Annual financial information

Iberdrola, S.A. and subsidiaries

Year 2020

IBERDROLA

IBERDROLA

AUDITOR'S REPORT

KPMG Auditores, S.L.
Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Independent Auditor's Report on the Consolidated Annual Accounts

To the Shareholders of *Iberdrola, S.A.*

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Iberdrola, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of non-current assets
See note 15 to the consolidated annual accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key audit matter	*How the matter was addressed in our audit*
The principal activities of the different businesses included in the consolidated annual accounts of the Group are related to the generation, transmission, distribution and supply of electricity, and therefore the balances recognised under other intangible assets and property, plant and equipment are highly significant. Furthermore, as a result of the acquisitions made in recent years, the consolidated annual accounts include goodwill for an amount of Euros 7,613 million. IFRS-EU determine the need to carry out an analysis of the recoverable amounts of assets in those cases in which indications of impairment were identified. Goodwill, intangible assets with indefinite useful lives and in-process intangible assets are not amortised, but are instead tested for impairment at least on an annual basis. The calculation of the recoverable amount of non-current assets indicated in the preceding paragraphs is determined through the use of methodologies based on discounted cash flows, the estimation of which requires the use of a high degree of judgement.	Our audit procedures included the following: ▪ Assessing the design and implementation of the key controls related to the process of determining recoverable amount; ▪ Assessing the reasonableness of the methodology used to calculate value in use and the main assumptions considered, with the involvement of our specialists; ▪ Analysing the consistency of the estimated growth in future cash flows with the business plans approved by the governing bodies. We also contrasted the cash flow forecasts estimated in prior years with the actual cash flows obtained; ▪ Evaluating the sensitivity of the recoverable amount to changes in certain assumptions that can be considered reasonable. ▪ Assessing whether the disclosures in the consolidated annual accounts comply with the requirements of the applicable financial reporting framework.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Pension commitments **See note 27 to the consolidated annual accounts**	
Key audit matter	*How the matter was addressed in our audit*
The Group has important commitments with personnel in relation to retirement and other long-term liabilities. These commitments are mainly in Spain, the United States, the United Kingdom and Brazil. The present value of commitments undertaken is Euros 10,889 million, while the fair value of the different plan assets amounts to Euros 8,772 million, of which Euros 1,214 million is classified as level 3 of the fair value hierarchy. Non-significant variations in the main assumptions that determine the valuation of the commitments undertaken or the fair value of the associated assets could have a significant impact on the amounts recognised in the consolidated annual accounts.	Our audit procedures included the following: ▪ Assessing the design and implementation of controls related to the valuation process; ▪ Reading and understanding collective agreements and other commitments assumed with personnel; ▪ Evaluating the completeness and accuracy of the databases used for the beneficiaries of the different commitments; ▪ Analysing the reasonableness of the main actuarial assumptions and calculation methods applied by the Group in the different geographical locations in which it operates through the involvement of our specialists; ▪ Performing substantive procedures on a sample of the different plan assets in order to verify the reasonableness of their valuation. Our procedures included obtaining external confirmations; ▪ Analysing compliance with the disclosure requirements established in IFRS-EU.

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Provisions for litigation and claims **See notes 28 and 35 to the consolidated annual accounts**	
Key audit matter	*How the matter was addressed in our audit*
As a result of the operations carried out by the entities that comprise the Group, the consolidated statement of financial position includes provisions for litigation underway amounting to Euros 1,030 million that are shown in the "provisions for litigation, indemnities and other items" and “other provisions” columns of note 28 to the consolidated annual accounts. The consolidated statement of financial position also includes income tax provisions amounting to Euros 285 million which have been recognised as current deferred tax liabilities under non-current liabilities. The calculation of provisions involves significant uncertainties that affect both the determination of the probability of an outflow of resources and the quantification thereof.	Our audit procedures included the following: ▪ Assessing the design and implementation of the controls related to the process of recognising and evaluating litigations and claims; ▪ Analysing the completeness of the list of litigation provided by management; ▪ Sending confirmations to the lawyers with whom the Group operates; ▪ Reading the minutes of Board of Directors' meetings; ▪ Selecting a sample of the main litigation procedures and analysing the reasonableness of any provisions with the involvement of our specialists; ▪ Analysing compliance with the disclosure requirements established in IFRS-EU.

Revenue recognition **See note 5 to the consolidated annual accounts**	
Key audit matter	*How the matter was addressed in our audit*
The Group's businesses that carry out electricity supply activities must make estimates of unbilled supplies to end customers in the period between the last meter reading and the end of the fiscal year. Unbilled electricity supplied is estimated based on internal and external information that is compared with the measurements contained in the management systems used by the businesses. Revenue is calculated by multiplying the volume of estimated unbilled use by the tariff agreed for each customer, a process that is subject to a high degree of uncertainty. Estimated electricity supplied and not billed amounts to Euros 2,037 million.	Our audit procedures included the following: ▪ Analysing the design, implementation and operating effectiveness of the key controls related to the estimation of unbilled revenue; ▪ Evaluating the reasonableness of the calculation model used by comparing the estimates made at the close of the previous period and actual invoicing data (retrospective analysis); ▪ Assessing the reasonableness of the volume of unbilled electricity through an analysis of historical information and other available internal and external data. ▪ Evaluating a selected sample of the tariffs applied by comparing them with the data contained in the customer contract databases.
Business combinations	

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

See note 8 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
On 5 August 2020, the Group acquired control of the business of Infigen Energy Limited for a consideration of Euros 284 million. Accounting for business combinations is a complex exercise which requires the application of value judgements when identifying and determining the fair value of assets and liabilities acquired, which has been calculated in collaboration with an expert engaged by the Group. We consider this transaction to be a key audit matter due to its significance, the inherent judgement involved in making fair value estimates and the impact on the consolidated annual accounts.	Our audit procedures included the following: ▪ Reviewing the balance sheet of the company acquired at the acquisition date to identify the assets and liabilities existing at that date; ▪ Evaluating and discussing with the Company the process followed to identify and recognise the assets and liabilities acquired; ▪ Obtaining the valuation report drawn up by the independent expert engaged by the Group and evaluating the expert's independence and professional competence; ▪ Assessing the methodology and key assumptions used to determine the fair values of the assets and liabilities acquired and their identification, involving our valuation specialists for this purpose; ▪ Analysing whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

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Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent’s audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

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As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Iberdrola, S.A. and its subsidiaries for 2020 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of Iberdrola, S.A. are responsible for the presentation of the 2020 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 25 February 2021.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 2 April 2020 for a period of two years, beginning after the year ended 31 December 2020.

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Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Enrique Asla García
On the Spanish Official Register of Auditors ("ROAC") with No. 1,797

25 February 2021

CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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Management report

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IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated Statement of financial position at 31 December 2020

Millions of euros

ASSETS	Note	31.12.2020	31.12.2019 (*)
Intangible assets	**10**	**18,222**	**20,368**
Goodwill		7,613	8,153
Other intangible assets		10,609	12,215
Investment property	**11**	**301**	**342**
Property, plant and equipment	**12**	**71,779**	**71,289**
Property, plant and equipment in use		64,879	63,448
Property, plant and equipment under construction		6,900	7,841
Right-of-use assets	**13**	**1,974**	**1,782**
Non-current financial investments		**5,461**	**5,819**
Equity-accounted investees	16.a	1,145	1,957
Non-current equity investments		38	86
Other non-current financial assets	16.b	2,909	3,020
Derivative financial instruments	30	1,369	756
Non-current trade and other receivables	**17**	**3,161**	**2,851**
Current tax assets	**35**	**666**	**666**
Deferred tax assets	**35**	**5,982**	**5,694**
NON-CURRENT ASSETS		**107,546**	**108,811**
Nuclear fuel	**19**	**260**	**306**
Inventories	**20**	**2,443**	**2,542**
Current trade and other receivables		**7,664**	**7,499**
Current tax assets	36	564	318
Other tax receivables	36	623	507
Current trade and other receivables	17	6,477	6,674
Current financial investments		**1,178**	**1,098**
Other current financial investments	16.b	578	693
Derivative financial instruments	30	600	405
Cash and cash equivalents	**21**	**3,427**	**2,113**
CURRENT ASSETS		**14,972**	**13,558**
TOTAL ASSETS		**122,518**	**122,369**

(*) The consolidated Statement of financial position at 31 December 2019 is presented for comparative purposes only.

Notes 1 to 57 to the accompanying consolidated Financial statements and described in the Appendices are an integral part of the consolidated Statement of financial position at 31 December 2020.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 57). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated Statement of financial position at 31 December 2020

Millions of euros

EQUITY AND LIABILITIES	Note	31.12.2020	Restated (Note 2.c) 31.12.2019 (*)
Parent company		**35,412**	**37,678**
Subscribed capital		4,762	4,771
Valuation adjustments		(242)	(544)
Other reserves	2.c	34,420	33,522
Treasury shares		(1,985)	(1,436)
Translation differences		(5,154)	(2,101)
Net profit for the year	2.c	3,611	3,466
Non-controlling interests		**11,806**	**9,517**
EQUITY	**22**	**47,218**	**47,195**
Capital grants	**25**	**1,240**	**1,399**
Facilities assigned and financed by third parties	**26**	**5,043**	**4,987**
Non-current provisions		**5,836**	**5,990**
Provision for pensions and similar obligations	27	2,318	2,661
Other provisions	28	3,518	3,329
Non-current financial liabilities		**35,096**	**33,639**
Bank borrowings, debentures or other marketable securities	29	30,334	30,126
Equity instruments having the substance of a financial liability	24	334	193
Derivative financial instruments	30	991	471
Leases	32	1,927	1,614
Other non-current financial liabilities	33	1,510	1,235
Other non-current liabilities	**34**	**262**	**408**
Current tax liabilities		**285**	**261**
Deferred tax liabilities	**35**	**9,607**	**9,359**
TOTAL NON-CURRENT LIABILITIES		**57,369**	**56,043**
Current provisions		**579**	**660**
Provision for pensions and similar obligations	27	23	25
Other provisions	28	556	635
Current financial liabilities		**15,470**	**16,534**
Bank borrowings, debentures or other marketable securities	29	7,703	8,800
Equity instruments having the substance of a financial liability	24	57	22
Derivative financial instruments	30	297	478
Leases	32	131	153
Trade payables		5,138	5,098
Other current financial liabilities	33	2,144	1,983
Other current liabilities		**1,882**	**1,937**
Current tax liabilities	36	178	243
Other tax payables	36	1,226	1,020
Other current liabilities	34	478	674
TOTAL CURRENT LIABILITIES		**17,931**	**19,131**
TOTAL EQUITY AND LIABILITIES		**122,518**	**122,369**

(*) The consolidated Statement of financial position at 31 December 2019 is presented for comparative purposes only.

