



# Report on **tax transparency** of the Iberdrola group

Financial year 2020

Our commitment to society



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## Letter from the Chairman & CEO

**Ignacio Galán**

Chairman of the Board of Directors and CEO of  
Iberdrola, S.A.





As it is now custom, Iberdrola voluntarily prepares the tax transparency report, which includes the relevant tax information for all Stakeholders, following the highest good governance standards.

The group has endorsed the principles of good tax governance requiring that our tax practices be fair to and cooperative with society, providing the required contribution of funds, which contribute the reconstruction that is necessary during this especially difficult year.

The group is well aware that its contribution is particularly important in a year when the tax contribution of all industries has been particularly damaged by the pandemic. From the perspective of Iberdrola's business, Stakeholders must be given confidence in order to continue generating healthy growth, which also allows it to substantially maintain its contribution to the public coffers, as can be seen in this report.

It should also be emphasised that taxation should not only have the goal of collecting funds, but should also be an effective instrument for changing social behaviour, discouraging polluting energy and incentivising clean energy. In this regard, Iberdrola is a pioneer in its climate ambitions and we should be committed to taxation that supports the energy transition and that is based on the "polluter pays" principle.

As can be seen in this report, responsibly carrying out our activities, commitment to society and transparency inspire our day-to-day approach to taxation.





# 2

Significant aspects from  
financial year 2020 with  
an impact on total tax  
contribution



## Effective and solidarity response to the coronavirus

### Leader in green hydrogen

### Impact of 61.04% of its turnover on taxes in the nuclear sector

### Non-organic growth in Australia, Brazil, USA and France

The year 2020 was particularly marked by the coronavirus (COVID-19) on a global level. Throughout the pandemic, Iberdrola has met all of its commitments and has launched a global action plan to guarantee the maintenance and quality of supply, in addition to protecting the health and safety of people in the different countries in which it does business. The Iberdrola group has also donated more than 25 million euros in essential healthcare equipment, making its full access to global supply available to governments and contributing to the fight against the pandemic.

This has led to Iberdrola being the first company certified by AENOR for its COVID-19 action protocol.

The main effects of COVID-19 on the group's activities have been a decrease in energy demand and a drop in raw material prices. These effects have had an impact on the group's tax contribution with respect to certain taxes, especially Value Added Tax and Electricity Tax. However, the group continues to make a very significant tax contribution despite the global crisis.

The impact on taxes has been particularly strong with respect to the nuclear power plants, which have operated with a negative cash flow for the first time in 2020, as market prices have not covered their operating costs, taxes and fees. The sum of all taxes accounted for 61.04% of the turnover for this activity.

The ambitious approach in the proposed regulatory changes affecting the electricity sector in Spain, which puts Spain in a position to address the required energy transition, is particularly positive. The regulatory proposals include the creation of a National Fund for the Sustainability of the Electricity Sector (Fondo Nacional para la Sostenibilidad del Sector Eléctrico), which is intended to finance renewable energy through a surcharge on all final energy consumption, as well as taxes on CO<sub>2</sub> emissions and other pollutants, covering oil, gas and electricity. This will spread the cost of financing renewables among all types of energy, improving competitiveness.

Another important aspect of 2020 for the group was the firm commitment to green hydrogen. Iberdrola is already leading, through specific projects, the production of this energy in order to decarbonise industrial processes in Europe, driving the hydrogen value chain and promoting the creation of a national industry for the large-scale manufacture of electrolyzers.

Non-recurring transactions include the acquisition of Infigen, a listed group in Australia, CEB-D in Brazil, Aalto Power in France, and the commitment to acquire the PNM group in the United States of America, as well as the transfer of the 8.07% stake held in Siemens-Gamesa, all of which show the group's non-organic growth, strengthening the Iberdrola group's position as a world energy leader committed to clean energy.

*East Anglia ONE offshore wind farm  
(United Kingdom)*





## Overall information on the Iberdrola group 2020





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**Net profit of 3,611 million euros**

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**Record investments / Advanced purchases**

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**Leader in reducing CO<sub>2</sub> emissions and in green finance**

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**Tax contribution of over 23,500 million over the last 3 years, 44% of the group's profit**

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Iberdrola is today a global energy leader, the world's largest wind power producer and one of the world's largest electric utilities by market capitalisation.

Assets of 122,518 million euros.

Net profit of 3,611 million euros, an increase of 10%, excluding the impact of COVID.

EBITDA of 10,010 million euros.

Record investments of more than 9,200 million euros, an increase of 13% over the prior year.

14,000 million euros in procurement awarded, supporting the activities of our supply chain.

Reduction in CO<sub>2</sub> emissions to only 98 g/kWh<sub>eq</sub>, with a commitment to reach zero emissions in Europe and 50 g/kWh<sub>eq</sub> globally by 2030.

Leader in green finance, with 24,500 million euros in green/sustainable finance, strengthening our commitment to ESG standards.

From 2018 (the first year in which this report was issued) to the present, the group's tax contribution has exceeded 23,500 million euros, with tax payments representing 44% of its profit.

In 2020 the tax contribution was **7,475 million euros**, allocating more than 41% of its profit<sup>1</sup> to the payment of taxes worldwide.

In the case of **Spain**, tax payments represent more than **43%** of the tax contribution ratio<sup>2</sup>.

Direct tax contributions, together with indirect and indicative taxes, represent an amount of close to 15,000 million euros<sup>3</sup>.

**Iberdrola has been selected as the most sustainable Spanish company**, according to the *Global 100 Most Sustainable Corporations in the World* index.

The Iberdrola group is a leader in equal opportunity, having been included in the *Bloomberg Gender Equality Index* (GEI) for the fourth consecutive year.

<sup>1</sup> Profit before Income Tax, other taxes and company Social Security contributions.

<sup>2</sup> Taxes divided by Profit before Income Tax, other taxes and company Social Security contributions..

<sup>3</sup> According to PWC report based on Iberdrola's 2019 activity..





## *Corporate Tax Policy* guidelines: the Iberdrola group's tax strategy



The *Corporate Tax Policy* of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**") forms part of the Group's *Governance and Sustainability System*, which constitutes the internal rules of Iberdrola and its group established in the exercise of its legally protected corporate autonomy to ensure through these rules the fulfilment of its purpose and values and the achievement of its corporate goals and objectives.

In December 2020 Iberdrola's Board of Directors adopted its *Governance and Sustainability System*, the text of which revolves around three main foundations that the international investment community uses to measure the impact and sustainability of its investments: environmental, social and corporate governance (ESG). Professional relations based on diversity, inclusion and a sense of belonging, promoting equal opportunities and guaranteeing non-discrimination in the management of people, all within the framework of its sustainable development strategy, is also recognised as a strategic objective in the new diversity policy.

The *Corporate Tax Policy* was approved by the Board of Directors in 2010 and is subject to ongoing updates, its latest amendment taking place on 15 December 2020. This policy is the cornerstone for the conduct of the group and of the professionals who guide and supervise tax practices. The basis for the Company's tax strategy is excellence and commitment to good tax practices. This policy has also been adopted by the country subholding companies<sup>4</sup> in each of the countries, as well as by each of the head of business companies thereof.

## Principles

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The Iberdrola group's **excellence** in the tax area is defined by the following principles:

**1. Legality: regulatory compliance and reasonable interpretation of tax laws and regulations.**

The Iberdrola group is governed by strict compliance with tax laws and regulations in each of the countries and territories in which it operates, by paying all taxes due in accordance with the legal system. Furthermore, all decisions on tax matters are made based on a reasonable interpretation of applicable legal provisions.

**2. Excellence in the management of tax risks:** the prevention and reduction of significant tax risks requires taxes to bear an appropriate relationship to the actual structure and location of activities, human and material resources, and business risks of the group.

**3. Excellence in relations with the tax authorities:** strengthening relations with the tax authorities in each of the territories in which the group operates is based on respect for the law, fidelity, trust, professionalism, collaboration, reciprocity and good faith.

**4. Tax transparency:** Stakeholders' growing demand for tax information from multinational companies requires the maintenance of maximum standards of tax transparency. This report is proof thereof, showing the Iberdrola group's commitment to the pursuit of excellence, continuous improvement in transparency, and commitment to good tax practices.

<sup>4</sup> Except for Avangrid, Inc. and Neoenergia, S.A., which, pursuant to their strengthened autonomy, have approved their own corporate tax policies, the principles of which are fully aligned with those of Iberdrola's *Corporate Tax Policy*.



## Good Tax Practices

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

With these aims, tax practices require the following:

### **Iberdrola DOES:**

- Comply with all legal and regulatory obligations, by means of a reasonable interpretation of legal provisions.
- Act with integrity in all tax-related decisions, following the recommendations of the good tax practices codes approved in the various countries in which the group does business.
- Cooperate with the tax authorities in the detection of and search for solutions regarding fraudulent tax practices of which the Company is aware that may occur in the markets in which the group has a presence.
- Provide significant tax-related information and documents that are requested by the competent tax authorities as soon as practicable and with the required scope.

