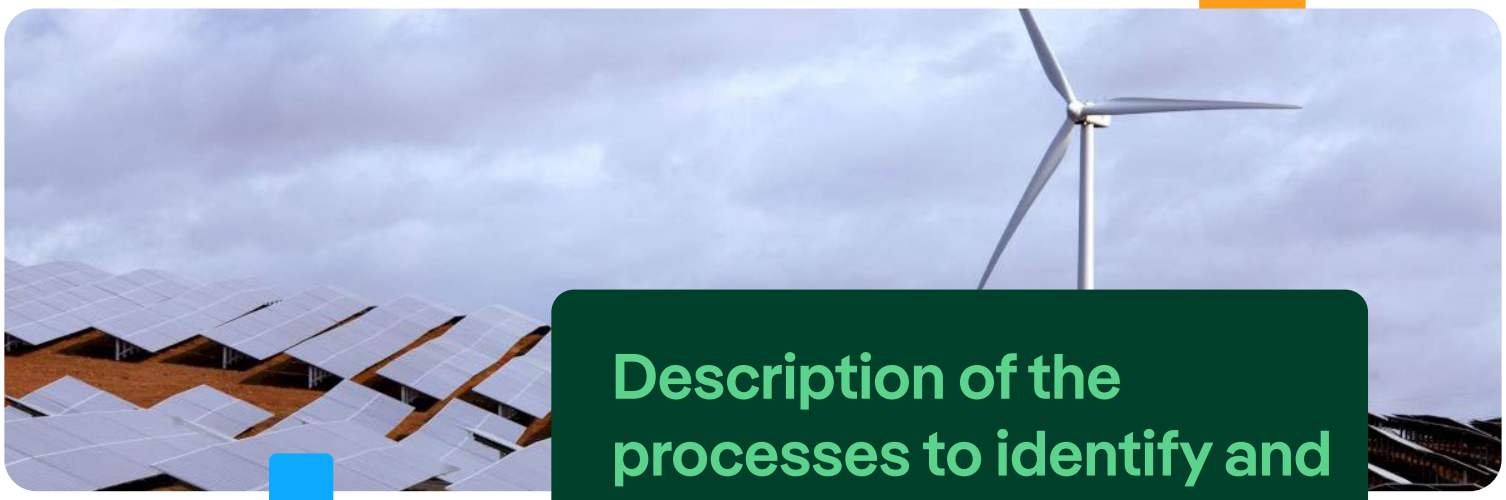


Description of the processes to identify and assess material impacts, risks and opportunities

In accordance with the requirements of the European Sustainability Reporting Standards (ESRS), Iberdrola has developed the Double Materiality Assessment (DMA), which is the process through which an organisation identifies material information related to the impacts, risks and opportunities (IROs) associated with sustainability issues.

Double materiality has two dimensions: materiality in terms of impact, which takes into account how the company's activities have an impact on the environment and society, and financial materiality, which takes into account how sustainability-related risks and opportunities affect the Company's financial results.

A sustainability issue meets the criterion of double materiality if it is material from an impact perspective, a financial perspective, or both.

The Double Materiality Assessment has been implemented through the following phases:

PHASE 1	PHASE 2	PHASE 3	PHASE 4
Understanding the context of the company, its sector and its key Stakeholders	**Identification of impacts, risks and opportunities**	**Assessment of impacts, risks and opportunities**	**Results of the Double Materiality Assessment**

Phases 2, 3 and 4 of the double materiality assessment are separately implemented in this report for impact materiality and for financial materiality, due to the methodological differences and results obtained in each case.

The process of double materiality analysis has been led by the Sustainability Division to conduct an exhaustive double materiality assessment and ensure the integration of the results of the process into the sustainability report, facilitating coordination between all key areas.

The tasks of identifying and evaluating impacts, risks and opportunities were carried out with the participation of all the Iberdrola Group's corporate areas, businesses and country subholding companies. Participants were selected on the basis of their professional experience and their connection with the various sustainability topics under consideration.

Ongoing human rights due diligence process

Before describing the double materiality assessment process, it is necessary to explain how the Company integrates human rights due diligence aspects into the assessment.

Human rights due diligence is an ongoing process aimed at identifying and managing the impacts, risks and opportunities associated with the implementation of its operations at all stages (design, construction, operation, maintenance and decommissioning of facilities in the electricity and energy sector), taking into account the geographical and social context and the characteristics of its chain of activities.