Notes 1 to 57 to the accompanying consolidated Financial statements and described in the Appendices are an integral part of the consolidated Statement of financial position at 31 December 2020.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 57). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated Income statement for the year ended 31 December 2020

Millions of euros	Note	31.12.2020	Restated (Note 2.c) 31.12.2019 (*)
Revenue	38	33,145	36,438
Supplies	39	(17,000)	(20,175)
GROSS MARGIN		**16,145**	**16,263**
Personnel expenses	40	(2,810)	(2,841)
Capitalised personnel expenses	40	661	695
Net personnel expenses		(2,149)	(2,146)
External services		(2,841)	(2,843)
Other operating income		676	659
Net external services		(2,165)	(2,184)
Net operating expenses		(4,314)	(4,330)
Taxes other than income tax	41	(1,821)	(1,829)
GROSS OPERATING PROFIT (EBITDA)		**10,010**	**10,104**
Valuation adjustments, trade and contract assets	17	(381)	(298)
Amortisation, depreciation and provisions	42	(4,093)	(3,929)
OPERATING PROFIT (EBIT)		**5,536**	**5,877**
Result of equity-accounted investees - net of taxes	16.a	(5)	14
Finance income	44	1,038	864
Finance expense	45	(2,029)	(2,164)
Finance income		(991)	(1,300)
Gains on disposal of non-current assets	43	517	206
Losses on disposal of non-current assets	43	(4)	(3)
Gains /(losses) from non-current assets		513	203
PROFIT BEFORE TAX		**5,053**	**4,794**
Income tax	35	(1,083)	(914)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**3,970**	**3,880**
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS (NET OF TAXES)		**(18)**	**(66)**
Non-controlling interests	2.c, 22	(341)	(348)
NET PROFIT FOR THE PERIOD ATTRIBUTABLE TO THE PARENT		**3,611**	**3,466**
BASIC EARNINGS PER SHARE IN EUROS FROM CONTINUING OPERATIONS	**55**	**0.552**	**0.520)**
DILUTED EARNINGS PER SHARE IN EUROS FROM CONTINUING OPERATIONS	**55**	**0.551**	**0.519**
BASIC AND DILUTED EARNINGS PER SHARE IN EUROS FROM DISCONTINUED OPERATIONS	**55**	**(0.003)**	**(0.010)**

(*) The consolidated Income statement at 31 December 2019 is presented for comparative purposes only.

Notes 1 to 57 to the accompanying consolidated Financial statements and described in the Appendices are an integral part of the consolidated Statement of financial position at 31 December 2020.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 57). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated Statement of comprehensive income for the year ended 31 December 2020

		31.12.2020			Restated (Note 2.c) 31.12.2019 (*)		
Millions of euros	Note	Parent company	Non-controlling interests	Total	Parent company	Non-controlling interests	Total
NET PROFIT FOR THE YEAR		**3,611**	**341**	**3,952**	**3,466**	**348**	**3,814**
OTHER COMPREHENSIVE INCOME TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT PERIODS							
In valuation adjustments		**301**	**18**	**319**	**(509)**	**–**	**(509)**
Change in value of cash flow hedges	22	348	30	378	(643)	2	(641)
Changes in hedging costs		2	–	2	(5)	–	(5)
Tax effect	35	(49)	(12)	(61)	139	(2)	137
In translation differences		**(3,053)**	**(1,138)**	**(4,191)**	**818**	**89**	**907**
TOTAL		**(2,752)**	**(1,120)**	**(3,872)**	**309**	**89**	**398**
OTHER COMPREHENSIVE INCOME NOT TO BE RECLASSIFIED TO THE CONSOLIDATED INCOME STATEMENT IN SUBSEQUENT PERIODS							
In other reserves		**(19)**	**(10)**	**(29)**	**(286)**	**6**	**(280)**
Actuarial gains and losses on pension schemes	27	(26)	(16)	(42)	(340)	9	(331)
Tax effect	35	7	6	13	54	(3)	51
TOTAL		**(19)**	**(10)**	**(29)**	**(286)**	**6**	**(280)**
OTHER COMPREHENSIVE INCOME FROM EQUITY-ACCOUNTED INVESTEES (NET OF TAXES)							
In valuation adjustments		**1**	**–**	**1**	**(3)**	**–**	**(3)**
TOTAL	**16.a**	**1**	**–**	**1**	**(3)**	**–**	**(3)**
TOTAL NET PROFIT RECOGNISED DIRECTLY IN EQUITY		**(2,770)**	**(1,130)**	**(3,900)**	**20**	**95**	**115**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**841**	**(789)**	**52**	**3.486**	**443**	**3,929**

(*) The consolidated Statement of comprehensive income for financial year 2019 is presented for comparison purposes only.
Notes 1 to 57 to the accompanying consolidated Financial statements and described in the Appendices are an integral part of the consolidated Statement of financial position at 31 December 2020.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 57). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES
Consolidated Statement of changes in equity for the year ended 31 December 2020

			Other reserves									
Millions of euros	Subscribed capital	Treasury shares	Legal reserve	Revaluation reserves	Share premium	Other restricted reserves	Retained earnings	Valuation adjustments	Translation differences	Net profit for the year	Non-controlling interests	Total
Balance at 01.01.2020	**4,771**	**(1,436)**	**969**	**–**	**14,512**	**1,052**	**16,989**	**(544)**	**(2,101)**	**3,466**	**9,517**	**47,195**
Comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(19)**	**302**	**(3,053)**	**3,611**	**(789)**	**52**
Transactions with shareholders or owners												
Capital increase (Note 22)	151	–	–	–	(151)	–	–	–	–	–	–	–
Capital reduction (Note 22)	(160)	1,918	–	–	–	–	(1,758)	–	–	–	–	–
Distribution of 2019 profit	–	–	–	–	–	–	2,904	–	–	(3,466)	(150)	(712)
Business combinations (Notes 8 and 22)	–	–	–	–	–	–	–	–	–	–	254	254
Transactions with non-controlling interests (Notes 8 and 22)	–	–	–	–	–	–	(73)	–	–	–	(48)	(121)
Transactions with treasury shares (Note 22)	–	(2,467)	–	–	–	–	5	–	–	–	–	(2,462)
Other changes in equity												
Share-based payments (Note 23)	–	–	–	–	–	–	(28)	–	–	–	1	(27)
Issuance of subordinated perpetual bonds (Note 22)	–	–	–	–	–	–	(10)	–	–	–	3,000	2,990
Other changes	–	–	–	–	–	–	28	–	–	–	21	49
Balance at 31.12.2020	**4,762**	**(1,985)**	**969**	**–**	**14,361**	**1,052**	**18,038**	**(242)**	**(5,154)**	**3,611**	**11,806**	**47,218**

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 57). In the event of a discrepancy, the Spanish-language version prevails.

Restated (Note 2.c)			Other reserves									
Millions of euros	Subscribed capital	Treasury shares	Legal reserve	Revaluation reserves	Share premium	Other restricted reserves	Retained earnings	Valuation adjustments	Translation differences	Net profit for the year	Non-controlling interests	Total
Balance at 01.01.2019 (*)	**4,798**	**(1,010)**	**969**	**28**	**14,668**	**842**	**16,224**	**(32)**	**(2,919)**	**3,014**	**7,395**	**43,977**
Comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(286)**	**(496)**	**779**	**3,466**	**443**	**3,906**
Transactions with shareholders or owners												
Capital increase (Note 22)	183	–	–	(28)	(156)	–	–	–	–	–	–	(1)
Capital reduction (Note 22)	(210)	2,015	–	–	–	210	(2,015)	–	–	–	–	–
Distribution of 2018 profit	–	–	–	–	–	–	2,685	–	–	(3,014)	(179)	(508)
Transactions with non-controlling interests (Notes 6 and 20)	–	–	–	–	–	–	445	(16)	39	–	1,034	1,502
Transactions with treasury shares (Note 22)	–	(2,441)	–	–	–	–	5	–	–	–	–	(2,436)
Other changes in equity												
Share-based payments (Note 23)	–	–	–	–	–	–	5	–	–	–	1	6
Issuance of subordinated perpetual bonds (Note 22)	–	–	–	–	–	–	(4)	–	–	–	800	796
Other changes	–	–	–	–	–	–	(70)	–	–	–	23	(47)
Balance at 31.12.2019 (*)	**4,771**	**(1,436)**	**969**	**–**	**14,512**	**1,052**	**16,989**	**(544)**	**(2,101)**	**3,466**	**9,517**	**47,195**

(*) The consolidated Statement of changes in equity for financial year 2019 is presented for comparison purposes only.

Notes 1 to 57 to the accompanying consolidated Financial statements and described in the Appendices are an integral part of the consolidated Statement of financial position at 31 December 2020.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 57). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

Consolidated Statement of cash flows for the years ended 31 December 2020

Millions of euros	Note	31.12.2020	31.12.2019 (*)
Profit before tax from continuing activities		5,053	4,794
Profit before tax from discontinued operations		(25)	(57)
Adjustments for			
Amortisation, provisions, valuation adjustments of financial assets and personnel expenses for pensions	40.42	4,651	4,527
Net profit/loss from investments in associates and joint ventures	16.a	5	(7)
Capital grants and other deferred income	25	(278)	(274)
Finance income and finance costs	44.45	1,006	1,304
Gains on disposal of non-current assets	43	(531)	(203)
Changes in working capital			
Change in trade receivables and other		(696)	(963)
Change in inventories		46	(345)
Change in trade payables and other liabilities		440	(500)
Provisions paid		(538)	(625)
Income taxes paid		(843)	(796)
Dividends received		57	60
Net cash flows from operating activities		**8,347**	**6,915**
Acquisition of subsidiaries	8	(391)	–
Change in cash flow due to modification of the consolidation scope	8	114	–
Acquisition of intangible assets	10	(446)	(411)
Acquisition of associates	16.a	(59)	(205)
Acquisition of investment property	11	(2)	(3)
Acquisition of property, plant and equipment	12	(5,405)	(5,169)
Capitalised interest paid	44	(149)	(223)
Capitalised personnel expenses paid	40	(661)	(695)
Capital grants and other deferred income		8	12
Proceeds/(payments) for securities portfolio		(1)	(17)
Proceeds/(payments) for other investments		(930)	(925)
Proceeds/(payments) for current financial assets		(104)	(135)
Interest received		25	49
Proceeds from disposal of non-financial assets		235	340
Proceeds from disposal of financial assets		1,122	–
Net cash flows used in investing activities		**(6,644)**	**(7,382)**
Dividends paid		(562)	(329)
Dividends paid to non-controlling interests		(150)	(179)
Subordinated perpetual bonds	22		
Issue		2,990	796
Interest paid		(63)	(37)
Bank borrowings, debentures or other marketable securities	31		
Issues and disposals		11,655	15,301
Redemption		(10,480)	(14,953)
Interest paid excluding capitalised interest		(740)	(818)
Financial liabilities from leases	32		
Payment of principal		(159)	(156)
Interest paid excluding capitalised interest		(39)	(33)
Equity instruments having the substance of a financial liability	24		
Issue		267	114
Payments		(86)	(100)
Cash outflows due to capital increase	22	–	(1)
Acquisition of treasury shares	22	(2,710)	(1,404)
Proceeds from disposal of treasury shares	22	127	49
Payments for transactions with non-controlling interests	8	(327)	(57)
Proceeds from transactions with non-controlling interests	8	206	1,530
Net cash flows used in financing activities		**(71)**	**(277)**
Effect of exchange rate fluctuations on cash and cash equivalents		**(318)**	**56**
Net increase/(decrease) in cash and cash equivalents		**1,314**	**(688)**
Cash and cash equivalents at the beginning of year		**2,113**	**2,801**
Cash and cash equivalents at the end of year		**3,427**	**2,113**

(*) The consolidated Statement of cash flows for 2019 is presented for comparison purposes only.
Notes 1 to 57 to the accompanying consolidated Financial statements and described in the Appendices are an integral part of the consolidated Statement of financial position at 31 December 2020.

