córcoles (Alicante, Spain, 1956)</td>
<td>Other external</td>
<td>18-06-2021</td>
<td>18-06-2025</td>
<td>N/A</td>
</tr>
<tr>
<td>Director</td>
<td>Sara de la Rica Goicicelaya (Bilbao, Spain, 1963)</td>
<td>Independent</td>
<td>29-03-2019</td>
<td>29-03-2023</td>
<td>Chair of the Sustainable Development Committee</td>
</tr>
<tr>
<td>Director</td>
<td>Nicola Mary Brewer (Taplow, United Kingdom, 1957)</td>
<td>Independent</td>
<td>02-04-2020</td>
<td>02-04-2024</td>
<td>Member of the Sustainable Development Committee</td>
</tr>
<tr>
<td>Director</td>
<td>Regina Helena Jorge Nunes (São Paulo, Brazil, 1965)</td>
<td>Independent</td>
<td>02-04-2020</td>
<td>02-04-2024</td>
<td>Member of the Audit and Risk Supervision Committee</td>
</tr>
<tr>
<td>Director</td>
<td>Ángel Jesús Aoebes Paniagua (Ávila, Spain, 1958)</td>
<td>Independent</td>
<td>18-06-2021</td>
<td>18-06-2025</td>
<td>Member of the Executive Committee Member of the Appointments Committee</td>
</tr>
<tr>
<td>Director</td>
<td>María Angeles Alcalá Díaz (Albacete, Spain, 1962)</td>
<td>Independent</td>
<td>26-10-2021</td>
<td>General Shareholder's Meeting 2022</td>
<td>Member of the Audit and Risk Supervision Committee</td>
</tr>
<tr>
<td>Director</td>
<td>Isabel García Tejerina (Valladolid, Spain, 1968)</td>
<td>Independent</td>
<td>16-12-2021</td>
<td>General Shareholder's Meeting 2022</td>
<td>Member of the Sustainable Development Committee</td>
</tr>
</tbody>
</table>

(1) At 31 December 2021.
Corporate and governance structure

The Iberdrola group is structured on three levels that differentiate the functions of strategy, supervision and control of the group as a whole (attributed to Iberdrola, S.A.), those of organisation and coordination with regard to each country (corresponding to the country subholding companies) and those of the administration and effective management of each of the businesses (within the purview of the head of business companies).

It is also based on a system of checks-and-balances that avoids an accumulation of power:

- El Iberdrola’s Board of Directors, made up of a majority (79%) of independent directors, focuses its activity on the determination, supervision and monitoring of the policies, strategies and general guidelines of the Iberdrola group. Especially important is the supervision of the development and application by the group companies of the Governance and Sustainability System.

- The Chairman of the Board of Directors and Chief Executive Officer and the rest of the management team are responsible for the organisation and strategic coordination of the group.

- In the principal countries in which the group operates, organisation and strategic coordination is implemented through country subholding companies, which group together equity stakes in the head of business companies and centralise the provision of common services to the head of business companies.

- Country subholding companies have boards of directors, including independent directors, and their own audit and compliance committees, internal audit divisions and compliance units or divisions. Listed country subholding companies like Avangrid, Inc. and Neoenergia, S.A. have a framework of strengthened autonomy.

- The head of business companies are in charge of the day-to-day administration and effective management of each of the businesses. They also have boards of directors, which include independent directors, and specific management teams.

---

**Corporate and governance structure**

**Iberdrola, S.A. (holding companies)**

- **Chairman & CEO** + Management team
- **Board of Directors** → **Executive Committee** → **Consultative committees**
  - Audit and Risk Supervision Committee
  - Appointments Committee
  - Remuneration Committee
  - Sustainable Development Committee

**Country subholding companies**

- Iberdrola España
- ScottishPower
- AVANGRID\(^1\)
- Neoen\(^2\)
- Iberdrola Mexico
- Iberdrola Energía Internacional

**Head of business companies**

(1) Company listed on the New York Stock Exchange.
(2) Company listed on the New Market segment of BOVESPA (Brazil).
Ownership structure

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

Investment funds, pension funds and other foreign institutional shareholders account for close to 70% of capital.