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

### **Iberdrola DOES NOT:**

- Use artificial or opaque structures for the sole purpose of reducing the tax burden and that are unconnected to the group's economic activity.
- Create or acquire companies registered in countries or territories that Spanish legal provisions deem to be tax havens or that are included in the EU blacklist of non-cooperative jurisdictions, with the sole exception of the group being forced to do so because it is an indirect acquisition in which the company in question is part of a group of companies. However, a specific procedure approved by the Company is established for this situation.
- Artificially transfer profits from one jurisdiction to another solely to minimise tax payments.



## Implementation of the Iberdrola group's *Governance and Sustainability System* in the tax area

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

- 1. At the parent company:** the Board of Directors of Iberdrola, S.A. coordinates the general management strategies and guidelines of the Iberdrola group within legal limits, acting in furtherance of the interests of each and every one of the companies forming part thereof. Based on the foregoing, the Board of Directors, through its Chairman & CEO and the entire management team, promotes observance of the tax principles and good practices contained in the tax policy approved by the companies forming part of the group with activities that have a significant impact on taxation, without prejudice to the strengthened autonomy applicable to the listed country subholding companies.
- 2. At the country subholding companies:** the country subholding companies, respecting the tax principles and good practices set out in the *Corporate Tax Policy*, are responsible for determining, coordinating and supervising compliance, in the respective countries in which they operate, with the standards that must be followed in the application of those taxes that, due to the nature thereof, affect more than one company of the group.
- 3. At the head of business companies:** finally, the head of business companies are responsible for complying with tax obligations, in all cases respecting the tax principles and good practices of the *Corporate Tax Policy* and the standards established by the country subholding companies.

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

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



## Monitoring and control of the *Corporate Tax Policy*

All companies of the Iberdrola group are required to adopt the control mechanisms necessary to ensure compliance with tax laws and regulations and with the principles and good practices set forth in the *Corporate Tax Policy*, within the context of proper business management.

This monitoring and control takes place on three levels:

- The head of business companies shall report to the country subholding companies regarding the level of compliance with the *Corporate Tax Policy*. For regulated companies, there are audit and compliance committees (ACC) in charge of this information.
- The audit and compliance committees (ACC) of the country subholding companies shall report to Iberdrola's Audit and Risk Supervision Committee on the level of compliance with the *Corporate Tax Policy*.
- In accordance with the provisions of its regulations, Iberdrola's Audit and Risk Supervision Committee shall provide to the Board of Directors information on the tax policies and standards applied by the Company during the financial year and, in particular, on the group's level of compliance with the *Corporate Tax Policy*.

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

## Ongoing review of the *Corporate Tax Policy*

Taxation is no static matter; rather, it is subject to ongoing review, which requires the Iberdrola group to be fully apprised of any changes that occur.

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

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

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

The boards of directors of each of the country subholding companies of the Iberdrola group is responsible for ensuring compliance with the *Corporate Tax Policy* in their respective areas of activity, adopting the aforementioned objective standards and the required procedures.



Pioneers in green hydrogen  
(Iberdrola)







# 5

## Responsible tax practices



**The *Corporate Tax Policy* envisages the taxes that group companies pay in the countries and territories in which they do business as the principal contribution to supporting public expenditures, and therefore as one of their contributions to society in general and to the achievement of the Sustainable Development Goals (SDGs) of the UN 2030 Agenda, in line with the social dividend recognized in the corporate By-Laws.**

Iberdrola's tax practices are inspired by the *Purpose and Values of the Iberdrola group*<sup>5</sup>, and are based on a commitment to ethical principles, good corporate governance and transparency, with Iberdrola being recognised for yet another year as one of the **leading IBEX-35 companies in tax transparency** by *Fundación Compromiso y Transparencia* (Foundation for Commitment and Transparency).

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

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

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

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

**The contribution to Stakeholders with its social dividend is one of the basic premises for the success of Iberdrola's business enterprise and is based on the SDGs, the principles of which it accepts and supports.** This strategy seeks to put the group at the forefront of best practices in this area and position Iberdrola as one of the best companies for the world, ultimately aspiring to act as a driver and lever for social and environmental change. Furthermore, the solidarity of the Iberdrola group through its social action throughout the world has resulted in a contribution of 84 million euros, guaranteeing the company's social commitment.

<sup>5</sup> Approved by the Board of Directors of Iberdrola, S.A. on 19 February 2019 and last updated and amended on 15 December 2020.



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

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

This idea focuses on analysing only Corporate Income Tax as the typical form of business taxation. But the amount of this tax is not low in the case of the group, nor is it the only tax through which it contributes; an overall analysis of the group's tax contribution to society in general is thus indispensable.

It is therefore more necessary than ever to provide society in general with the information needed for it to be able to assess the actual contribution that the Iberdrola group makes to public finances. It is only in this way that its Stakeholders can have an accurate view of reality, preventing biased information from distorting the extraordinary role that Iberdrola plays through its tax contribution.

As a result of the foregoing, it should be emphasised that:

- 1. Corporate Income Tax is not the only tax that Iberdrola pays, although it is the most significant, representing more than 29% of its taxes.** However, in quantifying the taxes that a company pays, there continues to be a partial trend among some commentators to focus solely on the Corporate Income Tax, which is incorrect. Iberdrola is affected by more than 100 different taxes worldwide. Therefore, although it is a significant tax, using the Corporate Income Tax as the sole reference point to measure the group's taxation and tax responsibility would provide a very partial and biased view, and would also be clearly erroneous.

In any case, the absolute figures relating to the Iberdrola group's Corporate Income Tax are far from low, amounting to 843 million euros in 2020, exceeding the amount paid in financial year 2019 by 46 million euros.

- 2. Existence of other taxes.** The Iberdrola group contributes via many other forms of taxation (tariffs of various kinds, levies, duties, etc.) that are assessed on its activity, often simultaneously.

Of note, for example, is the number of energy taxes in Spain, which are specifically and solely assessed on the activity of electricity production and are established by the various levels of government administrations (national, autonomous community and local), which, in addition to complicating the taxation outlook, generate different tax categories that sometimes overlap with each other, giving rise to cases of double taxation or to situations that could be understood as removed from the paradigm of what tax fairness should be, inspired by the principle of equality, in relation to other sectors of activity.

In this regard, the energy taxes paid by Iberdrola in Spain alone amounted to 707 million euros in 2020, representing 21% of profit before taxes<sup>6</sup> in Spain, of which 377 million euros correspond to taxes introduced by Law 15/2012. This is all the paradigm for a company with activities based on respect for and protection of the environment, complying with or improving

<sup>6</sup> Profit before Corporate Income Tax, taxes and company Social Security contributions.



upon the standards established in applicable environmental provisions, minimising the impact that its activities might have thereon and encouraging actions that contribute to the protection thereof, engaging in and sponsoring research and development projects that promote decarbonisation of the economy.

The negative impact of taxation on the nuclear business was particularly significant this year, as taxes and duties accounted for 61.04% of the sector's turnover, leading to negative cash flow, which highlights the need for tax reform in the energy industry.

In this context, it should be noted that the group has a legitimate dispute over various forms of taxation that specifically affect electricity production and which the legislature justifies to a greater or lesser extent on allegedly environmental grounds. However, the structure of these taxes is not directed towards reducing CO<sub>2</sub> emissions or to changing the activities of the taxpayer. These taxes are not even collected for environmental purposes, and when they are, those purposes do not tend to coincide with the taxable event giving rise to the tax (but are instead general environmental purposes).

Good environmental tax practices undoubtedly represent a very important contemporary instrument for changing the conduct of the economic actors that generate from different sources of energy, precisely to build a better future. Iberdrola contributes to this by creating sustainable value with high-quality service for people, in an efficient, safe and environmentally friendly manner.

For all these reasons, the group is a clear advocate of a comprehensive change in environmental taxation in Spain to guarantee the "polluter pays" principle, and to contribute to the guidance of social behaviour towards cleaner and healthier energy.

3. **Iberdrola lawfully applies the regulations in force in each country in which it has a presence.** It is customary for different regulatory entities to establish tax incentives in order to stimulate investment in their tax jurisdictions; these are entirely lawful incentives that reduce or defer the tax burden for businesses, including multinationals. Iberdrola's investment effort is intensive, generating a significant direct, indirect and induced impact through an activity that guarantees the absolute protection of the environment and uses the most cutting-edge technologies, which at times gives it to access tax incentives. When this happens, the group applies them lawfully. The group therefore applies those rules that permit tax incentives in line with applicable law in each case, but this should not lead to the mistaken opinion that there is any avoidance of its tax obligations; rather, entirely to the contrary, i.e. the group is contributing to investment and business development for the creation of wealth and employment in accordance with the legal parameters established in each case. Moreover, in the case of the Iberdrola group, this investment is fundamentally directed at generating clean energy and smart grids, both essential elements in the active fight against climate change.
4. **Other payments are also made to regulatory entities** that, although not technically classified as taxes, also help to contribute to supporting public finances. This is the case, for example, of subsidised rates (*bono social*) and contributions to the Spanish National Energy Efficiency Fund (*Fondo Nacional de Eficiencia Energética*), which involved the contribution of an additional 61 million euros to the government this year, and payments for concessions in





various parts of the world, which contribute to increased tax collection in the various countries in which the companies of the Iberdrola group do business.