Translation of Annual accounts originally issued in Spanish and prepared in accordance with IFRS as adopted by the European Union (see Note 57). In the event of a discrepancy, the Spanish-language version prevails.

IBERDROLA, S.A. AND SUBSIDIARIES

Notes to the consolidated Financial statements for the year ended 31 December 2020

1. GROUP ACTIVITIES

Iberdrola, S.A. (hereinafter, IBERDROLA), a company incorporated in Spain and with registered address at Plaza Euskadi 5, in Bilbao, is the parent of a group of companies whose main activities are:

- Production of electricity from renewable and conventional sources.
- Sale and purchase of electricity and gas in wholesale markets.
- Transmission and distribution of electricity.
- Retail supply of electricity, gas and energy-related services.
- Other activities, mainly linked to the energy sector.

The aforementioned activities are performed in Spain and abroad, and totally or partially either directly by IBERDROLA or through the ownership of shares or other equity investments in other companies, subject in all cases to the legislation applicable at any given time and, in particular, to the prevailing laws in the electricity industry. The IBERDROLA Group carries out its activities mainly in five countries in the Atlantic region: Spain, the United Kingdom (UK), the United States of America (USA), Mexico and Brazil.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.a) Applicable accounting legislation

The IBERDROLA Group's 2020 consolidated Financial statements were authorised for issue by the directors on 23 February 2021, in accordance with International financial reporting standards (hereinafter, IFRS), as adopted by the European Union, pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council, and the electronic reporting format requirements set out in Commission Delegated Regulation (EU) 2018/815. The directors of IBERDROLA expect these consolidated Financial statements to be approved at the General Shareholders' Meeting without modification.

The IBERDROLA Group's 2019 consolidated Financial statements were approved at the General Shareholders' Meeting on 2 April 2020.

At 31 December 2020, the consolidated Financial statements present a negative working capital of EUR 2,959 million. The directors declare the deficit will be offset by the generation of funds from the IBERDROLA Group's businesses. As indicated in Note 4, the IBERDROLA Group has undrawn granted borrowings amounting to EUR 11,265 million.

These consolidated Financial statements have been prepared on a historical cost basis, except for equity instruments and derivative financial instruments, which have been measured at fair value. The carrying amounts of assets and liabilities that are hedged at fair value are adjusted to reflect variations in their fair value arising from the hedged risk.

On 1 January 2019, IFRS 16 "Leases" published by the International Accounting Standards Board (IASB), adopted by the European Union for its use in Europe, was applied for the first time.

The accounting policies used in the preparation of these consolidated Financial statements are consistent with those used for the year ended 31 December 2019, except for the application on 1 January 2020, of the following amendments adopted by the European Union to be applied in Europe:

- the amendments to IFRS 3 "Business combinations", which clarify the definition of a business, aiming at helping entities to determine if a transaction should be recognised as a business combination under IFRS 3 or an asset acquisition.

- the amendments to IFRS 9, IAS 39 and IFRS 7 "Interest rate benchmark reform" address the uncertainties related to the reform of interbank rates (IBOR indexes) avoiding the discontinuation of existing hedging relationships due to temporary exceptions to the application of certain specific requirements of hedging accounting.

  The IBERDROLA Group has adopted the requirements of the Interest Rate Benchmark Reform (hereinafter IBOR reform) to the hedging relationships existing on or subsequently designated as at 1 January 2020 and which are directly affected by the IBOR reform (Notes 3.l and 4). In particular, a hedging relationship is considered to be directly affected by IBOR reform if such reform creates uncertainty about:

  - The benchmark interest rate designated as the hedged risk of the hedging relationship (whether specified contractually or not), or

- The term or the amount of the flows associated with the benchmark interest rate of the hedged item or hedging instrument.

Standards issued pending application

At the date these consolidated Financial statements were authorised for issue, the following standards, amendments and interpretations had been issued, all of which are effective subsequent to 1 January 2021:

		Mandatory application	
Standard		IASB	European Union
IFRS 17	Insurance contracts	01.01.2023	(*)
Amendments to IAS 1	Presentation of Financial Statements: Classification of liabilities and current or non-current	01.01.2023	(*)
Amendments to IAS 37	Onerous contracts – Costs of fulfilling a contract	01.01.2022	(*)
Annual improvements to IFRSs	2018-2020 Cycle	01.01.2022	(*)
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use	01.01.2022	(*)
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	IBOR reform (Phase 2)	01.01.2021	01.01.2021

(*) Pending approval by the European Union.

When preparing these consolidated Financial statements, the IBERDROLA Group has not early applied any published standard, interpretation or amendment that has not yet come into force. The IBERDROLA Group believes that their application would not have had a material impact on these consolidated Financial statements.

2.b) Consolidation principles

Appendix I to these consolidated Financial statements lists all IBERDROLA subsidiaries, joint ventures and associates, together with the consolidation or measurement basis used and other related disclosures.

<u>Subsidiaries</u>

The subsidiaries over which the IBERDROLA Group exercises control are fully consolidated from the point at which such control is obtained.

The IBERDROLA Group considers that it controls a company when it is exposed, or has a right, to variable returns from its involvement in the company and has the capacity to influence such yields through that control.

Results of subsidiaries acquired or sold in the year are included in the consolidated Income statement as from the effective date of acquisition or up to the effective date of sale. All accounts and transactions between fully consolidated companies have been eliminated in consolidation.

On the acquisition date, assets, liabilities and contingent liabilities of a subsidiary are recognised at fair value. Any excess of the subsidiary's acquisition cost over the market value of its assets and liabilities is recognised as goodwill, as it corresponds to assets that cannot be identified and measured separately. If the difference is negative, it is recognised as a credit in the consolidated Income statement.

In each business combination, non-controlling interests are initially recognised at fair value, or at an amount equivalent to their proportionate interest in the net identifiable assets of the acquired company on the takeover date. The interest of non-controlling interests in equity and the results of the fully consolidated subsidiaries is presented under the "Equity – Non-controlling interests" heading on the liability side of the consolidated Statement of financial position and under the heading "Non-controlling interests" of the consolidated Income statement, respectively.

When there is a loss of control of a group company, its assets, liabilities and any non-controlling interests are derecognised. The resulting gains or losses are recognised in the Income statement. Holdings maintained in the subsidiaries whose control has been lost will be measured at their fair value on the date when this loss of control occurred.

The income obtained in stock purchase transactions with non-controlling interests in controlled companies and the sale of stock without loss of control will be recognised as charged or credited to reserves.

Investments accounted for using the equity method

Equity accounted investees include investments in associates and joint ventures. Associates are companies in which the IBERDROLA Group has significant influence, i.e., the power to intervene in decisions regarding financial and operating policies yet without having control or joint control. A joint venture is a joint agreement in which the Group has the right to net assets of the agreement.

The result of measuring investments using the equity method is recognised under the "Other reserves" and "Result of equity-accounted investees - net of taxes" headings of the consolidated Statement of financial position and the consolidated Income statement, respectively.

Harmonisation

The closing date of the Financial statements of the subsidiaries, joint ventures and associates is 31 December.

The accounting policies applied by these companies are the same or have been harmonised with those used by the IBERDROLA Group.

Translation of the Financial statements of foreign companies

The Financial statements of each foreign company were drawn up in their respective functional currencies, defined as the currency of the economy in which each company operates and in which it generates and uses cash.

The Financial statements of foreign companies have been translated applying the year-end exchange rate method. This method consists of translating to euros all the assets, rights and obligations at the exchange rates prevailing at the date of the consolidated Financial statements and the average exchange rate for the year (provided that there are no material transactions for which it is not deemed appropriate to use the average exchange rate) for the consolidated income statement items, keeping equity at the historical exchange rate at the time of the acquisition (or at the average exchange rate of the year in which they were generated in the case of retained earnings). The resulting translation differences are taken directly to equity.

2.c) Amendment to comparative information

- In the financial year 2020, the IBERDROLA Group has modified its accounting approach in relation to the recording of accrued interest on subordinated perpetual bonds classified under equity (Note 22), to record them under the “Other reserves” heading of the consolidated Statement of financial position. Previously, these interests were recorded under “Non-controlling interests” in the consolidated income statement. The above accounting approach has been applied retroactively, which has resulted in the modification of the comparative information as at 31 December 2019 with a reduction in the balance of “Other reserves” and an increase in the net profit attributable to the parent company of EUR 60 million.

  The directors of IBERDROLA Group consider that the new approach provides information that is consistent with market practice.

- Earnings per share (Note 55): As described in Notes 22 and 53 of these consolidated Financial statements, in July 2020 and February 2021 two scrip issues took place as part of the Iberdrola Flexible Remuneration programme. In accordance with IAS 33: “Earnings per share” these scrip issues have resulted in the correction of the earnings per share for 2019 included in the consolidated Financial statements for that year, and have been taken into account to calculate the 2020 year share basic and diluted earnings per share.

3. ACCOUNTING POLICIES

3.a) Goodwill

Goodwill represents future economic benefits arising from other financial assets acquired in a business combination and which are not individually identified or separately recognised.

Goodwill arising from acquisitions of companies with a functional currency other than the euro is translated to euros at the exchange rate prevailing at the reporting date.

Goodwill acquired on or after 1 January 2004 is measured at acquisition cost and that acquired earlier is measured at the carrying amount at 31 December 2003 in accordance with Spanish accounting standards in effect on that date, as provided in IFRS 1: “First-time adoption of IFRS”.

Goodwill is not amortised. However, at the end of each reporting period goodwill is reviewed for its recoverability and any impairment is written down (Note 3.i).

3.b) Other intangible assets

Concessions, patents, licenses, trademarks and others

The amounts recognised as concessions, patents, licenses, trademarks and others relate to the cost incurred in their acquisition net of accumulated amortisation and valuation changes due to impairment, if applicable.

The electricity distribution and transmission concessions held in the UK by SCOTTISHPOWER and those linked to the activities of AVANGRID, are not subject to any legal or other limits. Accordingly, as they are intangible assets with an indefinite useful life they are not amortised by the IBERDROLA Group, although they are assessed for indications of impairment each year, as described in Note 3.i.

Intangible assets under IFRIC 12

IFRIC 12: “Service concession arrangements” concerning public-private service concession arrangements that meet two conditions:

- the grantor controls or regulates which services the operator must provide with the infrastructure, to whom it must provide them to and at what price; and
- the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Items of infrastructure within the scope of a service concession arrangement are not recognised as property, plant and equipment of the operator, because the operator is not contractually entitled to control them.

If the operator performs more than one service (e.g. operation services and construction or upgrade services), the consideration received under the agreement for provision of services is recognised separately in the consolidated Income statement, in accordance with IFRS 15 “Revenues from contracts with customers”.