As a result of having adopted a broad definition of human rights, which implies a great heterogeneity of issues and potential impacts, the Group's human rights due diligence process is supported by various sub-processes and their procedures (e.g. Compliance, Health and Safety, Environment, Procurement, Cybersecurity, among others). Each area is responsible for the aspects related to its area of specialisation, facilitating management that is autonomous and efficient but with an integrated and transversal vision of human rights-related issues.

Identification of impacts is reviewed annually in line with the recommendations of the United Nations Guiding Principles (UNGPs) to prepare the Human Rights Risk Map. This map covers the countries in which the Group operates, supplies goods and services, fuels and minerals that may be included in the equipment it purchases. It is also used as an internal source for impact identification, described in Phase 2 of the Double Materiality Assessment.

The assessment process is structured in four phases:

Phase 1: Understanding the context of the company, its sector and its key Stakeholders

The aim of this phase is to produce a detailed description of the business model and context, including key Stakeholders. **The main aspects of this description are:**

- The Group's business activities, sectors of activity and markets, geographic presence, and business relationships.
- Understanding of Stakeholders.
- Other contextual information: applicable regulations, sustainability frameworks, sustainability initiatives.

Impact materiality

Phase 2: Identifying impacts

The purpose of this phase is to identify the impacts (negative or positive, actual or potential) on society or the environment related to sustainability issues in the short, medium and long term, associated with the Group's business activities.

These impacts have been identified based on the range of sustainability issues and sub-issues defined by section AR-6 of ESRS 1.

An initial inventory of impacts is prepared considering:

Internal sources:

- Internal documentation described in Phase 1 on understanding the context.
- Result of Iberdrola's enterprise risk management (ERM) system.
- Results of implementation of the Stakeholder Engagement Model
- Human Rights Report.
- Human Rights Risk Map.
- Sector-specific information.

External sources:

- SASB Materiality Map.
- UNEP Corporate Impact Analysis Tool.
- Reports from multinational organisations such as the UN, the World Economic Forum and the International Energy Agency, regional or national environmental or energy agencies, the European Union or the United States Environmental Protection Agency.
- Academic research and case studies, such as research by Stanford or the National Renewable Energy Laboratory (NREL).

In the case of impacts related to the value chain, an identification of impacts that could potentially be associated with value chain activities was made based on the sectoral description of the value chain already presented (see section SBM-1 of chapter ESRS 2, in Statement of Non-Financial Information – Sustainability Report).

Phase 3: Assessing the materiality of impacts

In addition to the corporate areas, businesses and country subholding companies of the Iberdrola Group, identified impacts have been assessed by the affected stakeholders in order to contrast and complement the conclusions reached.

These are assessed as follows, according to whether they are positive or negative and actual or potential:

Current positive impact = Scale + Scope
Potential positive impact = (Scale + Scope) x Probability
Current negative impact = Scale + Scope + Irremediable character
Potential negative impact = (Scale + Scope + Irremediable character) x Probability

The variables that make up severity are described as follows:

SCALE

How serious the negative impact is or how beneficial the positive impact is for society or the environment.

SCOPE

How widespread the impacts are.

IRREMEDIABLE CHARACTER

Whether and to what extent the negative impacts could be remedied, i.e. restoring the environment or society to their prior state.

Probability, on the other hand, measures the likelihood of an impact materialising.

In the case of negative impacts related to human rights, it has been guaranteed that severity prevails over probability.

The severity characteristics are interdependent, i.e. being irremediable could affect severity by increasing its scale or scope. Therefore, if two of the three severity characteristics have a maximum score, severity will be considered maximum.

Impact materiality thresholds

Based on the scores given to each of the severity and probability variables, the final score for each impact is obtained, which has been classified into ranges, as shown below:

Umbrales de materialidad de la incidencia
Clasificación de resultados

Ranges of actual impact results according to our methodology (based on scales from 0 to 3; maximum score 9)	Levl
≥7,5	Critical
[6, 7,5]	Significant
[5 - 6]	Important
[3 - 5]	Informative
<3	Minimal

In this context, it was determined that if the outcome of the consolidation of the assessment was Critical, Significant or Major, the impact would be deemed material.