All of the foregoing is without including the efforts that the group makes in other economic areas that further the general interest.

- 5. The group pays the tax authorities numerous taxes**, which, as they represent tax obligations, are not included in the income statement, as they are taxes withheld from or passed on to third parties; in 2020, they amounted to a total of 4,537 million euros. If Iberdrola did not exist, this amount of taxes would no longer be collected.

Iberdrola also contributes through its activities to the creation of wealth and prosperity in the territories in which it does business. Specifically, its contribution to GDP<sup>7</sup> worldwide is approximately 34,019 million euros, of which 11,900 million euros are in Spain, while its global workforce amounts to more than 36,000 people, with the Company generating close to 400,000 direct, indirect and induced jobs worldwide.

For example, this effort is very significant in **research and development**, far above average both for companies in its sector and for the Spanish business sector, as well as on a global level. According to the main rankings, Iberdrola is the most innovative electric utility in Spain, the 2nd in Europe and the 3rd in the world, with investment amounting to 293 million euros in 2020.

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

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

<sup>7</sup> According to PWC report based on Iberdrola's 2019 activity.

*Maintenance of distribution networks  
(Iberdrola)*





# 6

## Iberdrola and international tax practices: OECD, BEPS and EU



**Iberdrola makes an express commitment to apply the OECD guidelines for multinational enterprises in the area of taxation.**

**The group is fully aligned with the principles and actions proposed by the OECD.**

**The group's Compliance System in general, and the internal tax risk control and management framework in particular, prohibit fraudulent transactions and establish specific protocols to ensure diligent tax conduct.**

The Iberdrola group is aligned with the principles and actions proposed by the OECD's **BEPS** (Base Erosion Profit Shifting) **Plan**, which is currently a basic tool in the fight against international tax fraud. In 2020, the group also **made an express commitment to the OECD guidelines for multinational enterprises in the area of taxation**. As such, Iberdrola:

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

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

#### **IBERDROLA DOES NOT:**

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

#### **IBERDROLA DOES:**

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





The G20 leaders called for implementation of the BEPS package after its publication in October 2015, and asked the OECD to develop a more inclusive framework involving interested non-G20 countries and developing economies. The OECD thus established the BEPS *Inclusive Framework* to facilitate the joint work of all member countries and jurisdictions.

In 2019 the *Inclusive Framework* presented two initiatives called “Pillar 1” and “Pillar 2” in order to achieve a consensus-based solution by the end of 2020.

However, while substantial progress has been made towards reaching a long-term consensus solution to tax challenges arising from the digitalisation of the economy, it was agreed in October 2020 to continue working towards an agreement by mid-2021.

“Pillar 1” is intended to establish a new tax mechanism for those instances in which the digitalisation of the economy has generated new value creation mechanisms that distort the place of income taxation. However, it does not appear that this new tax mechanism should affect an industry like that of the Iberdrola group, given that the generation of value in this industry is completely localised and situated in the territory in which the taxation of income occurs.

“Pillar 2” is intended to establish a global minimum tax level for multinational groups. The Iberdrola group believes that this formula is fully in accordance with a fair and properly distributed tax system, such that the taxation of a multinational group should comply with the required sufficiency standards. This is why the mechanism is well received by the group, provided that there is a maximum reduction of the formal obligations of multinational groups and those measures that the various countries want to establish to incentivise economic activity are guaranteed, especially when these measures are required within an expansive environment.

Furthermore, in 2018 the European Union approved Council Directive 2018/822, as regards mandatory automatic exchange of information in the field of taxation in relation to potentially aggressive tax-planning cross-border arrangements.

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

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

- The prohibition of certain mechanisms or transactions set forth in *Directive 2018/822*, including the following: the group has prohibited advice on the implementation of corporate transactions in which the remuneration of a third party depends on the tax benefit obtained, confidentiality clauses regarding how a tax benefit or advantage arises, acquisitions of loss-making companies involving discontinuing the acquired activity, and using said losses to reduce the group's tax obligations.

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

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





## Transfer pricing



**The group's transfer pricing policy is fully aligned with the transfer pricing guidelines of the OECD.**

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

The Iberdrola group **values all its related-party transactions on an arm's length basis, following standards aligned with the transfer pricing guidelines of the OECD** adapted to the new post-BEPS standards. All the related-party transactions in the group are duly documented on the terms established by the regulations of the various countries. Said documentation is aligned with the principles and content established in Action 13 of the BEPS Plan. The group is also committed to preparing and filing the "Country-by-Country" report in due time and form, on the terms established by the laws of the jurisdiction of its parent company (in this case, Spain).

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

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

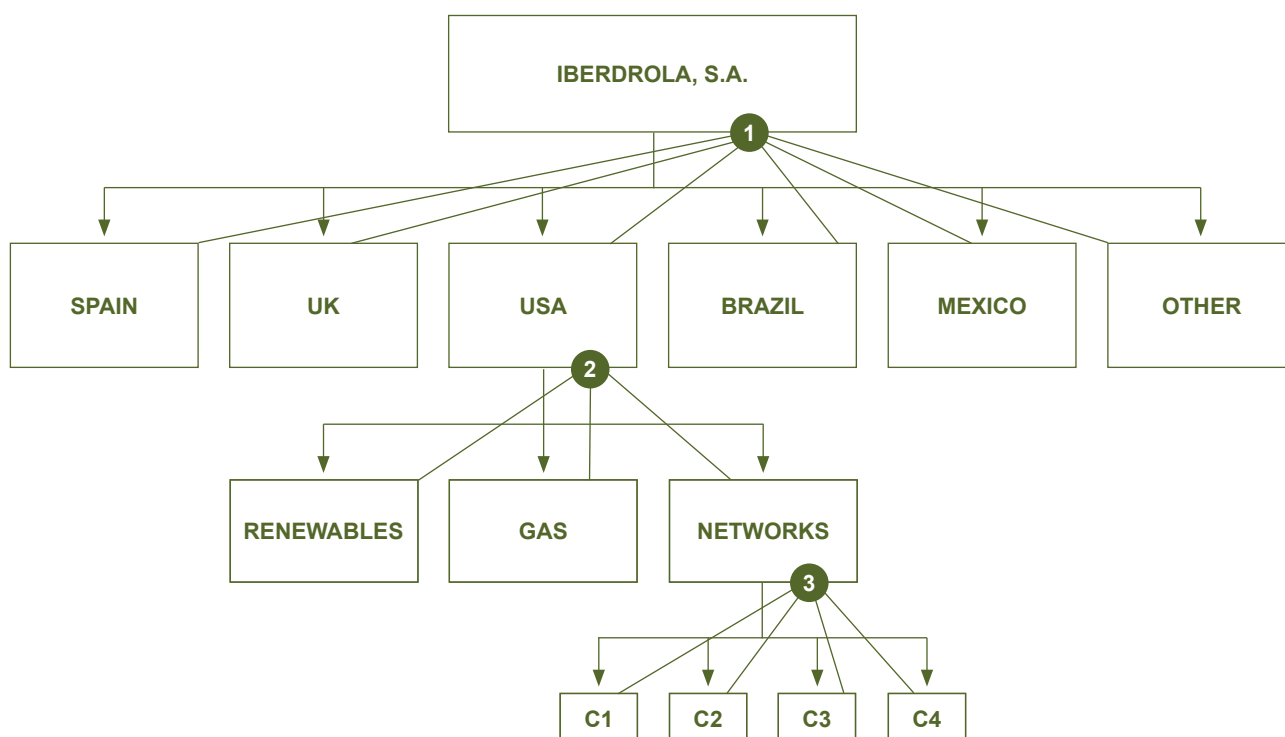
In the case of listed companies, special care is taken to protect the interests of minority shareholders without undermining action with respect to other entities, such that the aforementioned Committees are made up of independent members without representation from the Iberdrola group in order to guarantee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

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



## Intragroup services

The **support services** provided by Iberdrola to its Spanish and foreign subsidiaries are among the most significant transactions between the companies of the group. These services cover various kinds of deliverables to subsidiaries, such as human resources, systems, research and development support, quality, telephony, financial and legal services. These services are generally provided and invoiced on a “cascading” basis, top-down, from the service-provider companies, at the holding company, country holding company or head of business company level, to the corresponding customer companies.