Iberdrola at the forefront of governance and sustainability

The governance and sustainability system is based on ESG standards to highlight our environmental performance, our social commitment and the best corporate governance practices.

Strategy

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

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

Continuous improvement of its corporate governance rules and practices

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

Operation of the Board

79% of the directors are independent. 55% of independent directors are women.

System of checks and balances, including the first vice-chairman and lead independent director.

Gender diversity: six women on the Board (42.8% of the total).

Diversity of skills, experience, nationality and background.

Annual evaluation of the governance bodies with the participation of an independent expert.

Sustainable Development and Corporate Reputation

Corporate reputation.

Ethics and compliance.

Monitoring of the group’s strategy and performance on sustainable development and ESG objectives.

Climate Change Action Plan and adoption of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Creation of value for Stakeholders and reputation of the Company.
Commitment to shareholders and investors

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

Remuneration policy

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

<table>
<thead>
<tr>
<th>Type of remuneration</th>
<th>External (nonexecutive) directors</th>
<th>Executive directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed.</td>
<td>According to their duties.</td>
<td>On market terms.</td>
</tr>
<tr>
<td>Long-term variable</td>
<td>Not applicable.</td>
<td>Tied to multi-year financial targets and ESG metrics. Payable in shares (3-year accrual period and payment deferred over 3 years following accrual).</td>
</tr>
</tbody>
</table>

Ongoing and proactive contact with our shareholders

Parameters to which the annual variable remuneration of executive directors is tied in 2022


Parameters to which the multi-annual variable remuneration is tied (2020-2022 Strategic Bonus)

- Net profit.
- Financial strength.
- Total shareholder return.
- Sustainable Development Goals (fight against climate change, boost sustainability in the supply chain, and commitment to salary equality between men and women).
### Main activities of the Board of Directors

#### Key topics in 2021

<table>
<thead>
<tr>
<th>Balanced growth</th>
<th>Sustainable remuneration of shareholders</th>
<th>Sustainability</th>
<th>Financial strength</th>
<th>Control of corporate risks</th>
<th>Corporate governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects of the group within the framework of the “Next Generation EU” plan.</td>
<td>Monitoring of participation in the World Climate Summit (COP26).</td>
<td>Implementation of the TCFD recommendations.</td>
<td></td>
<td>Oversight of the financial impact of the COVID-19 crisis.</td>
<td>Appointment and re-election of internal positions and members of committees.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Talent management.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The main objective of Iberdrola’s Board of Directors is to establish, supervise and implement the strategy of the company and its group. Therefore, the Board reviews and updates its governance and sustainability system, and particularly its corporate policies.
5.2. The Three Lines model

A principles-based model

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


Iberdrola adopts the Three Lines Model as a guarantee of its internal control model.
Principle 1: Governance

Iberdrola’s governance has structures and processes that enable:

- **Accountability** by the Board of Directors to the stakeholders for organisational oversight through integrity, leadership and transparency.

- **Actions** (including risk management) by management to achieve the objectives of the strategic plan through risk-based decision-making and application of resources.

- **Assurance and advice** by an internal audit function to provide clarity and confidence and to promote and facilitate continuous improvement through rigorous research and insightful communication.

Principle 2: Roles of the governing body

Iberdrola’s Board of Directors:

- Ensures that appropriate structures and processes are in place for effective governance.

- Ensures that organisational objectives and activities are aligned with the prioritised interests of the stakeholders.

- Delegates responsibility and provides resources to management to achieve the objectives of the organisation while ensuring legal, regulatory and ethical expectations are met.

- Establishes and oversees an independent, objective and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives.

Principle 3: Management and first and second line roles

Management’s responsibility to achieve organisational objectives comprises both first and second line roles. The management team and the professionals of Iberdrola and its group are the direct managers of the entity’s risks. Thus, the company’s Management is responsible for maintaining effective control and for implementing procedures to control risks on a continuous basis, based on the Internal Control objectives of the COSO model (operational, reporting and compliance – Committee of Sponsoring Organizations, May 2013).