In the case of the IBERDROLA Group, IFRIC 12 only affects the electricity transmission and distribution activities carried out by the IBERDROLA Group in Brazil (Note 14). Remuneration for network construction and upgrade work carried out by the IBERDROLA Group in this country consists, on the one hand, of an unconditional right to receive cash and, on the other hand, of the right to charge certain amounts to consumers. As a result, by applying IFRIC 12, two different assets were recognised for the two types of consideration received:

- A financial asset, which is recognised under the “Other non-current financial assets” heading of the consolidated Statement of financial position (Note 16.b).

- An intangible asset, amortisable in the concession period, which is recognised under the “Other intangible assets” heading of the consolidated Statement of financial position (Note 10).

Computer software

The acquisition and development costs incurred in relation to computer software are recorded with a charge to the “Other intangible assets” heading of the consolidated Statement of financial position. Maintenance costs of computer software are recorded with a charge to the consolidated income statement for the year in which they are incurred.

Computer software is amortised on a straight-line basis over a period of between three and five years from the entry into service of each software asset.

Customer acquisition costs

The IBERDROLA Group recognises incremental costs from customer contracts related mainly to commissions for the implementation of purchase agreements as intangible assets which are amortised on a systematic basis according to the average expected life of contracts with customers that are associated with such costs.

Research and development expenditure

The IBERDROLA Group’s policy is to record research expenses in the consolidated Income statement for the period when they are incurred.

Development costs are recognised as an intangible asset in the consolidated Statement of financial position if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

3.c) Investment property

Investment properties are recognised at their acquisition cost net of accumulated depreciation. They are depreciated on a straight-line basis, minus any material residual value, over each asset’s estimated useful life, which ranges between 37.5 and 75 years based on the features of each asset concerned.

3.d) Property, plant and equipment

Items of property, plant and equipment are measured at acquisition or production cost minus the accumulated depreciation and value adjustments.

The acquisition cost includes, where applicable, the following:

1. Prior to the transition to IFRS (1 January 2004), the IBERDROLA Group revalued certain Spanish assets under the "Property, plant and equipment" heading of the consolidated Statement of financial position as permitted by the applicable legislation, including the Royal Decree-Law 7/1996, and considered the amount of these revaluations as part of the cost of the assets, in accordance with IFRS 1.

2. Finance expense related to external funding accrued exclusively during the construction period (Note 44) is determined as follows:

   - The interests accrued by specific-purpose sources of financing used to build certain assets are fully capitalised.

   - The interests accrued by general-purpose borrowings is capitalised by applying the average effective interest rate on this financing to the average cumulative investment qualifying for capitalisation, after deducting the investment financed with specific-purpose borrowings, provided that it does not exceed the total finance expenses incurred in the year.

3. Personnel expenses related directly or indirectly to construction in progress (Note 40).

4. If the IBERDROLA Group is required to decommission its facilities or renovate the place where they are located, the current value of said costs is included in the carrying amount of assets for their present value, with a credit to the sub-heading "Non-current provisions - Other provisions" of the consolidated Statement of financial position (Note 3.r).

   The IBERDROLA Group periodically checks its estimation of said current value, increasing or decreasing the asset value depending on the results of said estimation.

The IBERDROLA Group transfers property, plant and equipment in progress to property, plant and equipment in use at the end of the related trial period.

The costs of expansion or improvements leading to increased productivity, capacity or to a lengthening of the useful lives of the assets are capitalised. Replacements or renewals of complete items are recorded as additions to property, plant and equipment, and the items replaced are derecognised.

Gains or losses arising on the disposal of items of property, plant and equipment are calculated as the difference between the amount received on the sale and the carrying amount of the asset disposed of.

3.e) Depreciation of property, plant and equipment in use

The cost of property, plant and equipment in use is depreciated on a straight-line basis, less any material residual value, at annual rates based on the years of estimated useful life, which for most assets are as follows:

	Average years of estimated useful life
Combined cycle power plants	40
Nuclear power plants	44-47
Onshore wind farms	
Structural components	40
Non-structural components	25
Offshore wind farms	25
Photovoltaic power plants	25
Gas storage facilities	25-40
Transmission facilities	40-56
Distribution facilities	30-54
Conventional meters and measuring devices	10-40
Electronic or smart meters	10-15
Buildings	50-75
Dispatching centres and other facilities	4-50

As hydroelectric plants are operated under concessions (Note 14), civil engineering assets are depreciated over the life of the concession, while their electromechanical equipment is depreciated over either the concession period or 50 years, whichever is lower.

The important components of property, plant and equipment that maintain different useful lives are considered separately.

Every year, the IBERDROLA group reviews the useful life of its assets based on internal and external information sources.

3.f) Lease contracts

As indicated in Note 2.a, the IBERDROLA group started applying IFRS 16 “Leases” from 1 January 2019 in lease contracts.

The IBERDROLA Group has classified the right-of-use assets and the lease liabilities under the new headings “Right-of-use assets”, “Non-current financial liabilities - Leases”, and “Current financial liabilities - Leases” respectively, in the consolidated Statement of financial position.

Right-of-use assets are initially recorded at cost, which includes:

- The initial valuation amount of the lease liability;
- Any lease payment made on or before the asset start date, minus incentives received;
- The initial direct costs incurred as a result of the lease; and
- An estimation of the costs that will be incurred by the lessee for the dismantling and restoration of assets.

After the initial recognition, right-of-use assets are recorded at cost minus accumulated depreciation and impairment losses. The depreciation of right-of-use assets is recorded under the “Amortisation, depreciation and provisions” heading of the consolidated Income statement for the useful life of the underlying asset or the lease term, whichever is shorter (Note 42). If the property is transferred to the lessee or it is practically certain that the lessee will exercise the purchase option, it will be depreciated over the useful life of the asset. Furthermore, when calculating the impairment of a right-of-use asset, the Group applies the criteria for impairing non-current assets described in Note 3.i.

The right of-use asset is later adjusted for the effect of certain reassessments which affect lease liabilities.

The initial value of lease liabilities is calculated as the present value of future lease payments discounted at the lessor’s implicit interest rate if reliably determined or, otherwise, at the incremental interest rate.

Lease payments include:

- Fixed or substantially fixed lease payments specified in the contract, minus any incentive to be received by the lessee;

- Variable payments dependent on an index or rate initially valued by applying the indices or rates existing at the beginning of the lease;

- The amounts that the lessee expects to pay for guarantees on the residual value of the underlying asset;

- The exercise price of the purchase option, if it is reasonably certain that the lessee will exercise said option; and

- The payments corresponding to extension options whose exercise is considered reasonably certain or early lease cancellation penalties if the lease period includes early cancellation.

Contingent rents subject to the occurrence of a specific event and variable payments dependent on revenues or the use of the underlying asset are recorded at the time when they are incurred under the “External services” heading of the consolidated Income statement, rather than forming part of the lease liability.

Subsequently, the lease liability is increased to show the finance expense and is reduced by the amounts paid. The discounting to present value is recorded under the “Finance expenses” heading of the consolidated Income statement (Note 45).

The lease liability is revalued when there is a change in indices or rates, in the estimated amounts to be paid for guarantees on the residual value, in those cases where options to extend are reasonably certain or in those cases where, with a reasonable degree of certainty, it is not considered that the cancellation options will be exercised.

The IBERDROLA Group has opted to apply the exemption when recognising short-term leases (those with lease terms equivalent to or shorter than 12 months). Contracts may include lease elements as well as non-lease elements. The IBERDROLA Group chooses not to separate such elements for accounting purposes and to recognise them as a single lease component.

3.g) Nuclear fuel

The IBERDROLA Group measures its nuclear fuel stocks on the basis of the costs actually incurred in acquiring and subsequently processing the fuel.

Nuclear fuel costs include the finance expenses accrued during manufacture, calculated as indicated in Note 3.d (Note 44).

The nuclear fuel consumed is recognised under the “Supplies” heading of the consolidated Income statement from when the fuel loaded into the reactor starts to be used, based on the cost of the fuel and the degree of burning in each reporting period.

3.h) Inventories

Energy resources

Energy resources are measured at acquisition cost, calculated using the lower of weighted average cost and net realisable value. No adjustments to the value of energy sources that are part of the production process are made if it is expected that the finished products into which they will be incorporated will be sold at above cost.

Real estate inventories

Real estate inventories are measured at cost of acquisition or production, which includes both the acquisition cost of the land and plot and the costs of urban planning and construction of the real estate developments incurred until the year end. These costs include project-related expenses, licenses, permits and certificates evidencing construction work filed at the pertinent registries.

The acquisition cost also includes finance expenses to the extent that such expenses relate to the period of town planning, urbanisation or construction up until the time at which the land or plot is ready for operation, calculated using the method set out in Note 3.d (Note 44).

Trade expenses are charged to the consolidated Income statement for the year in which they are incurred, except for those incremental costs required to obtain customer contracts.

The IBERDROLA Group periodically compares the cost of acquisition of real estate inventories with their net realisable value, recognising the necessary impairment losses with a charge to the consolidated Income statement when the latter is lower. If the circumstance leading to the valuation adjustment no longer exists, it is reversed, and the corresponding income is recognised.

For land, construction in progress and unsold units, net realisable value is the estimated selling price of an asset in the ordinary course of business, less the estimated costs to finish the production and the costs necessary to sell the asset.

For other land and plots, net realisable value is determined using the residual method, where the costs of the proposed development are deducted from the gross value of the development, adding the profit margin which the developer would need taking into account the risk of the development. The key variables of the residual method are:

- Expected income: consists of the estimated price at which each of the development units may be sold, in accordance with a sales rate in accordance with estimates from independent experts.

- The cost of the development, including all disbursements to be made by the developer of the work depending on the type (e.g. government-sponsored or private single-family dwellings) and quality of the construction. In addition to the cost of the works, it includes the cost of projects and licenses (10%-12% of the project implementation plan), legal fees (1%-1.5% of the project implementation plan), marketing and promotional expenses (2%-4% of income) and unforeseen contingencies (3%).

- Development time: time required for the different planning, management and urban discipline stages, as well as expected construction and promotional periods.

- The developer profit considered for each asset, depending on the zoning status of the land, and size and complexity of the development, ranging from 10% to 45% of total costs.

For land with licences, construction in progress and unsold units, the main difference with regard to unlicensed land is the developer's profit, which in this case is lower given the stage of completion of the work and the decrease in risk as the completion of construction nears.

<u>Emission allowances and renewable energy certificates</u>

Emission allowances and renewable energy certificates are measured at acquisition cost, calculated at the lower of weighted average cost and net realisable value. No adjustments to the value of emission allowances and renewable energy certificates that are part of the production process are made if it is expected that the finished products into which they will be incorporated will be sold at above cost.

Emission allowances and renewable energy certificates acquired for the purpose of benefiting from fluctuations in their market price are measured at fair value with a credit or debit to the consolidated Income statement.

Emission allowances and renewable energy certificates are derecognised from the consolidated Statement of financial position when they are sold to third parties, have been delivered or expire. When the allowances are delivered, they are derecognised with a charge to the provision made when the CO_2 emissions were produced.

3.i) Non-financial assets impairment

At least at each reporting date, the IBERDROLA Group reviews the value of its non-current assets to determine whether there is any indication that those assets are impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any necessary impairment loss. In the case of assets that do not generate cash inflows which are largely independent from those generated by other assets, the IBERDROLA Group estimates the recoverable amount of the cash-generating unit to which they belong.