Group companies are invoiced for corporate services following **standards that are objective, transparent and consistent** with the arm's length principle, avoiding any discrimination, subsidy or competitive advantage.

Antia wind farm  
(Greece)





# 8

## Tax havens and non-cooperative jurisdictions





**The Iberdrola group has prohibited the organisation or acquisition of companies residing in tax havens or jurisdictions included on the European Union blacklist as non-cooperative.**

**There is a special procedure for the organisation or acquisition of companies residing in jurisdictions included on the European Union grey list.**

**Companies of the Iberdrola group are organised based on objective business criteria and not on tax engineering structures.**

Having a presence in tax havens is increasingly penalised, even if lawful industrial activities are being carried out. Additionally, in December 2017 the European Union approved a **blacklist** of non-cooperative tax jurisdictions, which is being constantly updated, and which includes jurisdictions that do not comply with European good tax governance standards. These standards are based on transparency, the exchange of tax information, non-harmful tax competition and a commitment to the effective implementation of the minimum standards of the BEPS plan. This **blacklist** is supplemented with a **grey list** of jurisdictions that are similarly non-compliant but have assumed the political commitments required to align themselves with the aforementioned standards. Both lists are subject to ongoing review and update.

The group therefore believes that the concept of **tax haven** described in section 529 *ter* of the Companies Act (*Ley de Sociedades de Capital*) should be supplemented with the European Union **blacklist** of non-cooperative tax jurisdictions.

Taking this into account, the group's *Corporate Tax Policy* has established consistent treatment for acquiring equity interests in all these jurisdictions, whether tax havens according to Spanish law or non-cooperative tax jurisdictions on the European Union blacklist, such that it is prohibited to organise or acquire companies residing in tax havens or in territories or countries included on the black list of non-cooperative jurisdictions, with the sole exception of those cases in which the group is forced to do so because it is an indirect acquisition as part of a larger group that is being acquired. The group does not include any company residing in tax havens according to Spanish law, or in territories included on the European Union's **blacklist** of non-cooperative tax jurisdictions, among the companies in which it has a controlling interest.

In addition, the countries and territories included on the European Union's **grey list** of non-cooperative jurisdictions with which Spain has not signed a treaty for the avoidance of double taxation are subject to special monitoring by the Company. This means that any organisation or acquisition of companies resident in these countries and territories requires approval pursuant to a special procedure, such that in the exceptional case that it is necessary to take a holding in an entity registered in a country or jurisdiction included on the European Union's grey list of non-cooperative jurisdictions with which Spain has not signed a treaty for the avoidance of double taxation, said transaction should be approved by the acquiring company's management body. If the acquiring company is not Iberdrola, it will also be necessary to obtain the approval of the Board of Directors thereof.

By way of example, in 2020 the group made a takeover bid for the shares of the Australian entity Infigen Energy, reaching a 50% stake on 5 August, a percentage that has been increasing to reach the current 100%. At the time of the takeover bid, Infigen Energy's corporate structure included two inactive legal entities domiciled in the tax haven of Bermuda. The group accelerated the liquidation of these two companies, called Infigen Energy (Bermuda) Limited and BBWP Holdings (Bermuda) Limited, which was completed on 4 September 2020, so that no structures are now maintained in tax havens or territories included in the EU's blacklist of non-cooperative jurisdictions.





Finally, the Iberdrola group pays special attention to the state of Delaware (United States of America) due to the interest it raises, even though **it is not considered a tax haven** or non-cooperative jurisdiction. Several companies of the Iberdrola group have been formed in this state due to its commercial law and well-settled case law. This combination provides strong legal security in the commercial arena.

However, all of the companies of the Iberdrola group organised in Delaware have their tax domicile and pay taxes in the states in which the locations of operation of the consolidated tax group of which they form a part are situated, which does not include Delaware. Therefore, all of their profits are taxed in accordance with the general regime of the state in which their assets are located, and being organised in Delaware does not provide them with any tax advantage.

In summary, the companies of the Iberdrola group are organised based on objective business standards and not on tax engineering structures.



El Pradillo wind farm construction  
(Spain)







# 9

## Government cooperation



Respect for the law, fidelity, trust, professionalism, collaboration, reciprocity and good faith are the basis for the group's relations with the tax authorities.

In recent years, a need has developed in the international context for greater interaction with regulatory entities and the tax authorities themselves. The *Guidelines for a Model for a European Taxpayer's Code* issued by the European Commission in 2016 offer a good example of the entirely necessary trend toward creating a relationship of cooperation and trust with the tax authorities.

Iberdrola does not only fully agree to this code; it also deems it necessary to foster and build the cooperative relationship proposed in such code. The principles of the *Corporate Tax Policy* include strengthening the relationship with regulatory entities on tax matters based on respect for the law, loyalty, trust, professionalism, collaboration, reciprocity and good faith, without prejudice to the legitimate disputes with such bodies that might arise with respect to the interpretation of applicable legal provisions, all while observing the aforementioned principles and in the defence of the corporate interest.

Iberdrola also commits to:

- working with the tax authorities in the detection of and search for solutions regarding fraudulent tax practices of which it is aware; and
- providing significant tax-related information and documents that are requested by the competent tax authorities as soon as practicable and with the required scope.

Applying the highest standards of tax transparency, Iberdrola has adhered to and complies with the *Good Tax Practices Code* approved on 20 July 2010 by the full Forum of Large Businesses (*Foro de Grandes Empresas*), established on 10 July 2009 at the behest of the Spanish Tax Administration Agency (*Agencia Estatal de Administración Tributaria*).

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

As part of the cooperative relationship, Iberdrola actively participates in the working groups of the Large Companies Forum, and is a member of the working groups on the Cooperative Relationship, Special Taxes, Analysis of Tax Regulations and Reduction of Conflict, and Immediate Supply of Information (*Suministro Inmediato de Información*) (SII).

In financial year 2020 Iberdrola attended the general meetings of the Large Companies Forum held on 30 June and 17 November and all of the working group meetings.

Within the framework of strengthened cooperation, Iberdrola voluntarily submitted to the Spanish Tax Administration the "*Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code*" for 2015, 2016, 2017, 2018 and 2019, and is in the process of preparing the report for 2020.

This report includes information on the group's tax strategy, structure and international activity, presence in tax havens, financing, international and customs taxation, level of consistency of tax policy with Base Erosion and Profit Shifting (BEPS) principles and actions, and most significant corporate transactions.





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

As regards recent Reports, Iberdrola submitted the Annual Tax Transparency Report relating to financial year 2018 on 28 October 2019, and held a meeting with representatives of the Spanish Tax Administration Agency on 25 June 2020 in order for them to more fully understand and evaluate the contents of the report. The additional information requested was then included.

On 30 June 2020 Iberdrola received a letter from the Central Delegation of Large Taxpayers of the Spanish Tax Administration Agency highlighting the tremendous willingness and availability offered in sending information for financial year 2018 and thanking it for the transparency provided.

The Iberdrola group's Annual Tax Transparency Report for financial year 2019 was submitted on 23 October 2020.

This approach with the tax authorities has also been extended to the other countries in which the Iberdrola group does business. For example, in the case of the United Kingdom, in addition to adopting the guide from Her Majesty's Revenue and Customs (HMRC), ScottishPower has for another year obtained the classification of a "low risk" entity with regard to its tax conduct.

*Núñez de Balboa photovoltaic  
power plant (Spain)*





# 10

## Ongoing inspections and tax litigation



As a multinational company, Iberdrola's taxation is subject to almost constant review by various regulatory entities. It is therefore reasonable for there to be audits pending in various countries. It should also be taken into account that it is lawful to have disputes with regulatory entities regarding interpretation. The open audits at financial year-end 2020 vary depending on the tax laws of each country.

## Administrative actions

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In the case of Spain, in June 2020 the Spanish Tax Administration Agency commenced initiated a partial inspection (for the years 2012 to 2014) and an overall inspection (2015 to 2017) for the main corporate taxes applicable to the entities of the Iberdrola group within the tax consolidation group of the common tax system (no 2/86).

At year-end 2020, these proceedings are ongoing, and it is estimated that settlement proposals and the certifications arising from these proceedings will take place in 2021 and 2022.

In countries in which the group has a significant presence, the main ongoing inspections are as follows:

- In the United States, the most significant audit is related to income tax in the State of New York. Additionally, given its status as a *major taxpayer* at federal and state level, AVANGRID has several ongoing audits with regard to other tax items.
- In the United Kingdom, ScottishPower has been assigned the classification of *low risk* taxpayer by the tax authority (HMRC). The only important issue under discussion relates to the deductibility of certain payments made at the instruction of the electricity regulator (OFGEM), and which in 2020 has now come before the courts, although still at the initial phase.
- Finally, Brazil is a highly litigious jurisdiction, and there are a several pending audits in that country, which is due to the country's tax and administrative structure and the customary actions of the tax authorities. However, Neoenergia, based on precedents and reasonable interpretations of tax regulations, do not expect significant impacts, and these proceedings are generally resolved at a very low amount in favour of the tax authorities.