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

Principle 4: Third line roles

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

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

The 2021 annual activities plans of Iberdrola’s Internal Audit Area and of the Internal Audit divisions of the group, with a risk-based focus, responded to the requirements established by the ARSC and the respective ACCs of the country subholding companies, and included:

- Half-yearly reviews of the operation of the most critical ICFRS controls, as well as reviews of the various cycles of financial information preparation, within the framework of the revision of the entire ICFRS over a 5-year period.

- Audits of key corporate and business process and risks, based on the Risk Policies approved by the Board of Directors on an annual basis.

- Audits of the compliance programmes.

Principle 5: Third line independence

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

Principle 6: Creating and protecting value

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

External assurance providers

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

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

Commitment of the Board of Directors and of senior management

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

- **Ex-ante**: levels of tolerance to risk are reviewed and approved on an annual basis through risk policies that establish the qualitative and quantitative risk appetite at the group level and at each of the main businesses and corporate functions.
- **Ex-post**: regular monitoring of significant risks (key risk maps) and threats and the various exposures of the group, as well as of compliance with approved risk policies, limits and indicators.

Comprehensive risk control and management system

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

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

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

Functions of the Risk Committee

**Active management**

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

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

**Second lines coordination / Enterprise Risk Management (ERM)**
Ensure, under the internationally recognised three lines model, that there are mechanisms for all significant risks of the group to be controlled at all times and that they are regularly reported to the various committees and externally. Instruments and reports:

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

Global oversight of operational risk by the corporate Insurance, Security and Cybersecurity, IT and Occupational Health and Safety units and the business units.
Risk policies and limits of the Iberdrola group

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

Specific risk policies of the businesses:
- Liberalised Businesses of the Iberdrola group.
- Renewable Energy Businesses of the Iberdrola group.
- Networks Businesses of the Iberdrola group.
- Real Estate Business.

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

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

Principal risk factors of the Iberdrola group

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

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

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

Price and demand risks

The main variable affecting the results of the group’s Wholesale and Retail Businesses as regards market prices is the price of electricity, which relatively corresponds to the price of fuel and applicable emission rights, required to produce such electricity.

The group’s Renewables Businesses preferentially sell their energy at: i) regulated rates; or ii) fixed prices via PPAs. The remaining market exposure of the Renewables Businesses is transferred to the Customer business in the countries where it is present for integrated management.

Offsetting at-risk positions between wholesale and retail activities allows for a large reduction in the group’s market risk; the remaining risk is mitigated via diversification of purchase / sale agreements, and by trading in derivatives.

- Spain: Integrated Wholesale, Renewables and Retail risk
- United Kingdom: Integrated Retail and Renewables (power from wind farms with ROCs) risk
- Mexico: The PPAs with the CFE do not have a market risk
- Brazil: Integrated Wholesale, Renewables and Retail risk
- United States: For windfarms exposed to the market
- International: For windfarms exposed to the market

Potential impact of a 5% change in the price of electricity and / or of energy commodities and CO₂

Spain:

United Kingdom: Integrated Retail and Renewables (power from wind farms with ROCs) risk

Mexico: The PPAs with the CFE do not have a market risk

Brazil: Integrated Wholesale, Renewables and Retail risk

United States: For windfarms exposed to the market

International: For windfarms exposed to the market

Change in the price of electricity

Change in demand

Wholesale, Retail and Renewables: moderate short-term impact, given the nature of the group’s generation facilities and the structure of the long-term power purchase agreements.

Networks: no impact, except for the Brazilian subsidiaries in between tariff periods.

Resource risks

Change in hydroelectric resources - Spain

In the medium-to-long term, humid years are offset by dry years. The storage capacity of multi-year reservoirs and the group’s portfolio of power plants mitigate the level of volatility during the year.

Lower hydroelectric production - Spain - Renewables Business - Spain

Change in wind resources - group

Mitigated thanks to the high number of facilities in operation and the geographic dispersion thereof.