In the case of goodwill and other intangible assets which have not come into use or which have an indefinite useful life, the IBERDROLA Group systematically performs the recoverability analysis every year, except when there are indications of impairment at another time, in which case the recoverability analysis is performed at the same time.

For the purposes of this recoverability analysis, goodwill is allocated to the cash-generating units or groups of cash-generating units which benefit from the synergies arising from the business combination (Note 10).

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use, measured as the present value of its estimated future cash flows. The assumptions used in assessing value in use include discount rates, growth rates and expected changes in selling prices and direct costs. The discount rates reflect the time value of money and the risks specific to each cash-generating unit. The growth rates and the changes in prices and direct costs are based on contractual commitments that have already been signed, information in the public domain, sector forecasts and the experience of the IBERDROLA Group (Note 15).

If the recoverable amount of an asset is less than its carrying amount, the difference is recognised as a charge to the "Amortisation, depreciation and provisions "heading of the consolidated Income statement.

The IBERDROLA Group distinguishes between impairment allowances and write-offs depending on whether the impairment is reversible or not reversible. A write-off involves a decrease in the carrying amount of assets, either because the impairments are considered definitive and non-reversible, or because accounting standards so prescribe, such as the case of goodwill, or when the value of the asset is not considered to be recoverable for its use or disposal. Impairment losses are due to the fact that future expected earnings to be obtained are less than the carrying amount.

Impairment losses recognised for an asset are reversed with a credit under the "Amortisation, depreciation and provisions" heading of the consolidated Income statement when there is a change in the estimates concerning its recoverable amount, increasing the carrying amount of the asset up to the limit of the carrying amount that would have been determined if no impairment loss had been recognised.

3.j) Associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under this method, investments are measured initially at acquisition cost, subsequently adjusted for changes to each company's equity, taking into consideration the percentage of ownership and, if applicable, any valuation adjustments.

Some investments in associates and joint ventures which in the context of these consolidated Financial statements are immaterial are recorded at acquisition cost within the "Non-current financial investments – Non-current equity investments" heading of the consolidated Statements of financial position.

The IBERDROLA Group regularly observes for signs of impairment of its associates and joint ventures by comparing the total carrying amount of the associate or joint venture, (including goodwill), to its recoverable amount. If the carrying amount exceeds the recoverable amount, the IBERDROLA Group recognises the related impairment with a debit to the consolidated Income statement within the "Results of equity-accounted investees - net of taxes" heading.

3.k) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These consolidated Financial statements include the proportional part of the assets, liabilities, income and expenses of the joint operations which the IBERDROLA Group takes part in (Note 47).

3.l) Financial instruments

Classification and measurement of financial assets

The IBERDROLA Group measures its current and non-current financial assets in accordance with the criteria described below:

1. Assets at amortised cost

   Under this category financial assets that meet the following conditions are included:

   - The assets are held within a business model where the objective is to hold the assets to obtain the contract cash flows, and

   - The contract terms produce, on specific dates, cash flows which are only payments of the principal and interest on the amount of the outstanding principal.

   These assets are initially recognised at fair value plus transactions costs and are subsequently measured at amortised cost. Interest accrued on these liabilities are recognised in the consolidated Income statement using the effective interest rate method. However, financial assets maturing in less than a year that do not have a contractual interest rate are measured both initially and subsequently at nominal value when the impact of not discounting cash flows is not significant.

2. Financial assets at fair value through profit or loss

   The IBERDROLA Group includes in this category the remaining financial assets, including derivative financial instruments which do not satisfy the conditions necessary for hedge accounting based on the requirements established for this purpose in IFRS 9: “Financial instruments” (Note 30).

   Assets at fair value through profit or loss are initially recognised at fair value. The transaction costs directly attributable to the purchase or issue are recognised as an expense in the consolidated Income statement as they are incurred. The changes that occur in their fair value are allocated to the consolidated Income statement for the period under “Finance expense” and “Finance income” of the consolidated Income statement, as applicable.

The IBERDROLA Group determines the most appropriate classification for each asset on acquisition and reviews the classification at each year end date.

Impairment of financial assets at amortised cost and contract assets

The IBERDROLA Group recognises valuation changes resulting from expected credit losses on financial assets carried at amortised cost and contract assets.

The IBERDROLA Group applies the general approach for calculation of expected loss on financial assets other than contract assets and trade receivables without a significant financial component, for which the simplified approach is applied.

Under the general approach, expected credit losses in the next twelve months are considered unless the credit risk of financial instruments has significantly increased since initial recognition. In that case, the expected credit losses over the life of the asset will be considered. The IBERDROLA Group assumes that the credit risk of a financial instrument has not significantly increased since its initial recognition if it is determined that at the reporting date it has a low credit risk.

Under the simplified approach, expected credit losses over the life of the asset are considered. The IBERDROLA Group has adopted the practical solution whereby it calculates the expected credit loss on trade receivables collectively by using a matrix of provisions based on its experience of historical credit losses adjusted for available forward-looking information.

Allocations and reversals of valuation adjustments due to the impairment of trade receivables and contract assets are recognised under the “Valuation adjustments, trade receivables and contract assets” heading of the consolidated Income statement. Impairment of other financial assets at amortised cost are recognised and reversed under the “Finance expense” heading of the consolidated Income statement (Note 45).

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows in relation thereto have extinguished or have been transferred or when the risks and rewards of ownership are considered to have been substantially transferred.

The derecognition of a financial asset implies recognising in the consolidated Income statement the difference between its carrying amount and the sum of the consideration received less directly attributable transaction costs, including assets obtained or assets assumed and any deferred loss or gain in other comprehensive income.

Classification and measurement of financial liabilities

The IBERDROLA Group classifies all financial liabilities measured at amortised cost using the effective interest method, except for derivative financial instruments, which are recognised at fair value.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation under the liability is discharged or cancelled or expires. Moreover, when a debt instrument between IBERDROLA and the counterparty is replaced by another, on substantial different terms, the original financial liability is derecognised and the new financial liability is recognised.

IBERDROLA considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any fee paid net of any fee received, and using the original effective interest rate for the discount, differs at least 10 per cent from the discounted present value of the cash flows that still remain from the original financial liability.

The difference between the carrying amount of the financial liability or of the part of it that has been derecognised and the consideration paid, including the attributable transaction costs, and in which any transferred asset different from the assumed cash or liability is also included, is recognised in the consolidated Income statement of the year in which it takes place.

When there is an exchange of debt instruments that do not have substantially different conditions, the changed flows are discounted at the original interest rate, and any difference between the previous carrying amount is recognised in the consolidated Income statement. In addition, costs or commissions adjust the carrying amount of financial liabilities and are amortised using the amortised cost method during the rest of the life of the changed liability.

Interests and dividends

Interest income is recognised by reference to the outstanding principal, considering the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the asset to that asset's carrying amount.

Dividend income is recognised when the IBERDROLA Group companies are entitled to receive it.

Contracts to buy or sell non-financial items

The IBERDROLA Group performs a detailed analysis of all its contracts to buy or sell non-financial items to ensure they are classified correctly for accounting purposes.

As a general rule, those contracts that are settled for the net amount in cash or in another financial asset are classified as derivative financial instruments and are recognised and measured as described in this note, except for contracts entered into and held for the purpose of the receipt or delivery of a non-financial item in accordance with the IBERDROLA Group´s purchase, sale, or usage requirements.

Sale-purchase agreements for non-finance components for which IFRS 9 is not applicable: "Financial instruments" qualify as own-use contracts and are recognised as the IBERDROLA Group receives or delivers the rights or obligations originating thereunder.

Derivative financial instruments and hedge accounting

Financial derivatives are initially recognised at acquisition cost in the consolidated Statement of financial position and the required value adjustments are subsequently made to reflect their fair value at all times. Gains and losses arising from these changes are recognised in the consolidated Income statement, unless the derivative has been designated as a cash flow hedge or a hedge of a net investment in a foreign operation.

At the start of the hedge, the hedging relationships are designated and formally documented, together with the risk management objective and strategy. It is also assessed at the beginning of the hedging relationship and on an ongoing basis, whether the relationship meets the effectiveness requirements prospectively.

The accounting treatment for hedging transactions is as follows:

1. Fair value hedges:

   Both changes in the fair value of the derivative financial instruments designated as hedging and changes in the fair value of the hedged item produced by the hedged risk are recognised with a debit or credit to the same heading of the consolidated Income statement.

2. Cash flow hedges:

   The IBERDROLA Group recognises the gain or loss from the measurement at fair value of the hedging instrument that corresponds to the portion identified as effective under the “Valuation adjustments” heading. The hedging portion considered ineffective is recognised under the “Finance income” and “Finance expense” headings of the consolidated Income statement.

   Accumulated losses or gains in “Valuation adjustments” are taken to the heading of the consolidated Income statement affected by the hedged item insofar as it has an impact on the consolidated Income statement. If a hedge of a future transaction results in a non-financial asset or liability, this balance is taken into account when determining the initial value of the asset or liability generating the hedging transaction.

3. Net investments hedges in foreign operations:

   The IBERDROLA Group recognises the gain or loss from the measurement at fair value of the hedging instrument that corresponds to the portion identified as effective in “Translation differences”. The hedging portion considered ineffective is recognised under the “Finance income” and “Finance expense” headings of the consolidated Income statement.

Specific accounting policies for hedging relationships directly affected by the IBOR reform applicable as of 1 January 2020 (Notes 2.a and 4):

In order to assess whether there is an economic relationship between the hedging instrument and the hedged item at 31 December 2020, the IBERDROLA Group assumes that the benchmark variable interest rate has not been altered as a result of the IBOR reform.

The IBERDROLA Group will cease to apply the temporary exceptions mentioned above in the assessment of the economic relationship between the hedging instrument and the hedged item when there is no longer any uncertainty arising from the IBOR reform with respect to the term or amount of its interest settlements, or when the hedging relationship is discontinued.

Discontinuation of hedge accounting

The IBERDROLA Group prospectively discontinues hedge accounting when the hedging instrument expires, is sold, released or exercised, the goal of the risk management has changed, there is no economic relationship between the hedge and the hedged item, the credit risk effect prevails over changes in value, the hedging instrument matures or is liquidated or the underlying hedge ceases to exist.

When hedge accounting is discontinued, the cumulative amount at that date is recognised under the "Valuation adjustments" and "Translation differences" headings in cash flow hedges and net investments in foreign operations, respectively, is retained under those headings until the hedged transaction occurs, at which time the gain or loss on the transaction will be adjusted. If a hedged transaction is no longer expected to occur, the gain or loss recognised under the aforementioned headings is transferred to the consolidated Income statements.

Embedded derivatives

Embedded derivatives in financial liabilities and transactions whose main contract is out of the scope of IFRS 9: "Financial instruments" are recognised separately when the IBERDROLA Group considers that their risks and characteristics are not closely related to the host contract in which they are embedded, providing the entire contract is not measured at fair value, and any changes in this value are recognised in the consolidated Income statement.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is calculated as follows (Note 18):

- The fair value of derivatives quoted on an organised market corresponds to its market price at year end.
- To measure derivatives not traded on an organised market, the IBERDROLA Group uses assumptions based on market conditions at year end. In particular,
    - the fair value of interest rate swaps is calculated as the value discounted at market interest rates of the interest rate swap contract spread.
    - in the case of currency futures, it is measured discounting the future cash flows calculated using the forward exchange rates at year end; and
    - the fair value of contracts to trade non-financial items falling under the scope of IFRS 9 is calculated on the basis of the best estimate of future price curves for the underlying non-financial items at the year end of the consolidated Financial statements, using, wherever possible, prices established on futures markets.