It should be noted that all the group's significant tax decisions have been analysed by its internal and external advisors, both for this and for previous financial years, and they have determined that said actions have been in accordance with the law and based on reasonable interpretations of tax regulations.





## Tax litigation in Spain

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

In the decision regarding Value-Added Tax, the TEAC ruling was favourable to the interests of Iberdrola, while the decisions on income tax were unfavourable. On 7 July 2020 Iberdrola filed corresponding administrative appeals of these latest rulings with the National High Court (*Audiencia Nacional*).

The main adjustments included in the settlement agreements arising from the signed certificates of disagreement relate to the quantification of financial goodwill subject to tax amortisation due to the acquisition of ScottishPower, the elimination of the exemption for dividends of ScottishPower due to the audit finding it incompatible with an adjustment in portfolio value due to hedging of net investment, differences in tax consolidation criteria and possible existence of a transaction involving a change of debtor in certain bond issues, due to the circumstances established in Section 15.1 of the General Tax Act (*Ley General Tributaria*).

In December 2020 Iberdrola was also notified of the decision of the Central Tax Appeal Board relating to claims filed arising from certificates of disagreement signed in limited verification proceedings regarding financial years 2012 to 2014. The dispute with the tax office essentially had to do with the applicability of the criteria of temporary imputation established in many rulings of the Supreme Court, in relation to the income received by the group due to payments unlawfully made.

The aforementioned decision of December 2020 partially upholds Iberdrola's claims, accepting its position with respect to the taxes declared to be unconstitutional. Iberdrola will file an administrative appeal to the National High Court in due time and form with respect to the other situations in dispute.

As regards energy taxation, the group has challenged various state and autonomous community taxes on the grounds that they are contrary to the Spanish Constitution or to European Union law.

In this regard, it is worth noting that as a result of various preliminary issues raised by the Spanish Supreme Court, the Court of Justice of the European Union has analysed the compatibility with EU law of the hydraulic fee and of the taxes on production of spent nuclear fuel and nuclear waste and on the storage of nuclear waste, all introduced by Law 15/2012, finding that both taxes were in accordance therewith (the potential submission by the Spanish Supreme Court of an issue of unconstitutionality before the Constitutional Court is pending). Currently, the Court of Justice of the European Union has decided on the preliminary issue regarding the electric power production value tax, finding its compatibility with EU law.



## Tax litigation in other countries

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In general, there is no significant tax litigation in the various jurisdictions in which the group does business (other than Spain), except in the case of Brazil, where there is a large number of litigation matters and administrative and judicial proceedings with regard to which the group believes it likely that it will obtain a favourable final decision.

Existing litigation in Brazil includes the following:

- amortised gain/goodwill expense (*agio*) is not tax deductible for the purpose of calculating income tax (both in income tax and employee contribution tax) applicable to certain subsidiaries;
- failure to withhold income tax on the payment of interest on shareholders' equity between entities of the same group;
- the questioning of excise tax credits with respect to the consumption tax (*imposto sobre operações relativas à circulação de mercadorias e serviços*) (ICMS) at Brazilian entities;
- the consideration by the tax authority that payments for profit-sharing, social welfare, medical care and life insurance should be subject to social insurance contributions;
- offsetting by the Brazilian subholding company of receivables due to wrongly applying *pis/ cofins* to finance income under a favourable ruling, which has been contested;
- the challenge of federal taxes - IRPJ and CSLL for the years 2014 and 2015 at subsidiaries; and
- the municipality's questioning of the contribution of the public lighting service (COSIP).



# 11

## Tax governance



## Good tax governance – corporate and tax structure

The governance structure of the group described in the *Policy for the Definition and Coordination of the Iberdrola group and Foundations of Corporate Organisation* duly distinguishes between day-to-day and effective management duties attributed to the head of business companies and supervision and control duties attributed to the Company, which only exercises the duties of a holding company, and the country subholding companies, which strengthens the strategic organisation and coordination function in each country.

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

### a) Iberdrola's Board of Directors

The Company's Board of Directors, through its Chairman & CEO and its management team, drives the due observance of the principles and good tax practices generally set out in the *Governance and Sustainability System*, and particularly set out in the *Corporate Tax Policy*, by the companies forming part of the group with significant activities in the tax area.

### b) Iberdrola's Audit and Risk Supervision Committee

Iberdrola's Audit and Risk Supervision Committee has the following duties, among others, in the tax area<sup>8</sup>:

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

In order to comply with the provisions of the *Governance and Sustainability System* in this regard, in financial year 2020 the Global Head of Taxation appeared before the Company's Audit and Risk Supervision Committee on 24 February and 20 July 2020 to report on the level of compliance with the *Corporate Tax Policy* and tax standards applied during financial year 2019, as well as during the first half of 2020. An appearance for the 2020 financial year took place on 22 February 2021.

### c) Audit and compliance committees of the country subholding companies and of companies engaged in regulated businesses

The audit and compliance committees of the country subholding companies and of companies engaged in regulated business have a duty to report to Iberdrola's Audit and Risk Supervision Committee on the level of compliance with the *Corporate Tax Policy* and the supervision of the tax standards applied during each financial year within their respective purviews. For these purposes, the head of each tax division appears before his or her respective committee, ensuring that information flows upwards to the parent company.

<sup>8</sup> Regulations of the Audit and Risk Supervision Committee





#### d) Management bodies of the head of business companies

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

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

### Tax compliance management system - UNE 19602 Standard

UNE Standard 19602, which establishes a standard of reference, as well as guidelines and requirements that a tax compliance management system must have, was approved in February 2019. Given the increasing importance of the tax function in the business area, this standard tries to establish the quality standards, similar to an ISO standard, that this function must have in order to prevent, detect, manage and mitigate tax contingencies and risks.

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

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

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

In compliance with the provisions of the *Corporate Tax Policy*, the Global Tax Division regularly approves and updates the guidelines for the evaluation and management of tax risks, to be applied to all companies of the group.

Consequently, in 2020 work has continued to improve the Tax Compliance System, having obtained a **satisfactory audit** by AENOR, thus maintaining the certification.

The improvements made include an update of the *Corporate Tax Policy* to conform it to the standards of the UNE 19602 Standard, including mention of the body responsible for tax compliance and the grievance/whistleblowing channels.

In the audit report, AENOR notes the organisation's transparency with regard to its relationship with the tax authority and other Stakeholders, and the level of detail of the specific controls developed by the group.



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

## Statement of Non-Financial Information - Sustainability Report (SNFI-SR)

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

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

In this regard, Iberdrola once again publishes the *Statement of Non-Financial Information. Sustainability Report*, which seeks to reflect the Company's performance on sustainability issues during financial year 2020, as well as the social dividend generated by the group, and its contribution to the Sustainable Development Goals.

The content of the report is prepared following the reporting requirements and recommendations of both the consolidated set of *GRI Sustainability Reporting Standards 2016* (Comprehensive option) and the *Electric Utilities Sector Supplement*, both of the Global Reporting Initiative (GRI).

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

## Whistleblower channels

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Iberdrola has established an ethics mailbox in order to promote compliance by its professionals with legal provisions and with the rules of conduct established in the *Code of Ethics* and the reporting of possible improper activities.

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

Communications made through ethics mailboxes must meet truthfulness and proportionality standards, and are considered confidential information.



Aldeadávila hydroelectric plant  
(Spain)







# 12

## "Country-by-country" tax contribution



## a. Overall tax contribution data

**+ 23,500 million euros in taxes over 3 years**

**Total tax contribution of €7,475 million**

### Own taxes

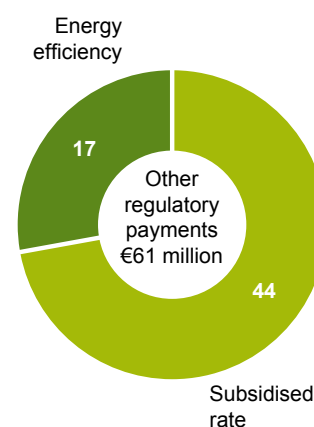
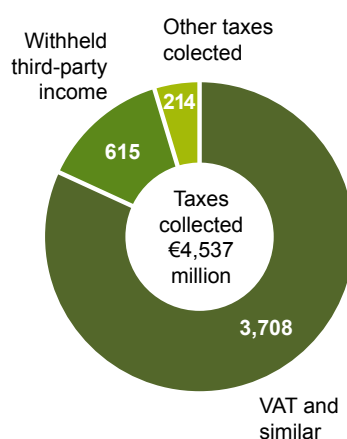
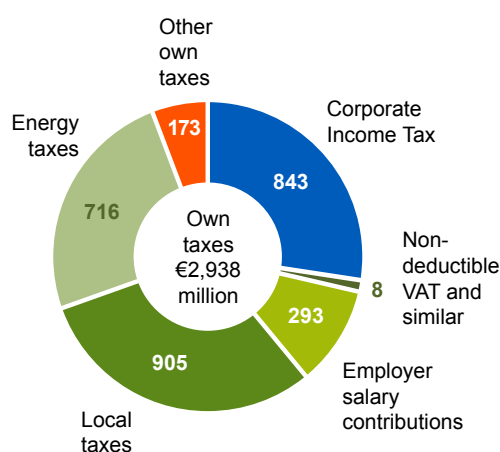
Own taxes (charged to the profit and loss account) in 2020 amounted to €2,938 million. This includes corporate income tax (29%), local taxes (31%) and energy taxes (24%).

