Specific Risk Policies for the Various Group Businesses

24 February 2020

Risk Policy for the Networks Businesses of the Iberdrola Group

The Risk Policy for the Networks Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the regulated activities of each country in which the Group has a presence. The Risk Policy for the Networks Businesses of the Iberdrola Group applies to all regulated electricity and gas distribution and transmission/transport activities carried out by the Group in:

Spain

Regulated networks activities:
   a. Distribution of electricity, including the planning, development and operation and maintenance of networks.
   b. Billing and collection of usage charges for ATR customers and retailers.
   c. Reading of the meters of consumers connected to its networks.
   d. Cut-off and reconnection of customers on behalf of sales companies or on its own behalf for ATR customers.

United Kingdom

   a. Regulated activities of planning, development and operation and maintenance of electricity distribution networks.
   b. Regulated activities of planning, development and operation and maintenance of transmission networks.

United States of America

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

Brazil

Regulated activities of:
   a. Regulated distribution of electricity, including the planning, construction, operation and maintenance of networks.
   b. Supply of electricity for sale at regulated rates.
   c. Planning, construction, operation and maintenance of electricity transmission networks, including lines and substations.

Risk Policy for the Renewable Energy Businesses of the Iberdrola Group

The Risk Policy for the Renewables Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the activities related to the production of renewable energy carried out by the Group in the various countries in which it operates:

Spain

Production of electricity from wind, solar and hydraulic sources.

United Kingdom

Production of electricity at onshore and offshore wind facilities.

United States

Production of electricity at wind and solar facilities.
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Mexico
Production of electricity at wind and solar facilities.

Brazil
Production of electricity at wind and hydraulic facilities.

In particular, the Policy determines the need to monitor the business (resource) and regulatory risks, and establishes guidelines for covering the market risk associated with the sales price of electricity in the various countries in which the Group operates. Management of the market risk of the Renewables Business in Spain, the United Kingdom, Brazil and Mexico will be transferred to the Liberalised Businesses of these countries to be integrated into a single risk position. There will thus be comprehensive monitoring of the associated market risks of the Renewables and Liberalised Business.

Risk Policy for the Liberalised Businesses of the Iberdrola Group
The Risk Policy for the Liberalised Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the Group’s liberalised businesses in the various countries in which it operates:

Spain
- a. Production of electricity from conventional thermal, nuclear and cogeneration facilities.
- b. Wholesale purchase and sale of energy (electricity, gas and other fuel), including the power purchase agreement with Iberdrola Renovables España.
- c. Retail sale of electricity, gas and energy services, including long-term sales of electricity through PPAs.
- d. Management of the integrated renewable and thermal energy position together with coverage for sales in the Iberian Electricity Market (Mercado Ibérico de Electricidad) (MIBEL).
- e. Operational planning of electricity production, fuel supply and emission rights and the wholesale and retail sale of electricity and gas.
- f. Investments in new conventional thermal generation and cogeneration plants, as well as investments to acquire customers or investments dedicated to supplying customers with electricity.

United Kingdom
- a. Wholesale purchase and sale of energy (electricity, gas and other fuel), including the power purchase agreement with Scottish Power Renewables.
- b. Retail sale of electricity, gas and energy services.
- c. Investments to increase the portfolio of customers or strictly dedicated to the supply of electricity to customers.

Mexico
- b. Production and sale of electricity and steam to private users and qualified customers.
- d. Sale of power by Iberdrola Renovables Mexico under the service and power purchase agreements and signed clean energy certificates.
- e. Strategic and operational planning of electricity production and fuel supply.
- f. Investments in new combined cycle or cogeneration plants.

Brazil
- a. Operation and production of electricity at the Termopernambuco plant.
- b. Sale of electricity managing the portfolio of liberalised customers.
- c. Management of the energy position of the renewable generators.
Other countries

Retail sale of electricity, gas and/or energy services in Portugal, Italy, France, Germany, Ireland and the United States.

Risk Policy for the Real Estate Business

The Risk Policy for the Real Estate Business establishes the framework for the monitoring and management of risks affecting the business carried out by Iberdrola Inmobiliaria, in order to mitigate and reduce the risks associated with the fulfilment of its objectives. Particularly contemplated are the risks associated with activities of land management, real estate development and the lease of assets of Iberdrola Inmobiliaria in Spain and other countries.