In the medium-to-long term, years with more wind are offset by years with less wind.

Lower wind output - group - Renewables Business - group

Financial risks

Change in interest rate

The Iberdrola group maintains a fixed-rate and variable-rate debt structure, based on the structure of its revenues and the sensitivity thereof to changes in interest rates.

Possible impact on financial cost of +25 bps increase - Group financial cost

Change in exchange rate

This risk is mitigated by taking on debt and realising all its financial flows in the functional currency corresponding to each company, whenever possible and economically efficient, and managing its open positions with derivatives. The risk associated with the translation of results from subsidiaries is closed out annually.

Possible impact on financial cost of 5% increase in currency - Group financial cost

Other risks

Credit risk

- Main sources: amounts outstanding (customers, suppliers, banks, partners, etc.) and cost of replacement.
- Retail: cost of late payments/defaults has been kept to levels slightly above 1% of total invoicing.
- Networks: In Spain and in the United Kingdom there is no retail sale of energy, in the United States and Brazil late payments are generally recovered through the tariffs

Operational risk

These risks are mitigated by making the necessary investments, applying operation and maintenance procedures and programmes (supported by quality systems), planning appropriate training and skills development for staff, and finally by obtaining appropriate casualty and civil liability insurance.

Regulatory and political risk

The group is subject to laws and regulations on tariffs and other regulatory aspects of its activities in the countries in which it does business. The introduction of new laws / regulations or amendments to existing ones could adversely affect operations, annual results and the financial value of the businesses of the group.

Climate change risk

Includes the risks of transition (regulatory or market associated with emissions reduction goals) and physical risks (deriving from potential impacts of an increase in extreme climate phenomena, increase in temperatures, increase in sea level, changes in rain patterns, etc.).

Iberdrola believes that it is well positioned with respect to this risk, given the nature of its current businesses and its main goals for growth.

Annual impact:

- < 15 €M
- 15 €M - 50 €M
- > 50 €M
5.4. Ethics and integrity

Compliance System

Iberdrola’s Compliance System is made up of all of the material rules, formal procedures and actions intended to ensure that the company conducts itself in accordance with ethical principles and applicable law and to prevent improper conduct or conduct that is contrary to ethics, the law or the Corporate Governance and Sustainability System that might be committed by the professionals thereof within the organisation.

The Code of Ethics, which forms part of Iberdrola’s Corporate Governance System, was approved by the Board of Directors in 2002 and is regularly updated.

Main areas of the Compliance System

The main activities and areas of activity within the framework of the Group’s Compliance System are: (i) the regular and ongoing identification and assessment of compliance risks in each of the Group’s corporate functions and businesses, (ii) the implementation and improvement of the Crime Prevention Programmes, which are developed within the scope of the provisions of the Spanish Criminal Code, (iii) training and communication activities aimed at all professionals of the Group, (iv) the development and implementation of rules and controls to minimise the risk of crime, particularly fraud and corruption, (v) actions to ensure compliance with the rules on market abuse and separation of activities, and (vi) management of the ethics mailboxes.

Principal awards / recognitions

In 2021, Iberdrola renewed the Compliance Leader Verification certification, awarded by Ethisphere Institute to companies that show they have an ethical culture implemented within all of their businesses and activities as well as a robust and effective compliance system.

In 2021, Iberdrola renewed the certifications provided by AENOR in 2017: UNE-ISO 37001 on anti-bribery management systems and UNE 19601 on penal compliance management systems.

Iberdrola has been chosen for the eighth consecutive year as one of the most ethical companies in the world, according to the World’s Most Ethical Companies 2021 ranking prepared by the Ethisphere Institute, thus recognising the ethical leadership and conduct of the organisation.

Compliance Unit

Iberdrola, S.A.’s Compliance Unit is a collective, internal and permanent body, linked to the Sustainable Development Committee of the Board of Directors, responsible for proactively ensuring the effective operation of the group’s Compliance System.

In addition, there is a Compliance Division linked to the corresponding Audit and Compliance Committees at each country subholding company and each head of business company.