These measurement models take into account the risks of the asset or liability, including the credit risk of both the counterparty (Credit Value Adjustment) and the entity itself (Debit Value Adjustment). The credit risk is calculated according to the following parameters:

- Exposure at default: the amount of the risk arising at the time of non-payment by a counterparty, taking into account any collateral or compensation arrangements connected to the transaction.
- Probability of default: the probability that a counterparty will breach its obligations to pay the principal and/or interests, depending mainly on the nature of the counterparty and its credit rating.
- Loss given default: the estimated loss in the event of default.

Financial instrument offsetting principles

Financial assets and liabilities are offset and the corresponding net amount is shown in the Statement of financial position if the company currently has a legally enforceable right to set off the recognised amounts and the intention either to settle them on a net basis or to realise the assets and settle the liabilities simultaneously.

3.m) Treasury shares

At year end, the IBERDROLA Group's treasury shares are included under the "Equity - Treasury shares" heading of the consolidated Statement of financial position and are measured at acquisition cost.

The gains and losses obtained on disposal of treasury shares are recognised under the "Other reserves" heading of the consolidated Statement of financial position.

3.n) Capital grants

This heading includes any non-repayable government grants for financing property, plant and equipment, including the cash received from the US Government in the form of Investment Tax Credits as a result of setting up wind power facilities.

All capital grants are taken to the "Other operating income" heading of the consolidated Income statement as the subsidised facilities are depreciated.

3.o) Facilities assigned or financed by third parties

According to the regulation applicable to electricity distribution in the countries in which IBERDROLA operates, the Group occasionally receives cash payments from third parties to build electricity grid connection facilities or direct assignment of such facilities. Both the cash received and the fair value of the facilities received are credited to the "Facilities assigned or financed by third parties" heading of the consolidated Statement of financial position.

These amounts are subsequently recognised under the "Other operating income" heading of the consolidated Income statement as the facilities are depreciated.

3.p) Post-employment and other benefits

Contributions to defined contribution post-employment benefit plans are recognised as an expense under the "Personnel expenses" heading of the consolidated Income statement on an accrual basis.

In the case of the defined benefit plans, the IBERDROLA Group recognises the expenditure relating to these obligations on an accrual basis over the working life of the employees by commissioning the appropriate independent actuarial studies using the projected unit credit method to measure the obligation accrued at the year end. The provision recognised under this item represents the present value of the defined benefit obligation reduced by the fair value of the plan assets.

New measurements of net liabilities corresponding to defined benefit commitments, including actuarial gains or losses, the return on plan assets, excluding amounts included in the net interest on assets or liabilities and any change in the effect of the asset ceiling, are recognised under the “Other reserves” heading of the consolidated Statement of financial position.

If the fair value of the assets exceeds the present value of the obligation, the net asset is recognised in the consolidated Statement of financial position up to the limit of the present value of future economic benefits to be received in the form of refunds from the plan or reductions in future contributions to the plan.

The IBERDROLA Group determines the net financial expense (income) related with its pension commitments by applying the discount rate used in its measurement of their value at the beginning of the period after considering the changes in the net pension commitments made during the period in terms of contributions and repayments made. The net interest and the amount corresponding to other expenses related with the commitments undertaken are recorded in the consolidated Income statement.

The IBERDROLA Group determines the discount rate with reference to the market yields at the end of the reporting period, corresponding to high credit quality corporate bonds or debentures (the Iberdrola Group considers a rating equivalent to AA/Aa). In countries which do not have such a deep market for such bonds and debentures, the discount rate is determined with reference to Government bonds.

For the Eurozone, the United Kingdom and the United States of America, there is a deep bond market with a sufficient period of maturity to cover all payments expected. For Eurozone countries, the depth of the bond or debenture market is evaluated at the level of the monetary union and not for the particular country. In the case of Brazil and Mexico, the discount rate has been determined taking into account the sovereign credit rating as there is no deep market for corporate bonds which meet the credit rating criteria indicated above.

The IBERDROLA Group applies a single weighted average discount rate that reflects the timing and estimated amount of the defined benefit payments, and also the currency in which the benefits are to be paid.

The calculation methodology is mainly based on the following principles:

- The universe and spectrum of the corporate bonds that meet the criteria of an AA/Aa rating is generated. The source of the information used is Bloomberg. The IBERDROLA Group selects notional issues that are higher than EUR 50 million or its equivalent in local currency.

- Once the bonds' database is obtained, the result is screened and bonds that show any information deficiencies are eliminated.

- The sample is grouped based on the bonds' duration and the return on each duration and outstanding nominal amount of the issue is shown.

- The benefit payment is calculated using a mathematical formula, i.e., the discrete minimum approximation of the quadratic function, resulting in a market return curve based on the duration. The market curve result will provide the discount factors for each future maturity date of the bonds.

For markets where the term of the corporate bonds or government bonds issued does not match the term of the obligations, such maturities will be estimated by combining the sovereign benchmark rates together with the spreads of AA-rated corporate credit at liquid maturities. If there is no reference whatsoever to the term, the yield of the maximum existing term will be considered along with the slope derived from shorter maturities.

The discount rate reflects the time value of money and estimated schedule for the benefit payments. However, it does not reflect the actuarial, investment or credit risk or the risk of deviation in compliance with the actuarial assumptions.

3.q) Collective redundancy procedures and other early retirement plans for employees

IBERDROLA recognises termination benefits when the Group can no longer withdraw the offer or when the restructuring expenses from which the severance payments are to be made are recognised, in the case that said recognition is made previously.

Indemnity payments related with restructuring processes are recognised when the IBERDROLA Group has a constructive obligation, i.e., when there is a detailed formal plan to perform the restructuring (identifying, at least, the company activities involved, or part of them, the main locations affected, the function and approximate number of employees that will be indemnified for the termination of their contracts, the disbursements that will be made, and the dates on which the plan will be implemented) and a valid expectation has been generated amongst the affected personnel that the restructuring will be carried out, either because the plan has begun to be executed or because its main characteristics have been announced.

The IBERDROLA Group recognises the full amount of the expenditure relating to these plans when the obligation arises by performing the appropriate actuarial studies to calculate the present value of the actuarial obligation at year end. The actuarial gains and losses are recognised in the consolidated Income statement.

3.r) Production facility closure costs

The IBERDROLA Group will incur decommissioning costs for its production plants, which will include those arising from necessary tasks to prepare the land where they are located. Additionally, in accordance with the current legislation, the Group must perform certain tasks prior to the decommissioning of its nuclear plants, all of which are in Spain. Empresa Nacional de Residuos Radioactivos, S.A. (hereinafter, ENRESA) will be responsible for the decommissioning.

The estimated present value of these costs is capitalised with a credit to the “Provisions – Other provisions” when the related asset enters service (Note 28).

This estimate is reviewed periodically so that the provision reflects the present value of the full amount of the estimated future costs. The value of the asset is only adjusted for variations with respect to the initial estimate.

The IBERDROLA Group applies a risk-free rate to discount the provision because the estimated future cash flows to settle the obligation reflect the specific risks of the corresponding liability. The risk-free rate used corresponds to the yield, at the reporting date, of government bonds with enough depth and solvency, in the same currency and similar due date to the obligation.

Any change in the provision as a result of discounting is recognised under the “Finance expense” heading of the consolidated Income statement.

3.s) Other provisions

The IBERDROLA Group recognises provisions to cover present obligations, whether legal or constructive, which arise as a result of past events, provided that it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (Note 28).

A provision is recognised when the liability or obligation arises, with a charge to the relevant heading of the consolidated Income statement depending on the nature of the obligation, at the present value of the provision when the effect of discounting is material. The change in the provision due to discounting each year is recognised under the “Finance expense” heading of the consolidated Income statement.

These provisions include those recorded to cover environmental damage, which were determined on a case-by-case analysis of the situation of the polluted assets and the cost of decontaminating them.

3.t) Current and non-current debt classification

In the consolidated Statement of financial position, debts are classified by their maturity date at year end. Debts that are due within twelve months are classified as current and those that fall due after twelve months as non-current.

3.u) Revenue recognition

Revenue from ordinary activities is recognised in such a manner that it represents the transfer of control of promised goods or services to customers in exchange for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Given the nature of the Group's electricity and gas marketing activities, revenue recognition is subject to a certain degree of estimation, which corresponds to the units supplied to customers between the date of the last meter reading and the end of the period (Note 5).

Revenue estimates are calculated on the basis of information on outstanding metering periods, historical trends, weighted average tariffs applicable to each of the customers, the volume of energy purchased by the group's retail supply companies to meet demand and other data. The Company has the experience and sufficiently developed information systems to ensure the accuracy of the estimates recorded in revenue accounts and compliance with the requirements of accounting regulations.

In the case of contracts with customers with several performance obligations, revenue is assigned to each performance obligation based on its individual sale price at the beginning of the contract. The individual sale price is estimated based on the observable price of sale of goods or services transactions when they are sold separately under similar circumstances and to similar customers. If there are no observable prices in the market, the price is estimated using the most adequate method based on the information available.

When the IBERDROLA Group acts as principal, it recognises revenue at the gross amount of the consideration it expects to be entitled to in exchange for the goods or services transferred, whereas when it acts as agent, it recognises revenue in the amount of any payment or commission it expects to be entitled to in exchange for organising for a third party the supply of the goods or services.

The IBERDROLA Group presents contracts with customers in the consolidated Statement of financial position as a contract asset or liability depending on the relationship between the IBERDROLA Group's performance and the payment settled by the customer.

- The contract with the customer is recognised as a contract liability when the customer has paid a consideration before the control of the goods or services has been transferred to the customer, so there is an obligation on IBERDROLA Group's side to transfer the goods or services for which it has already received a consideration.

- Contracts with customers are recognised as contract assets when the IBERDROLA Group has completed the arrangement by transferring the control of the goods or services to the customer before the customer has settled the consideration, so the IBERDROLA Group has a right to a consideration in exchange for the goods or services transferred to the customer.

Under the provisions of the regulatory framework applicable to the renewable energy generation facilities owned by the Group in Spain, these facilities receive certain incentives (specific remuneration regime) in accordance with the methodology established in Royal Decree 413/2014 of 6 June, which regulates the activity of electricity production from renewable energy sources, cogeneration and waste (the Royal Decree). The Royal Decree stipulates that certain salary parameters will be updated sequentially during each regulatory half period. Order TED / 171/2020 has established the remuneration parameters for estimating these incentives for the 2020-2022 regulatory period.

The Royal Decree regulates the procedure to be followed if the real market prices for the different half-periods of the regulatory useful life of the asset are lower (positive adjustments) or higher (negative adjustments) than the prices estimated by the regulator at the beginning of the regulatory half-period that were used to determine the incentives to be received for the investments under the scope of the regulation.