### Taxes collected

Taxes collected in 2020 amounted to €4,537 million. This includes VAT and similar taxes, which account for 82% of total taxes collected.

### Other regulatory payments

Iberdrola also makes other payments to regulatory bodies, including in the form of subsidised rates (bono social) and the contribution to the National Energy Efficiency Fund, in the amount of €61 million.



**Total payments to public entities €7,536 million**

The Iberdrola group is made up of more than 400 companies, which carry on activities in the different links of the energy value chain, from the generation to the sale of energy via distribution and maintenance of supply grids.

The group has an economic presence across some 30 countries.

The total direct tax contribution in 2020 amounted to **7,475 million euros**, distributed among the following categories (in millions of euros):

<b>Own taxes</b>	<b>2,938</b>
Corporate Income Tax	843
Non-deductible VAT and similar	8
Company contributions on salaries	293
Local taxes	905
Energy taxes	716
Other own taxes	173
<b>Taxes collected</b>	<b>4,537</b>
VAT and similar	3,708
Withheld third-party income	615
Other taxes collected	214
<b>Total</b>	<b>7,475</b>

## b. "Country-by-country" direct tax contribution

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

Taxes paid into the public treasury	Taxes charged to the income statement		Taxes collected		Total	
	2020	2019	2020	2019	2020	2019
€ million						
Spain	1,478	1,500	1,902	2,029	3,380	3,529
United Kingdom	372	357	258	282	630	639
United States of America	661	665	274	298	935	963
Brazil	202	177	1,782	2,393	1,984	2,570
Mexico	128	221	115	37	243	258
Other countries	97	21	206	176	303	197
<b>Total</b>	<b>2,938</b>	<b>2,941</b>	<b>4,537</b>	<b>5,215</b>	<b>7,475</b>	<b>8,156</b>

The tax contribution in 2020 decreases compared to 2019 in relation to the taxes collected, mainly due to the exchange rate in Brazil and Mexico, but an increase in collections can nevertheless be seen in both countries. To a lesser extent, the decline in demand and energy prices have had some impact on the taxes directly linked to these items.

In order to facilitate this analysis, country-by-country tax data are provided in their respective local currencies:

Taxes paid into the public treasury	Taxes charged to the income statement		Taxes collected		Total	
MM ML	2020	2019	2020	2019	2020	2019
Spain	1,478	1,500	1,902	2,029	3,380	3,529
United Kingdom	331	313	230	248	561	561
United States of America	755	745	313	334	1,067	1,078
Brazil	1,191	781	10,507	10,563	11,698	11,344
Mexico	3,140	4,767	2,821	798	5,962	5,565
Other countries	97	21	206	176	303	197

The exchange rates used for the conversion of the contribution in the different currencies into euros are the official rates published by the European Central Bank, as follows:

ECB exchange rates	2020	2019
GBP/EUR	0.89	0.88
USD/EUR	1.14	1.12
BRL/EUR	5.90	4.41
MXN/EUR	24.53	21.57

Taking into account only the taxes recorded with a charge to the income statement, the tax contribution ratios are as follows:

€ million	Taxes charged to the income statement <sup>9</sup>	Tax contribution ratio (%) <sup>10</sup>
Spain	1,478	43%
United Kingdom	372	30%
United States of America	661	51% <sup>11</sup>
Brazil	202	30%
Mexico	128	20%
Other countries	97	63%
<b>Total</b>	<b>2,938</b>	<b>41%</b>

According to the information provided, **Iberdrola allocates approximately 41% of its profit before taxes to the payment of taxes across all countries.**

This information is particularly significant in the case of Spain and the United States of America, where some 43% and 51% of profit before taxes is allocated to the payment of all classes of taxes.

<sup>9</sup> Includes Corporate Income Tax, company Social Security contribution, other taxes and non-deductible VAT.

<sup>10</sup> Ratio between payment of taxes and profit before taxes (Corporate Income Tax, other taxes and company Social Security contribution) in each country.

<sup>11</sup> Profit before tax is determined in accordance with US GAAP.



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

## Spain / € million

Tax contribution ratio		43%
Total paid into public treasury		
Own taxes		1,478
Taxes collected		1,902
<b>Total</b>		<b>3,380</b>

Spain (€ million)	
<b>Own taxes</b>	<b>1,478</b>
Corporate Income Tax	361
Non-deductible VAT and similar	8
Company contributions on salaries	141
Local taxes	249
Energy taxes	707
Other own taxes	12
<b>Taxes collected</b>	<b>1,902</b>
VAT and similar	1,574
Withheld third-party income	298
Other taxes collected	30
<b>Total</b>	<b>3,380</b>

### Remarks

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

Iberdrola S.A. is the controlling company of two tax consolidation groups in terms of Corporate Income Tax in the Spanish territory: group 2/86, of common territory, and group 02415BSC, of Biscayan foral territory.

The amount of energy taxes is very high, particularly since the approval of Law 15/2012 of 27 December on tax measures for energy sustainability. However, the amount has decreased from the prior year, due in part to the lower rainfall recorded in 2020 compared to 2019 (Hydraulic Fee).

A decrease in VAT and Electricity Tax collection is also recorded as a result of the decrease in electricity demand due to COVID-19.

### Legal entities

#### Most significant entities:

Iberdrola, S.A.  
 Iberdrola España, S.A.U.  
 Iberdrola Energía Internacional, S.A.U.  
 Iberdrola Energía, S.A.U.  
 Hidrola I, S.L.  
 Iberdrola Participaciones, S.A.U.  
 Iberdrola Generación, S.A.U.  
 Iberdrola Generación España, S.A.U.  
 Iberdrola Generación Nuclear, S.A.U.  
 Iberdrola Generación Térmica, S.L.U.  
 Iberdrola Renovables Energía, S.A.U.  
 Iberdrola Renovables Internacional, S.A.U.  
 Iberdrola Redes España, S.A.U.  
 Iberdrola Ingeniería y Construcción, S.A.U.  
 Iberdrola Inmobiliaria, S.A.U.  
 Iberdrola Clientes, S.A.U.  
 Iberdrola Clientes Internacional, S.A.U.  
 Iberdrola Cogeneración, S.L.U.  
 I-DE Redes Eléctricas Inteligentes, S.A.U.  
 Curenergía Comercializador de Último Recurso, S.A.U.





## United Kingdom / € million - GBP

Tax contribution ratio	30%
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Total paid into public treasury	
Own taxes	372
Taxes collected	258
<b>Total</b>	<b>630</b>

United Kingdom (€ million)	
<b>Own taxes</b>	<b>372</b>
Corporate Income Tax	135
Non-deductible VAT and similar	0
Company contributions on salaries	35
Local taxes	135
Energy taxes	0
Other own taxes	67
<b>Taxes collected</b>	<b>258</b>
VAT and similar	118
Withheld third-party income	65
Other taxes collected	75
<b>Total</b>	<b>630</b>

United Kingdom (GBP million)–local currency	
<b>Own taxes</b>	<b>331</b>
Corporate Income Tax	120
Non-deductible VAT and similar	0
Company contributions on salaries	31
Local taxes	120
Energy taxes	0
Other own taxes	60
<b>Taxes collected</b>	<b>230</b>
VAT and similar	105
Withheld third-party income	58
Other taxes collected	67
<b>Total</b>	<b>561</b>

## Remarks

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

The exchange rate effect in the United Kingdom is moderate.

There is a significant increase in the amount of income tax due to the increase in the number of advance tax payments during the year, in accordance with the new deadlines that have been established.

A difference in VAT collection is also recorded as a result of deferrals in payments due to COVID-19.

## Legal entities

## Most significant entities:

ScottishPower, Ltd.  
 ScottishPower UK, Plc.  
 ScottishPower Investments, Ltd.  
 ScottishPower Overseas Holdings, Ltd.  
 SPW Investments Ltd.  
 ScottishPower Renewables, Ltd.  
 ScottishPower Renewables UK, Ltd.  
 ScottishPower Energy Management, Ltd.  
 ScottishPower Energy Retail, Ltd.  
 ScottishPower Generation, Ltd.  
 SP Distribution, Plc.  
 SP Transmission, Plc.