Powers of the Unit

The Compliance Unit has powers related to the Code of Ethics, the Anti-Corruption and Anti-Fraud Policy, the Crime Prevention Policy, the Internal Regulations for Conduct in the Securities Markets, legal provisions regarding the separation of activities, and all other powers that may be entrusted thereto by the Sustainable Development Committee or the Board of Directors of the Company or that are established in the Iberdrola group’s Governance and Sustainability System.
5.5. Cybersecurity and information privacy

Iberdrola, as a leading company in innovation, digitalisation and smart grids, accords strategic importance to cyber-resilience. For this reason, in 2015, the Board of Directors approved a **Cybersecurity Risk Policy**, pledging to introduce the necessary measures for promoting a robust cybersecurity culture throughout the Group by encouraging the secure use of cyber-assets, and strengthening the capacity to detect, prevent, defend against, and respond to cyberattacks or cybersecurity threats.

This Policy and the **cybersecurity risk strategy and global framework** are focused on integrating cybersecurity in all strategic and operational decisions of the company and on taking it into account beginning with the design of new projects and processes, based on following pillars:

- **Governance**: global cybersecurity governance system, with direct responsibility for the company’s business and support areas, under the coordination and oversight of the Cybersecurity Division.
- **Culture**: identifying and developing cybersecurity skills and knowledge, and delivering a commensurate cybersecurity training programme to all staff that promotes a strong cybersecurity culture throughout the company.
- **Risk management**: defining and implementing comprehensive cybersecurity risk management plans by prioritising resources based on a sound risk assessment, with a focus on business-critical infrastructure and essential services.
- **Resilience**: implementation of technology (SIEMs/SOCs) and global and local cybersecurity incident response teams (CSIRTs), which operate 24x7 and act as a point of contact to ensure the successful detection and management of security threats, vulnerabilities and incidents.
- **Assurance**: strict regulation in the various countries in which it operates (GDPR, SOX, NIS, PIC, NERC, etc.), regular internal and external audits, enhanced assurance programme for critical systems and assets that support essential operational processes.
- **Partnerships**: with law enforcement agencies, government agencies, product and service providers, other companies and industry expert groups, etc., to reinforce system-wide.

To lead the deployment of the Policy throughout the group, Iberdrola has appointed a **Chief Information Security Officer (CISO)**, who regularly reports to the Audit and Risk Supervision Committee of the Board of Directors, together with the CISOs of the country subholding companies.

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

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

For more information, please consult the document “**Statement of Non-Financial Information 2021**” published on Iberdrola’s corporate website.
5.6. Promotion of socially responsible practices in the supply chain

The Iberdrola group’s supply chain consists of two different processes:

- The procurement of material and equipment and the contracting of works and services, which is the responsibility of the group’s Purchasing and Insurance Division.
- The procurement of fuel, which is handled by the Wholesale and Retail Business.

Iberdrola placed orders with more than 19,000 suppliers during 2021. A breakdown of the economic and geographic volume is set out in the following chart:

<table>
<thead>
<tr>
<th>General supply of equipment, materials, works and services (more than 9,400 million euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>2,405</td>
</tr>
</tbody>
</table>

Iberdrola follows a local supplier strategy for its strategic contracting that has allowed for the creation of indirect employment and the maintenance of a strong industrial fabric in the geographical areas in which it does business. In line with this strategy, 87.90% of purchases or contracts for materials, equipment, works and services were with local suppliers in 2021.

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

Highest level commitment to the sustainability of our supply chain

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

Supplier sustainability evaluation model

2021 saw strengthened use of the global supplier sustainability evaluation model, organised around three core ESG pillars of sustainability.

The assessment of a supplier measures the supplier’s performance in highly significant attributes: identification of objectives linked to the Sustainable Development Goals (SDGs), management of climate change risk, circular economy strategy, human rights due diligence, etc.