Deviations in the market price applied by the Group are accounted for as follows:

- The cumulative amounts of the price deviations occurring during each of the half-periods that could lead to positive net adjustments are entered in revenue accounts as they represent receivables which will be offset if the specific remuneration regime is abandoned before the end of the half-period, or they are included, at the end of each of the half-periods of the regulatory life of the asset, in the calculation process for the new incentives to be received in the next half-period;

- The cumulative amounts of price deviations occurring during each of the half-periods that result in negative net adjustments are not recognised in the accounting records, as they would only be payable if the special remuneration regime were to be abandoned during that half-period, and this is under the Group's control.

- When the asset reaches the end of its regulatory lifespan, positive adjustments net of negative adjustments arising in the last regulatory half-year are recognised, based on their balance, in asset or liability accounts with a balancing entry in revenues.

Revenues of the renewable energy segment corresponding to the different geographical areas in which the Group operates (Note 38) includes the incentives received according to the applicable legislation in each country, taking into account that the amount of these incentives is granted on an individual basis based on the units of products sold and they are received recurrently.

Revenue beyond the scope of IFRS 15 “Revenue from contracts with customers” related to lease contracts (Note 3.f) and derivative financial instruments (Note 3.l) is recognised in accordance with the applicable accounting rules.

3.v) Transactions in foreign currency

Transactions carried out in currencies other than the functional currency of the group companies are recorded at the exchange rates prevailing at the transaction date.

Monetary assets and liabilities denominated in foreign currency have been converted to euros applying the rate prevailing at year end, while non-monetary assets and liabilities measured at historical cost are translated applying the exchange rates applied on the date on which the transaction took place.

During the year, any differences arising between the exchange rates at which the transactions were recorded and those in force at the date on which the related proceeds are received or payments are made, are debited to the “Finance expense” heading or credited to the “Finance income” heading, as appropriate, of the consolidated Income statement.

Those foreign currency transactions in which the IBERDROLA group has decided to mitigate currency risk through the use of financial derivatives or other hedging instruments are recorded as described in Note 3.l.

3.w) Income tax

IBERDROLA files consolidated tax returns in two tax consolidation groups in Spanish territory, one in common territory and the other in the province of Biscay, with certain Group companies. Foreign companies are taxed according to the current legislation of their respective jurisdiction.

Corporate income tax expense or income includes both the current and deferred tax. Current or deferred income tax is recognised in the consolidated Income statement, unless arising from a transaction or economic event that has been recognised in the same year or in a different year, against equity or from a business combination.

Current income tax assets or liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities, using tax regulations and rates that are enacted or substantively enacted at the reporting date.

Prepaid and deferred taxes are determined based on the differences between the carrying amount of the assets and liabilities and their tax base, using the tax rates objectively expected to be in force when the assets and liabilities are realised.

The Group recognises deferred tax liabilities in all cases except when:

- they arise from the initial recognition of the goodwill or from an asset or liability in a transaction that is not a business combination and which on the date of the transaction does not affect the accounting profit/(loss) or the tax base;

- they refer to temporary differences relating to investments in subsidiaries, associated companies and joint ventures in which the Group has the capacity to control the timing of their reversal, and the reversal is unlikely to take place in the foreseeable future.

The Group recognises deferred tax assets provided that:

- there are likely to be sufficient future taxable profits against which they can be offset or when, according to tax laws, deferred tax assets can be converted in the future into a payable to be made by the public authorities. However, deferred tax assets that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination and on the date of the transaction does not affect the accounting income or the tax base, are not recognised;

- they correspond to temporary differences related with investments in subsidiaries, associates and joint ventures inasmuch as the temporary differences will not be reinvested in the foreseeable future and future positive tax profits against which the differences can be offset are not expected to be generated in the future.

Tax deductions to avoid double taxation and other tax credits as well as tax relief earned as a result of economic events occurring in the year are deducted from the income tax expense, unless there are doubts as to whether they can be realised.

Taxable income, tax loss carryforwards or deductions applied are calculated taking into account any uncertainties regarding the treatment of transactions for tax purposes. In those cases, in which the tax asset or liability exceeds the amount in the self-assessments, this is presented as current or not current on the consolidated Statement of financial position taking into account the expected recovery or settlement date, considering, where applicable, the amount of the corresponding late payment interest on the liability as they accrue in the Income statement. The IBERDROLA Group records the changes in facts and circumstances regarding tax uncertainties as a change in estimate.

3.x) Final radioactive waste management costs

On 8 November 2003, Royal Decree 1349/2003 was published regulating the activities of ENRESA and its financing. This Royal Decree grouped together the previous legislation regulating the activities that ENRESA carries out as well as its financing, and repeals, inter alia, Royal Decree 1899/1984, of 1 August.

Pursuant to Royal Decree-Law 5/2005 and Law 24/2005, the costs of managing radioactive waste and spent fuel from nuclear plants, and for the decommissioning and closure of the plants attributable to their operation and incurred after 31 March 2005, will be financed by the owners of the nuclear plants in use.

On 7 May 2009, Royal Decree-Law 6/2009 was published, adopting various energy sector measures and approving the social tariff. The principal measures introduced are as follows:

- Necessary costs incurred in the management of radioactive waste and nuclear fuel at nuclear power stations which have definitively ceased to operate before the state-owned radioactive waste management company ENRESA is actually incorporated, which had not yet been done at the date these consolidated Financial statements were authorised for issue, and all necessary costs incurred in dismantling and closing these power stations, will be treated as diversification and capacity guarantee costs.

  Amounts used to cover the cost of managing radioactive waste generated by research activities directly related to nuclear electricity generation and the costs deriving from the reprocessing of spent fuel sent overseas prior to the entry into force of the Electricity Industry Act 54/1997, and all other costs that may be specified by the Royal Decree, shall also be considered diversification and capacity guarantee costs.

- Amounts used to record provisions to cover the costs incurred in managing radioactive waste and spent fuel generated at operational nuclear power stations after the establishment of ENRESA as well as decommissioning and closure costs will not be treated as supply diversification and security costs, so these will be financed by the owners of the nuclear power stations while they are operational, irrespective of the date on which they are generated.

- The balance of ENRESA's provision remaining after deduction of the amounts needed to cover the supply security and diversification costs will be used to cover costs not included in this category.

- To cover the costs associated with nuclear power plants in operation, the companies owning the stations must pay a charge directly proportional to the volume of energy generated at each plant in accordance with the methodology proposed for each plant.

After a detailed analysis of the impact of Royal Decree-Law 6/2009, the IBERDROLA Group considers that the rate is the best estimate available of the accrued expenses originated by that Royal Decree-Law.

3.y) Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to the parent company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the parent company held by group companies (Notes 22 and 55).

Meanwhile, diluted earnings per share are calculated by dividing the net profit for the year attributable to the parent company by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of IBERDROLA. For these purposes, it is considered that shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

3.z) Non-current assets held for sale and discontinued operations

If the carrying amount of a non-current asset (or a disposal of group of assets) is recovered principally through its sale rather than through its continued use, the IBERDROLA Group classifies it as held for sale and values it at the lower of its carrying amount and its fair value less costs to sell.

Impairment losses related with the disposal of asset groups are allocated first to goodwill and then to the rest of assets and liabilities proportionally. Valuation adjustments that could affect inventories, financial assets, deferred tax assets, assets related with personnel commitments are not recognised. These assets are measured in accordance with the principles contained in the previous sections. Losses recognised at the time of initial classification in this sub-heading and capital gains and/or losses that arise later are recognised in the consolidated Income statement.

Items classified as non-current assets held for sale are not depreciated.

A discontinued operation is a component of the entity that either has been sold or disposed of by other means, or is classified as held for sale and:

- represents a business line or geographical area that is significant and can be considered separately from the rest;
- is part of a single and coordinated plan to sell or dispose by other means a business line or geographical area that is significant and can be considered separately from the rest; or
- is a subsidiary acquired exclusively with a view to resale.

The IBERDROLA Group recognises a single heading in the consolidated Income statement comprising the total of:

- profit or loss after tax from discontinued operations, and
- profit or loss after tax recognised by measurement at fair value less costs to sell, or sale or disposal by other means of the assets or disposal groups that constitute the discontinued operation.

3.aa) Consolidated Statement of cash flow

In the consolidated Statements of cash flow, which were prepared using the indirect method, the following terms are considered:

- Operating activities: the typical activities of the group companies, as well as other activities that are not investing or financing activities.
- Investing activities: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities of the company that are not operating activities.

3.ab) Share-based employee compensation

The delivery of IBERDROLA shares to employees as compensation for their services is recognised under the “Personnel expenses” heading of the consolidated Income statement as the employees perform the remunerated services, with a credit to equity under “Equity – Other reserves” of the consolidated Statement of financial position at the fair value of the equity instruments on the delivery date, defined as the date the IBERDROLA Group and its employees reach an agreement establishing the terms of the share delivery.

Fair value is determined by reference to the market value of shares at the concession date deducting estimated dividends, to which employees are not entitled, during the vesting period. Market conditions and undetermined vesting conditions are taken into consideration on the date of the initial valuation and are not subject to subsequent adjustment. The rest of the conditions are considered adjusting the number of equity instruments included in the determination of the transaction amount, so that the amount recognised for the services received, is based on the number of equity instruments that will eventually be consolidated.

If share-based remuneration is settled in cash, the amount recognised as "Personnel expenses" in the consolidated Income statement is credited to "Non-current financial liabilities - Other non-current financial liabilities" or "Current financial liabilities - Other current financial liabilities" on the liabilities side of the consolidated Statement of financial position, as appropriate. The fair value of the consideration is remeasured at each reporting date.

Equity instruments withheld to meet the employee's tax obligations do not alter the plan's classification as equity-settled.

4. FINANCING AND FINANCIAL RISK POLICY

The IBERDROLA Group is exposed to various financial market risks inherent to the different countries, industries and markets in which it operates and to the businesses it carries out. Were they to materialise, these risks could prevent the Group from accomplishing its objectives and successfully pursuing its strategies. Section 4 of the consolidated management report contains additional information on the Group's risks.

In particular, the *Financing and Financial Risk Policy*, the *Corporate Market Risk Policy* and the *Corporate Credit Risk Policy* of the IBERDROLA Group approved by the Board of Directors identify the risk factors described below. The IBERDROLA Group has an organisation and systems which it uses to identify, measure and control the financial risks to which the group is exposed.

<u>Interest rate risk</u>

The IBERDROLA Group is exposed with regards to its financial liabilities to the risk of fluctuations in interest rates affecting cash flows and fair value.

In order to adequately manage and limit this risk, every year the IBERDROLA Group determines the target structure for debt between fixed and floating interest rate. Once the target structure has been defined, the Group dynamically manages the actions to be taken throughout the year: new sources of financing at a fixed or floating rate and/or the use of interest rate derivatives, whether to set the interest rate (or limit its variability) for variable rate debt or to change debt from fixed rate to floating rate. Derivatives may also be used to establish the cost of future debt issues, provided they are highly probable in accordance with the budget or the strategic plan in force (Note 31).