Phase 4: Impact materiality results

Impacts related to each material topic can be found in their thematic chapters in Statement of Non-Financial Information – Sustainability Report.

Financial materiality

Phase 2: Identification of risks and opportunities

The objective of this phase is to identify the risks and opportunities (ROs) related to short-, medium- and long-term sustainability issues associated with Iberdrola's business activities, as proposed in the list of topics and subtopics established by AR 16 ESRS 1.
The process started with a preliminary approach to the identification of risks and opportunities related to the identified impacts and dependencies, establishing a time horizon according to those defined in the Enterprise Risk Management System (ERM).

This work was complemented by an analysis of additional sources, such as:

- Iberdrola risk map.
- IFRS guidelines that provide guidance for the preparation of climate-related disclosures.
- World Business Council for Sustainable Development (WBCSD).
- Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE).
- Principles for Responsible Investment (PRI): which facilitated the identification of risks and opportunities arising from Iberdrola's dependencies.derivados de las dependencias de Iberdrola.

Phase 3: Evaluation of risks and opportunities

The initial Risk inventory is filtered, applying the following criteria:

- Risks with no or immaterial financial effect are discarded.
- Potential Risks with a very low likelihood of occurrence are discarded.
- ROs associated with regulated activities, under sound and mature regulatory mechanisms, with no foreseeable financial gains/losses in terms of sustainability performance, are also discarded.

The result is an inventory of inherent risks. The inventory of inherent risks and the initial estimate of their financial impact were assessed by the Chief Risk Officers (CROs) of the various country subholding companies.

Phase 4: Financial materiality results

As a result of all the above, the final inventory of inherent risks includes those of the highest significance, i.e.:

- Supply quality penalties.
- Compensation for damage to ecosystems due to fires in the operation of facilities.
- Fines relating to leaks of private or sensitive data.
- Corruption involving the workforce or partners/intermediaries.
- Fines for accidents involving people due to electrocution or accidents involving distribution networks.
- Fines due to mortality of birds and other fauna owing to electrocution and collisions in power grids and wind turbines.

The Company then reviewed the measures taken to mitigate these risks, as well as the financial impact in last year's financial statements, and concluded that the amounts associated with these six potential inherent risks are immaterial for Iberdrola, and therefore no financially material risks are anticipated.

All the opportunities identified in the assessment are related to climate change and are linked to the activities of interest to the Iberdrola Group (These opportunities are detailed in topical standard E1, as with the risks associated with climate change located in Consolidated Non-Financial Information Statement (NFIS) and the Sustainability Reporting 2024).

Conclusions on the materiality of each subtopic

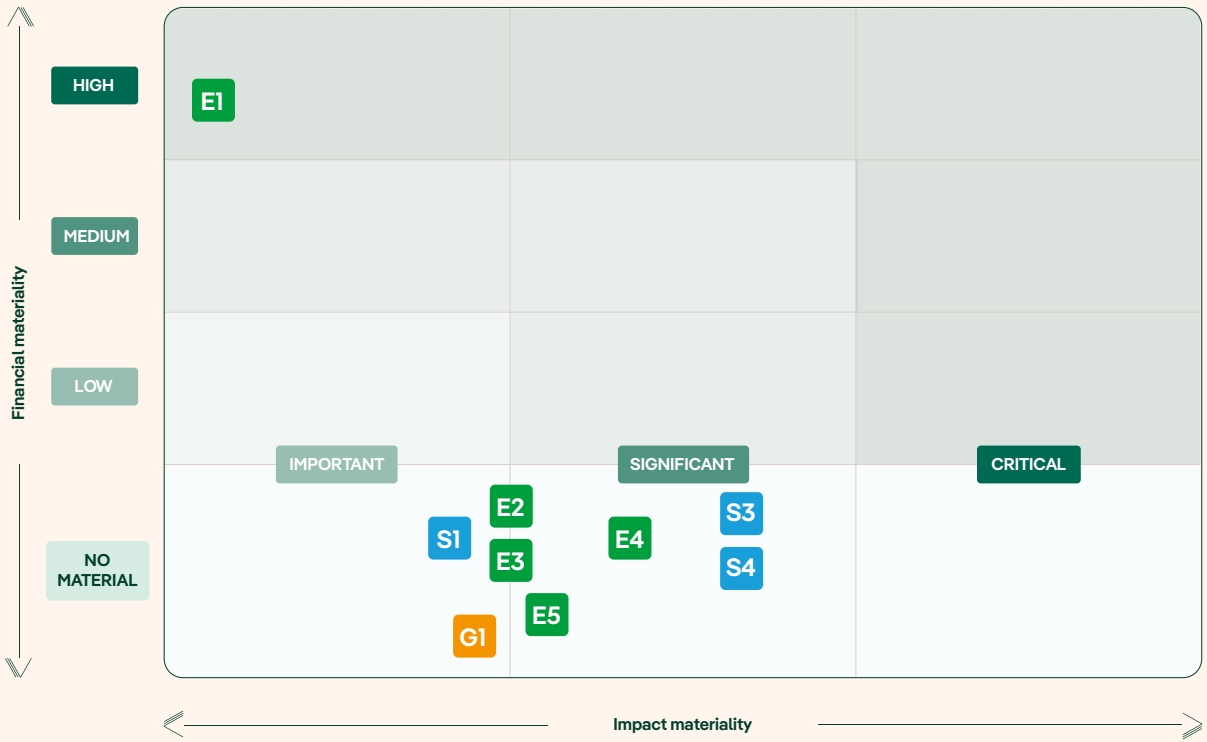
To reach a conclusion on the materiality of subtopics based on impact, risk and opportunity materiality, each subtopic will be assigned the highest score from among its associated impacts. This is equivalent to defining a subtopic as material on the basis of a single material IRO.