At year-end 2021, more than 73% of the group’s main suppliers that were awarded contracts in the 2020-2021 period already meet the stipulated criteria and are subject to sustainable development policies and standards.
5.7. Fiscal responsibility

Iberdrola has a Corporate Tax Policy that sets out the group’s tax strategy, based on ensuring compliance with applicable tax regulations, excellence and commitment to applying good tax practices, within the framework of the group’s corporate and governance structure. The Corporate Tax Policy is applicable to all companies of the group in all of the countries in which it operates.

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

The Board of Directors of Iberdrola S.A. is vested with the power to design, evaluate, and review the Governance and Sustainability System on an ongoing basis, and specifically to approve and update corporate policies, including the Corporate Tax Policy. In addition, the Board of Directors is responsible for preparing the tax strategy and approving investments or transactions which, due to their magnitude or characteristics, are of special tax relevance.

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

Fiscally responsible behaviour
Iberdrola has had a Corporate Tax Policy in place since 2010. The Policy is available on its website. The Board of Directors is in charge of formally adopting the Policy and its updates. To guarantee a responsible tax approach, Iberdrola strives to ensure that taxation is appropriately related to the structure and location of its activities and fosters a relationship with the tax authorities based on respect for the law, loyalty, trust, professionalism, cooperation, reciprocity, and good faith.

Tax governance and risk management
Responsibility
The Board of Directors of Iberdrola, S.A., through its chairman & CEO and the management team, fosters the monitoring of tax principles and good tax practices. Likewise, the respective boards of directors of the country subholding companies are responsible for ensuring compliance with the Corporate Tax Policy at country level.

Control and monitoring
To achieve efficient control and correct compliance with tax governance requirements, the applicable tax legislation and the principles of the Corporate Tax Policy are monitored at all levels.

The Company’s Global Tax Division approves and periodically reviews guidelines for the evaluation and management of tax risk applicable to all companies of the group. In turn, the head of business companies report to the country subholding companies regarding the level of compliance with the Corporate Tax Policy, and in turn, the Audit and Compliance Committees of the country subholding companies report to the Audit and Risk Supervision Committee of Iberdrola S.A. Finally, the Audit and Risk Supervision Committee of Iberdrola, S.A. reports its findings to the Board of Directors.

Risk management and compliance
Iberdrola seeks to prevent and reduce significant tax risks, and for such purpose has established objective criteria to classify transactions according to their tax risk. In keeping with this commitment, the company does not include within its controlled affiliates and assets any that are resident in tax havens, pursuant to the laws in this regard (Royal Decree 1080/1991) or in territories classified by the European Union in its black list as non-cooperative jurisdictions for tax purposes.

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

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

Fiscal contribution of Iberdrola in 2021 (€M)

- Company contributions: 3,125
- Contributions due to third-party payments: 4,711
- Total contributions: 7,836

www.iberdrola.com
6. About this report

6.1. About this report
6.2. Glossary of terms and abbreviations
6.1. About this report

Integrated Report

- This report has been prepared in accordance with, among other guidelines, the reporting framework published by the International Integrated Reporting Council (IIRC) and in accordance with the recommendations thereof, taking into consideration the separate and consolidated annual financial statements formulated by the Board of Directors, audited and pending approval by the shareholders at the General Shareholders’ Meeting of Iberdrola.

- To prepare the report, a multi-disciplinary team made up of corporate businesses and areas was created in order to provide a complete view of the group, its business model, the challenges and risks it faces, and its social, environmental, financial and governance performance. The participating organisations guarantee the completeness of the information included.

- The main operating and financial figures were approved by the Board of Directors at its meeting held on 22 February 2022, after a favourable report from the Sustainable Development Committee.

Material aspects

- Iberdrola has channels of communication and dialogue with its Stakeholders, developed in accordance with the principles of the AA1000 Assurance Standard, as described in detail in the Stakeholder Engagement Policy and in the Statement of Non-Financial Information. Sustainability Report 2021.

- The Company performs materiality analyses that help identify matters of significance to its Stakeholders, bringing to light particularly sensitive financial, environmental, social and corporate governance issues related to the business in the various communities and geographic areas in which the group operates.

- The contents of this report have been selected by taking into account the existing channels for dialogue as well as the materiality analyses and the framework defined by the IIRC for this kind of information.