## United States of America / € million - USD million

<b>Tax contribution ratio</b>	<b>51%</b>
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<b>Total paid into public treasury</b>	
Own taxes	661
Taxes collected	274
<b>Total</b>	<b>935</b>

<b>United States of America (€ million)</b>	
<b>Own taxes</b>	<b>661</b>
Corporate Income Tax	7
Non-deductible VAT and similar	0
Company contributions on salaries	51
Local taxes	516
Energy taxes	0
Other own taxes	87
<b>Taxes collected</b>	<b>274</b>
VAT and similar	81
Withheld third-party income	142
Other taxes collected	51
<b>Total</b>	<b>935</b>

<b>United States of America (USD million)–local currency</b>	
<b>Own taxes</b>	<b>755</b>
Corporate Income Tax	8
Non-deductible VAT and similar	0
Company contributions on salaries	58
Local taxes	589
Energy taxes	0
Other own taxes	99
<b>Taxes collected</b>	<b>313</b>
VAT and similar	92
Withheld third-party income	162
Other taxes collected	58
<b>Total</b>	<b>1.067</b>

### Remarks

Country with a classical structure and a large variety of tax jurisdictions.

The exchange rate effect in the United States is moderate.

After the last tax reform in financial year 2018, the federal corporate income tax rate was 21%.

There are certain federal and state tax incentives that apply to the Avangrid group.

The impact of these measures and the existence of tax credits from previous years means that effective taxation (cash) at the federal level is not significant.

The main difference with respect to the contribution from the previous year is recorded in the category Withholding on third party income, due to the non-withholding at source on dividends distributed by Avangrid to the parent company, considering the entry into force of the Protocol amending the Convention between the United States of America and the Kingdom of Spain for the Avoidance of Double Taxation, dated 27 November 2019.

### Legal entities

#### Most significant entities:

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

**Brazil / € million - BRL**

<b>Tax contribution ratio</b>	<b>30%</b>
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<b>Total paid into public treasury</b>	
Own taxes	202
Taxes collected	1,782
<b>Total</b>	<b>1,984</b>

<b>Brazil (€ million)</b>	
<b>Own taxes</b>	<b>202</b>
Corporate Income Tax	143
Non-deductible VAT and similar	0
Company contributions on salaries	50
Local taxes	3
Energy taxes	0
Other own taxes	6
<b>Taxes collected</b>	<b>1,782</b>
VAT and similar	1,674
Withheld third-party income	73
Other taxes collected	35
<b>Total</b>	<b>1,984</b>

<b>Brazil (BRL millions)-local currency</b>	
<b>Own taxes</b>	<b>1,191</b>
Corporate Income Tax	843
Non-deductible VAT and similar	0
Company contributions on salaries	295
Local taxes	18
Energy taxes	0
Other own taxes	35
<b>Taxes collected</b>	<b>10,507</b>
VAT and similar	9,870
Withheld third-party income	430
Other taxes collected	206
<b>Total</b>	<b>11,698</b>

**Remarks**

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

The range of taxes and jurisdictions leads to a high tax burden, particularly in the area of indirect taxation.

The exchange rate effect in Brazil is significant. In fact, the actual tax contribution (expressed in local currency) increases over that made in 2019.

There was an increase in Corporate Income Tax due to the increase in the amount of taxes paid in advance on a monthly basis (payments on account), as well as the correction of previous years' tax returns.

There is a very significant amount of collected taxes, given that the regulated business entails mass invoicing of multiple customers, with the corresponding taxes being passed on.

In addition, there is a difference in the Withheld third-party income category due to the decrease in the distribution of "interest on equity" (*Juros sobre o capital proprio*), thus recording a lower amount of withholding.

**Legal entities****Most significant entities:**

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

## Mexico / € million - MXN million

<b>Tax contribution ratio</b>	<b>20%</b>
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<b>Total paid into public treasury</b>	
Own taxes	128
Taxes collected	115
<b>Total</b>	<b>243</b>

<b>Mexico (€ million)</b>	
<b>Own taxes</b>	<b>128</b>
Corporate Income Tax	121
Non-deductible VAT and similar	0
Company contributions on salaries	7
Local taxes	0
Energy taxes	0
Other own taxes	0
<b>Taxes collected</b>	<b>115</b>
VAT and similar	89
Withheld third-party income	24
Other taxes collected	2
<b>Total</b>	<b>243</b>

<b>Mexico (MXN million)-local currency</b>	
<b>Own taxes</b>	<b>3,140</b>
Corporate Income Tax	2,969
Non-deductible VAT and similar	0
Company contributions on salaries	172
Local taxes	0
Energy taxes	0
Other own taxes	0
<b>Taxes collected</b>	<b>2,821</b>
VAT and similar	2,184
Withheld third-party income	589
Other taxes collected	49
<b>Total</b>	<b>5,962</b>

### Remarks

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

The usual tax contribution ratio in Mexico is between 20-25%, with the exception of 2019, when there was a significant increase in corporate income tax due to a change in methodology for electricity tariffs, which generated an additional benefit for the determination of payments on account.

The devaluation of the Mexican peso is also significant. In fact, the actual tax contribution (expressed in local currency) increases over that made in 2019.

Furthermore, there is an increase in VAT collection, considering that in 2019 there were significant refunds of credit balances, and these refunds will be lower in 2020.

### Legal entities

#### Most significant entities:

Iberdrola México, S.A. de C.V.

Iberdrola Generación México, S.A. de C.V.

Iberdrola Renovables México, S.A. de C.V.

Iberdrola Servicios Corporativos S.A. de C.V.

Iberdrola Clientes, S.A. de C.V.

Iberdrola Generación, S.A. de C.V.

Iberdrola Renovables México, S.A. de C.V.

Enertek, S.A. de C.V.

Desarrollos Inmobiliarias Laguna del Mar, S.A. de C.V.

Iberdrola Ingeniería y Construcción México, S.A. de C.V.





## Other countries / € million

<b>Tax contribution ratio</b>	<b>63%</b>
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<b>Total paid into public treasury</b>	
Own taxes	97
Taxes collected	206
<b>Total</b>	<b>303</b>

<b>Other countries (€ million)</b>	
<b>Own taxes</b>	<b>97</b>
Corporate Income Tax	76
Non-deductible VAT and similar	0
Company contributions on salaries	9
Local taxes	2
Energy taxes	9
Other own taxes	1
<b>Taxes collected</b>	<b>206</b>
VAT and similar	172
Withheld third-party income	13
Other taxes collected	21
<b>Total</b>	<b>303</b>

**Remarks**

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

Of particular note was the increase in corporate income tax in Germany, due in part to the filing of annual tax returns for 2018, the first full year in which the *Wiking* wind farm was operational.

There was also an increase in the contribution in Australia as a result of the integration of the Infigen group.

In the case of France and Italy, there is an increase in VAT and Electricity Tax collection, taking into account the expansion of the liberalised business.

In Greece, there was a decrease in corporate income tax due to the lower applicable tax rate.

**Legal entities****Most significant entities:**

Iberdrola Energie Deutschland, GmbH.  
 Iberdrola Renovables Deutschland GmbH.  
 Iberdrola Renovables Offshore Deutschland.  
 Iberdrola Canadá Energy Services, Ltd.  
 Iberdrola Energie France, S.A.S.  
 Iberdrola Renovables France, S.A.S.  
 Aalto Power, S.A.S.  
 Aalto Power, GmbH.  
 Aalto Power, GmbH France, S.A.R.L.  
 C. Rokas Industrial Commercial Company, S.A.  
 Rokas Aeoliki Thraki III, S.A.  
 Rokas Hidroelectric, S.A.  
 Rokas Aeoliki Cyprus, Ltd.  
 Iberdrola Renovables Italia, S.p.A.  
 Iberdrola Clienti Italia, S.R.L.  
 Iberdrola Renewables Portugal S.A.  
 Iberdrola Clientes Portugal, Unipessoal Lda.  
 Ibertâmega - Sistema Electroprodutor Do Tâmega, S.A.  
 Iberdrola Suporte Projecto Tâmega, Unipessoal Lda.  
 Infigen Energy, Ltd.  
 Infigen Energy Development Holdings PTY, Ltd.