This assessment system ensures that the score
assigned to a subtopic is lowered if it is composed of multiple, minor impacts, risks and opportunities. This allows for a standardised and predictable assessment of both impacts, risks and opportunities as well as subtopics within the sustainability framework.

The result and distribution of the material topics of the Double Materiality Assessment evaluation is represented in the following matrix:

Matrix resulting from the Double materiality assessment

	Dimension	Topic
1	Environment	**E1** Climate change
2	Environment	**E2** Pullution
3	Environment	**E3** Water and marine resources
4	Environment	**E4** Biodiversity and ecosystems
5	Environment	**E5** Circular economy
6	Social	**S1** Own workforce
7	Social	**S3** Affected communities
8	Social	**S4** Consumers and end-users
9	Governance	**G1** Business conduct



Below is a list of the material topics and subtopics resulting from this evaluation:

The outcome of the material topic and subtopics are the following:

Chapter	ESRS	TOPIC	SUB-TOPIC
Environment	E1	Climate change	Climate change adaptation
	E1	Climate change	Climate change mitigation
	E1	Climate change	Energy
	E1	Pollution	Pollution of air
	E2	Pollution	Pollution of water
	E2	Pollution	Pollution of soil
	E2	Pollution	Pollution of living organisms and food resources
	E2	Pollution	Substances of concern
	E2	Pollution	Substances of Very High Concern
	E2	Pollution	Microplastics
	E3	Water and marine resources	Water
	E3	Water and marine resources	Marine resources
	E4	Biodiversity and ecosystems	Direct impact drivers of biodiversity loss
	E4	Biodiversity and ecosystems	Impacts on the condition of species
	E4	Biodiversity and ecosystems	Impacts on the extent and condition of ecosystems
	E4	Biodiversity and ecosystems	Impacts and dependencies on ecosystem services
	E5	Circular economy	Resources inflows, induding resource use
	E5	Circular economy	Resource outflows related to pro ducts and services
	E5	Circular economy	Waste
Social	S1	Own workforce	Working conditions
	S1	Own workforce	Equal treatment and opportunities for all
	S1	Own workforce	Other work-related rights
	S3	Affected communities	Communities' economic, social and cultural rights
	S3	Affected communities	Communities' civil and political rights
	S3	Affected communities	Rights of indigenous peoples
	S4	Consumers and end-users	Information-related impacts for consumers and/or end-users
	S4	Consumers and end-users	Personal safety of consumers and/or end-users
	S4	Consumers and end-users	Social inclusion of consumers and/or end-users
Governance	G1	Business conduct	Corporate culture
	G1	Business conduct	Corruption and bribery
	G1	Business conduct	Management of relationships with suppliers including payment practices
	G1	Business conduct	Political engagement and lobbying activities
	G1	Business conduct	Protection of whistle-blowers
	G1	Business conduct	Animal welfare