Information boundaries

- The information submitted covers Iberdrola and its subsidiaries and affiliates. The information boundaries are defined in the consolidated financial statements and in the Statement of Non-Financial Information. Sustainability Report 2021.

Iberdrola’s performance

- The group’s performance in recent years has been influenced by external corporate transactions, which the reader should take into account in order to properly interpret this report. These transactions and activities are described in the group’s public information, the following being particularly noteworthy:

  - In the United States, the integration of UIL Holdings Corporation and the initial public offering of the group’s US sub-holding company, AVANGRID, Inc. (December 2015), together with the merger agreement for the acquisition of 100% of the share capital of PNM Resources, Inc. by AVANGRID, Inc. This latter agreement, signed in October 2020, is subject to acquisition of the required approvals and authorisations.

  - In Brazil, the inclusion of all the businesses that the group had through Elektro Holding S.A. within Neoenergia S.A., which thus became the Iberdrola group’s country sub-holding company in Brazil (August 2017), the initial public offering of Neoenergia S.A. (July 2019) and the award at public auction of 100% of the share capital of the Brazilian company CEB Distribuição S.A. to a wholly-owned subsidiary of Neoenergia S.A. (December 2020).

  - In Australia, the acquisition of 98% of the share capital of Infigen Energy Limited and Infigen Energy RE Limited by Iberdrola Renewables Australia Pty Ltd (October 2020).

  - Other transactions completed during 2021 included:

    - The signing of an agreement with GS Energy for joint development of projects in South Korea and other Asian regions;

    - The acquisition of Sowitec Vietnam, with a 550 MW renewables portfolio in the country;

    - The agreement with DP Energy to acquire a majority stake in offshore wind projects on the east, west and south coasts of Ireland;

    - The signing of an agreement with the Japanese renewable energy developer Cosmo Eco Power and the engineering firm Hitz for the joint development of the Seihoku-oki offshore wind project (600 MW) in Aomori prefecture, in northwest Japan;

    - The agreement with CEE Equity Partners for the acquisition of new renewable capacity in Poland, comprising three wind farms with a total capacity of 163 megawatts;

    - The creation of a consortium with Total Energies and Norsk Havvind to bid for the tender launched by the Norwegian authorities to develop floating and fixed-bottom offshore wind projects in Norway;

    - The award by Avangrid of the construction of Commonwealth Wind, a 1.232 MW offshore wind farm in the state of Massachusetts.
Verification

- This report has been subject to a process of internal revision.
- Although it has not been subject to a process of independent external assurance, a significant portion of the information contained herein related to financial year 2021 and to previous years, comes from annual financial reports and Non-Financial Information Statements - Sustainability Reports, all of which have been subject to an external audit or assurance. The remaining information mainly comes from other reports or public presentations.

Legal disclaimer with respect to forward-looking statements

- This document contains forward-looking information and statements about Iberdrola and its affiliates. Such information or statements include projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future performance. Forward-looking statements are statements that are not historical facts and are generally identified by the words “expects”, “anticipates”, “believes”, “intends”, “estimates” and similar expressions.
- Although Iberdrola believes that the expectations reflected in such forward-looking information or statements are reasonable, investors and holders of the Company’s shares are cautioned that forward-looking information and statements are subject various to risks and uncertainties, many of which are difficult to predict and generally beyond the control of Iberdrola, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the documents filed by Iberdrola with the National Securities Market Commission and which are available to the public.
- Forward-looking information and statements speak only as of the date on which they were made, are not guarantees of future performance, and have not been reviewed by the auditors of Iberdrola. You are cautioned not to place undue reliance on the forward-looking information or statements. All the forward-looking information and statements hereby made are qualified by the cautionary statement above and are based on information available on the date of approval hereof. Except as required by applicable law, Iberdrola undertakes no obligation to publicly update any statements or revise forward-looking information, whether as a result of new information, future events or otherwise.
### 6.2. Glossary of terms and abbreviations