**Summary table: 2020 total tax contribution (millions of euros).**

€ million	Corporate Income Tax	Non-deductible VAT and similar	Company contributions on salaries	Local taxes	Energy taxes	Other own taxes	Total own taxes	VAT and similar	Withheld third-party income	Other taxes collected	Total taxes collected	Total
Spain	361	8	141	249	707	12	<b>1,478</b>	1,574	298	30	<b>1,902</b>	<b>3,380</b>
United Kingdom	135	0	35	135	0	67	<b>372</b>	118	65	75	<b>258</b>	<b>630</b>
United States of America	7	0	51	516	0	87	<b>661</b>	81	142	51	<b>274</b>	<b>935</b>
Brazil	143	0	50	3	0	6	<b>202</b>	1,674	73	35	<b>1,782</b>	<b>1,984</b>
Mexico	121	0	7	0	0	0	<b>128</b>	89	24	2	<b>115</b>	<b>243</b>
Other	76	0	9	2	9	1	<b>97</b>	172	13	21	<b>206</b>	<b>303</b>
<b>Total</b>	<b>843</b>	<b>8</b>	<b>293</b>	<b>905</b>	<b>716</b>	<b>173</b>	<b>2,938</b>	<b>3,708</b>	<b>615</b>	<b>214</b>	<b>4,537</b>	<b>7,475</b>

**Summary table: 2020 total tax contribution (millions of local currency).**

LC millionC	Corporate Income Tax	Non-deductible VAT and similar	Company contributions on salaries	Local taxes	Energy taxes	Other own taxes	Total own taxes	VAT and similar	Withheld third-party income	Other taxes collected	Total taxes collected	Total
Spain	361	8	141	249	707	12	<b>1,478</b>	1,574	298	30	<b>1,902</b>	<b>3,380</b>
United Kingdom	120	0	31	120	0	60	<b>331</b>	105	58	67	<b>230</b>	<b>561</b>
United States of America	8	0	58	589	0	99	<b>755</b>	92	162	58	<b>313</b>	<b>1,067</b>
Brazil	843	0	295	18	0	35	<b>1,191</b>	9,870	430	206	<b>10,507</b>	<b>11,698</b>
Mexico	2,969	0	172	0	0	0	<b>3,140</b>	2,184	589	49	<b>2,821</b>	<b>5,962</b>
Other	76	0	9	2	9	1	<b>97</b>	172	13	21	<b>206</b>	<b>303</b>



## Taxes paid and collected by the Iberdrola group in each country by category (millions of euros).

€ million	Corporate Income Tax	Non-deductible VAT and similar	Company contributions on salaries	Local taxes	Energy taxes	Other own taxes	Total own taxes	VAT and similar	Withheld third-party income	Other taxes collected	Total taxes collected	Total
Germany	68	0	1	0	0	0	69	38	2	1	41	110
Algeria	2	0	0	0	0	0	2	0	0	0	0	2
Australia	0	0	1	0	6	1	8	-1	0	0	-1	7
Brazil	143	0	50	3	0	6	202	1,674	73	35	1,782	1,984
Bulgaria	0	0	0	0	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0	0	1	0	0	1	1
Costa Rica	0	0	0	0	0	0	0	0	0	0	0	0
Egypt	0	0	0	0	0	0	0	0	0	0	0	0
Spain	361	8	141	249	707	12	1,478	1,574	298	30	1,902	3,380
United States of America	7	0	51	516	0	87	661	81	142	51	274	935
France	0	0	3	1	0	0	4	19	1	2	22	26
Greece	4	0	1	0	3	0	8	0	1	0	1	9
Honduras	0	0	0	0	0	0	0	0	0	0	0	0
Hungary	2	0	0	1	0	0	3	9	0	0	9	12
Ireland	0	0	0	0	0	0	0	0	0	0	0	0
Italy	0	0	2	0	0	0	2	20	3	8	31	33
Kenya	0	0	0	0	0	0	0	0	0	0	0	0
Latvia	0	0	0	0	0	0	0	1	0	0	1	1
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0
Mexico	121	0	7	0	0	0	128	89	24	2	115	243
Montenegro	0	0	0	0	0	0	0	0	0	0	0	0
Netherlands	-2	0	0	0	0	0	-2	0	0	0	0	-2
Poland	0	0	0	0	0	0	0	0	0	0	0	0
Portugal	1	0	1	0	0	0	2	84	6	10	100	102
Qatar	0	0	0	0	0	0	0	0	0	0	0	0
United Kingdom	135	0	35	135	0	67	372	118	65	75	258	630
Romania	1	0	0	0	0	0	1	1	0	0	1	2
South Africa	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>843</b>	<b>8</b>	<b>293</b>	<b>905</b>	<b>716</b>	<b>173</b>	<b>2,938</b>	<b>3,708</b>	<b>615</b>	<b>214</b>	<b>4,537</b>	<b>7,475</b>



### c. Direct tax contribution in the "Country-by-country" Corporate Income Tax

Corporate Income Tax has traditionally been considered the tax that shows the main contribution of companies to public coffers. Although far from reality, it is true that the Income Tax continues to be the tax to which most effort is dedicated by the various tax authorities, in terms of study, analysis and proposals for improvement in order to avoid the shifting of profits into low-tax jurisdictions. In relative terms, income tax represents 29% of the total own taxes affecting the Iberdrola group.

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

The Iberdrola group made a **total payment** for Corporate Income Taxes in 2020 in the amount of **843 million euros**.

This means that the Corporate Income Tax paid represents approximately 17% of its profit before Income Tax.

In terms of **accrual**, according to the data included in the consolidated annual accounts of the Iberdrola group, the **Corporate Income Tax expense** amounted to **1,083 million euros** in financial year 2020, which is more than **21%** of its profit before Income Tax.





Tax jurisdiction	Revenues - Third party	Revenues - Related party	Revenues - Total	Pre-tax profit	Corporate Income Tax - Paid	Corporate Income Tax - Accrued (total)	Corporate Income Tax - Accrued (current)	Capital declared + Retained earnings	Number of professionals (FTEs)	Tangible assets
Germany	364	27	392	144	68	49	39	634	85	1,503
Algeria	0	0	0	0	2	0	0	0	0	0
Australia	58	0	58	-17	0	-4	-9	341	105	719
Brazil	5,912	0	5,912	624	143	142	87	1,825	12,833	6,601
Bulgaria	0	0	0	-1	0	0	0	13	0	0
Canada	7	0	7	3	0	1	0	-133	5	15
Cyprus	5	0	5	2	0	0	0	2	1	20
Costa Rica	0	0	0	0	0	0	0	-8	0	0
Spain	12,697	920	13,618	2,222	361	230	127	15,578	9,626	24,236
United States of America	5,370	5	5,374	461	7	103	35	7,886	7,059	22,163
France	103	3	106	-35	0	14	-1	-108	110	426
Greece	55	0	55	29	4	8	7	132	93	183
Hungary	33	0	33	17	2	2	1	159	10	153
Ireland	19	-1	18	-7	0	0	0	2	6	3
Italy	228	-7	221	-59	0	16	0	66	100	8
Japan	0	0	0	0	0	0	0	1	12	0
Latvia	0	4	4	1	0	0	0	0	1	0
Luxembourg	0	0	0	4	0	1	0	87	0	0
Mexico	2,751	22	2,773	639	121	240	131	2,299	1,307	5,091
Netherlands	0	446	446	35	-2	-14	-2	5,626	0	0
Portugal	776	2	779	21	1	3	2	225	124	1,029
Qatar	0	0	0	-2	0	0	0	1	10	0
United Kingdom	5,872	23	5,894	957	135	292	87	6,217	5,423	15,330
Romania	12	0	12	15	1	0	0	68	5	57
South Africa	0	0	0	0	0	0	0	-3	0	5
<b>Total</b>	<b>34,261</b>	<b>1,446</b>	<b>35,708</b>	<b>5,053</b>	<b>843</b>	<b>1,083</b>	<b>505</b>	<b>40,913</b>	<b>36,915</b>	<b>77,543</b>



In the core jurisdictions (Spain, United Kingdom, United States of America, Mexico and Brazil), the Iberdrola group presents a high level of "linearity" in the ratio of the various parameters represented in 2020.

The most significant deviations are the following:

- The ratio of the number of professionals in Brazil is high due to the lower number of subcontracted work, above all in the regulated business, compared to other jurisdictions (maintenance, measurement, new construction, etc.).
- In Mexico, the efficiency of the business (few material and human resources generate high profitability) is noteworthy, while the volume of taxes paid and accrued is high, explained by the high nominal rate of the corporate income tax (30%) and the lack of other types of taxes.
- In the United States of America, of note is the percentage volume of the Corporate Income Tax, which is practically residual, with around 10% - 15% of the group's total revenue or profits. This is because the group's activities in generation from renewable sources and the specific rules on tax incentives for these activities (accelerated depreciation and tax credits through Production Tax Credits and Investment Tax Credits) create a large volume of tax credits that reduce (federal and state) income taxes to minimal levels until such credits are used and depleted. The tax characteristics of the investments in the United States of America derive from significant volume, with a high employment generation rate and production of electricity from renewable and sustainable sources, that allow for the generation of tax credits (in some cases temporary) that reduce the taxes paid during this financial year and give rise to a lower level of Income Tax paid.