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>AENOR</td>
<td>Spanish Association for Standardisation and Certification (Asociación Española de Normalización y Certificación), Spain.</td>
</tr>
<tr>
<td>ANEEL</td>
<td>National Electrical Energy Agency (Agencia Nacional de Energía Eléctrica), Brazil.</td>
</tr>
<tr>
<td>CAC</td>
<td>Audit and Compliance Committee</td>
</tr>
<tr>
<td>CAPEX</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>CENACE</td>
<td>National Energy Control Centre (Centro Nacional de Control de Energía), Mexico.</td>
</tr>
<tr>
<td>CFE</td>
<td>Federal Energy Commission (Comisión Federal de la Energía), Mexico.</td>
</tr>
<tr>
<td>CISO</td>
<td>Chief Information Security Officer</td>
</tr>
<tr>
<td>CNMC</td>
<td>National Commission on Markets and Competition (Comisión Nacional de los Mercados y la Competencia), Spain.</td>
</tr>
<tr>
<td>CNMV</td>
<td>National Securities Market Commission (Comisión Nacional del Mercado de Valores), Spain.</td>
</tr>
<tr>
<td>CRE</td>
<td>Energy Regulation Commission (Comisión Reguladora de la Energía), Mexico.</td>
</tr>
<tr>
<td>CSIRT</td>
<td>Computer Security Incident Response Team</td>
</tr>
<tr>
<td>EBITDA</td>
<td>Earnings Before Interests, Taxes, Depreciations and Amortizations</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, Social and Governance</td>
</tr>
<tr>
<td>EU-ETS</td>
<td>European Union Emissions Trading Scheme</td>
</tr>
<tr>
<td>GJ</td>
<td>Gigajoules</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>GWh</td>
<td>Gigawatt hour</td>
</tr>
<tr>
<td>CEF</td>
<td>Corporate Environmental Footprint</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research &amp; Development</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>IIRC</td>
<td>International Integrated Reporting Council</td>
</tr>
<tr>
<td>ISO</td>
<td>International Standards Organization</td>
</tr>
<tr>
<td>VAT</td>
<td>Value-Added Tax (Impuesto sobre el Valor Añadido)</td>
</tr>
<tr>
<td>MME</td>
<td>Ministry of Mines and Energy (Ministério de Minas e Energia), Brazil.</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
</tr>
<tr>
<td>MW</td>
<td>Megawatt</td>
</tr>
<tr>
<td>SDGs</td>
<td>United Nations Sustainable Development Goals</td>
</tr>
<tr>
<td>OHSAS</td>
<td>Occupational Health and Safety Assessment Specification</td>
</tr>
<tr>
<td>PPA</td>
<td>Power Purchase Agreement</td>
</tr>
<tr>
<td>PNIEC</td>
<td>Integrated National Energy and Climate Plan (Plan Nacional Integrado de Energía y Clima), Spain.</td>
</tr>
<tr>
<td>OPEX</td>
<td>Operational Expenditure</td>
</tr>
<tr>
<td>COVID-19</td>
<td>Coronavirus Disease 2019</td>
</tr>
<tr>
<td>RD</td>
<td>Royal Decree (Spain)</td>
</tr>
<tr>
<td>RDL</td>
<td>Royal Decree-Law (Spain)</td>
</tr>
<tr>
<td>RIIO</td>
<td>Revenue=Incentives+Innovation+Outputs.</td>
</tr>
<tr>
<td>SASB</td>
<td>Sustainability Accounting Standards Board</td>
</tr>
<tr>
<td>SBTi</td>
<td>Science Based Targets initiative</td>
</tr>
<tr>
<td>SPEN</td>
<td>ScottishPower Energy Networks</td>
</tr>
<tr>
<td>SPM</td>
<td>ScottishPower Manweb</td>
</tr>
<tr>
<td>STEM</td>
<td>Science, Technology, Engineering &amp; Mathematics</td>
</tr>
<tr>
<td>TCFD</td>
<td>Task Force on Climate-related Financial Disclosure.</td>
</tr>
<tr>
<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
</tr>
</tbody>
</table>