The debt structure at 31 December 2020 and 2019, after taking into account hedging derivatives (Note 30), is as follows:

Millions of euros	31.12.2020	31.12.2019
Fixed interest rate	23,453	23,045
Floating interest rate	14,584	15,881
Total bank borrowings, debentures or other marketable securities (Note 29)	**38,037**	**38,926**
Cash and cash equivalents (Note 21)	3,427	2,113
CSA derivatives value guarantee deposits (Notes 16.b and 22)	50	113
Short-term financial investments (between 3 and 12 months) (Notes 16.b and 22)	247	–
Total net bank borrowings, debentures or other marketable securities	**34,313**	**36,700**

Floating rate borrowings and cash placements of IBERDROLA Group are basically pegged to market rates (mainly Euribor, Libor-pound sterling, Libor-dollar and the CDI and IPCA in the case of the debt of Brazilian subsidiaries).

Management of the IBOR (Interbank offered rates) reform and of the financial risks arising as a result of the reform

The global reform of benchmark interest rates is crucial and is continuously monitored by IBERDROLA Group, since interbank interest rates (IBORs) are key benchmarks in many of the Group's financing and financial derivative contracts.

The IBERDROLA Group uses interest rate derivatives as cash flow and fair value hedging instruments, mainly interest rate swaps and cross currency swaps. Some derivative financial instruments are indexed to floating interest rates that have been affected by the IBOR reform, mainly Euribor, Libor-pound and Libor-dollar.

Similarly, part of the IBERDROLA Group's bank financing at 31 December 2020 is indexed to one of these indices.

In the area of overnight benchmarks, European institutions are working on the reform of interest rate indices and in the transition towards new alternative indices adapted to the Regulation (EU) 2016/1011 on indices used as benchmarks. On 2 October 2019, the European Central Bank started publishing the €STR, the Euro short-term interest rate reflecting the borrowing cost of credit entities in the Eurozone in the wholesale overnight deposit market. EONIA is calculated as €STR +8.5 basis points until it ceases to be published on 2 January 2022. Similarly, work has been carried out in the United States with the SOFR (Secured Overnight Financing Rate) and the United Kingdom with the reformed SONIA (Sterling Overnight Index Average), referenced to the RFR (Risk Free Rate). Only the CSA derivative security deposit contracts are currently referenced to *overnight* rates, so there is no relevant impact for the IBERDROLA Group in relation to this transition process.

A new calculation methodology was developed for Euribor in 2019. This new methodology was approved by the authorities, so existing contracts do not need to be amended, and it is also understood that those financial instruments indexed to Euribor are not exposed to uncertainty at 31 December 2020.

The remaining IBOR indices are expected to stop being published on 31 December 2021 (in the case of Libor-dollar, to ensure the transition for contracts referenced to this index signed before that date is not disruptive, the end of publication for most terms of the index has been put off to June 2023).

Accordingly, the main market players (regulators, central banks, banks, institutions, etc.) are working to define equivalences between those IBORs and the new RFR benchmarks. This situation causes some degree of uncertainty about the interest rate derivatives held by the IBERDROLA Group, particularly those indexed to Libor-pound and Libor-dollar. For hedging transactions involving these derivatives, the IBERDROLA Group applies the temporary exceptions introduced by Regulation (EU) 2020/34 (Notes 2.a and 3.l).

Due to the existing uncertainty during the transition period, IBERDROLA Group has created a Committee to continually monitor the IBOR reform, and has launched an action plan aimed at minimising any potential negative risk, identifying first the transactions affected, quantifying their notional value and reviewing, with the counterparties, the drafting of the agreements.

At 31 December 2020, the nominal amount of hedging instruments indexed to IBOR indices, with the exception of Euribor, with a maturity date after 31 December 2021, are as follows:

Millions in currency	Currency	Notional value at 31.12.2020
Exchange rate swaps Indexed to Libor-pound sterling	GBP	550
Cross currency swap indexed to Libor-dollar	USD	238
Cross currency swap indexed to Libor-pound sterling	GBP	201

Derivative financial instruments are governed by the Framework Agreements of the International Swaps and Derivatives Association (ISDA). On 23 October 2020, ISDA published the “ISDA 2020 IBOR FALLBACKS PROTOCOL” that came into effect on 25 January 2021. Iberdrola Group companies that have derivative positions indexed to any IBOR at 31 December 2020 and with a maturity date falling after 31 December 2021 have adhered to this protocol in January 2021. For the exceptional cases of hedging instruments not arranged under an ISDA contract (cross currency swaps indexed to Libor-dollar for USD 238 million, of the subsidiary Neoenergía), the IBERDROLA Group will negotiate in 2021 the inclusion of the substitute clauses incorporated by ISDA in its new protocol in the bilateral contracts with the different counterparties.

At 31 December 2020, the nominal amount of bank borrowings, bonds and other marketable securities indexed to IBOR indices, with the exception of Euribor, with a maturity date after 31 December 2021 are as follows:

Millions in currency	Currency	Notional value at 31.12.2020
Libor-pound sterling bank loans	GBP	88
Libor-dollar bank loans	USD	1,196

In 2021, the IBERDROLA Group will carry out the same negotiation mentioned in relation to the cross currency swap of the subsidiary Neoenergia with the lender of the floating rate bank loans, designated as hedged elements of these derivatives to ensure symmetry between the clauses of the hedged position and the hedge.

If the authorities make any progress on the IBOR indices, the IBERDROLA Group will make the appropriate contractual amendments so as to include the new replacement reference interest rate in its financing contracts.

Currency risk

IBERDROLA Group is exposed to currency exchange rate variations used in the different financing and operating transactions compared to the operating currencies used by the different group companies. Said operating currencies are mainly the Euro, the US dollar, Pound sterling and the Brazilian Real.

IBERDROLA Group is also exposed to currency risks as a result of net investments in foreign companies (mainly ScottishPower, Avangrid, Iberdrola México and Neoenergía) arising from fluctuations in cash exchange rate differences of non-euro functional currencies. Currency exchange variations imply a risk affecting the valuation of net assets and the translation of profit, possibly impacting IBERDROLA Group's equity situation.

The IBERDROLA Group mitigates currency risks by ensuring that all its economic flows are carried out in the functional currency of each Group company, maintaining an adequate percentage of debt in foreign currency and/or through derivatives.

Commodity price risk

The IBERDROLA Group's activities require the acquisition and sale of commodities (natural gas and other fuels) and emission allowances, whose price is subject to the volatility of international markets (global and regional) where those commodities are traded.

To reduce uncertainty, mainly linked to expected margin of scheduled IBERDROLA Group transactions, as a result of the volatility of said markets, the Group subscribes financial derivatives to establish the cost of own generation and sale-purchase of energy associated to the expected sales of gas and electricity.

Derivatives for managing risk

Generally speaking, the purpose of contractual derivatives is limited to hedging.

In accordance with the risk management policies developed by the IBERDROLA Group, the critical terms of the hedging instruments, i.e. the derivatives contracted to mitigate the aforementioned interest rate, exchange rate and commodity price risks, are established in terms equivalent to those of the hedged item, among others:

- The notional value of the hedging instrument is equal to or less than that of the hedged element.
- The underlying currency of the hedging instrument is the same as that of the hedged element.
- The term of the hedging instrument is equal to or less than that of the hedged element.
- The variable benchmark interest rate applicable to the hedging instrument is the same as that of the hedged operation, if appropriate.
- The interest frequency of the hedging instrument is the same as that of the hedged element.

Derivatives subscribed for interest rate hedges, exchange rate hedges and commodity hedges are described in Note 30.

Liquidity risk

Exposure to adverse situations in the debt or capital markets or the IBERDROLA Group´s economic and financial situation can hinder or prevent the IBERDROLA Group from obtaining the financing required to properly carry out its business activities.

IBERDROLA Group’s liquidity policy is designed to ensure that it can meet its payment obligations without having to obtain financing under unfavourable terms. For this purpose, various management measures are used, such as the arrangement of committed credit facilities of a sufficient amount, term and flexibility, diversification of the hedging of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued.

For 2021, the IBERDROLA Group is expected to cover the ordinary investment programme established with the cash flow generated from its operations and access to the bank financing markets, capital markets and supranational lenders (such as EIB), even though the Group has sufficient cash, loans and credit facilities available to meet these investments.

At 31 December 2020 and 2019, the IBERDROLA Group had undrawn loans and credit facilities amounting to EUR 11,265 million and EUR 12,187 million, respectively. Additionally, at 31 December 2020 there are short-term cash deposits that, due to their contractual conditions, the Iberdrola Group incorporates into its liquidity position as of that date. The following table provides a breakdown by maturity of the liquidity position at 31 December 2020 and 2019, based on the balance of the “Cash and cash equivalents” heading of the consolidated Statement of financial position, and short-term financial investments (between 3 and 12 months).

Millions of euros	2020	2019
Available maturity		
2020	–	458
2021	268	100
2022	446	300
2023 onwards	10,551	11,329
Total	**11,265**	**12,187**
Short-term financial investments (between 3 and 12 months) (Notes 16.b and 22)	247	–
Cash and cash equivalents (Note 21)	3,427	2,113
Liquidity position	**14,939**	**14,300**

Credit risk

The IBERDROLA Group is exposed to the credit risk arising from the possibility that counterparties (customers, financial institutions, partners, insurers, etc.) might fail to comply with contractual obligations.

This risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. In particular, there is a *Corporate Credit Risk Policy* setting the framework and action principles for proper risk management, which are further developed at business and country level (admission criteria, approval flows, authority levels, rating tools, exposure measurement methodologies, etc.) through procedures.

Below is a breakdown by country of balances at 31 December 2020 and 2019 of financial assets and contract assets:

	Other non-current financial investments (Note 16.b)		Other current financial investments (Note 16.b)		Non-current trade and other receivables (Note 17)		Current trade and other receivables(Note 17)	
Millions of euros	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Spain	282	79	199	397	474	467	2,328	2,658
United Kingdom	–	–	33	115	19	108	1,079	1,147
United States	99	54	291	48	13	18	988	992
Mexico	28	9	10	10	426	345	622	157
Brazil	2,468	2,858	44	121	2,223	1,908	1,025	1,320
Iberdrola Energía Internacional (IEI)	32	20	1	2	6	5	435	400
Total	**2,909**	**3,020**	**578**	**693**	**3,161**	**2,851**	**6,477**	**6,674**

"Other current and non-current financial investments" and "Non-current trade and other receivables" correspond mainly to concession agreements executed with Brazilian public administrations (Note 14) and receivables related to regulated activities in Spain.

With regard to credit risk on trade receivables from electricity and gas retail supply in the liberalised sector, despite the extraordinary situation arising from the COVID-19 pandemic, the historical cost of defaults has remained moderate, slightly above 1% of total revenue of this activity across all countries where it is carried out.

With regard to the "Cash and cash equivalents" heading of the consolidated Statement of financial position, the average credit rating of the counterparties is BBB+ according to Standard and Poor's scale.

IBERDROLA and BREXIT

The Group's business in the United Kingdom may be affected by the nation's formal exit from the European Union effective on 31 January 2020 (Brexit). While the European Union and the United Kingdom did reach a trade agreement on their future relationship in late 2020, it remains to be seen how exactly the deal will be implemented. There is still the potential for increased regulatory and legal disputes related to tax, trade, security and employment issues.

As for the possible impact on the IBERDROLA Group, it should be noted that the main risks to which the Group is exposed stem from potentially greater or lower growth in the country, as well as the pound sterling/euro translation risk of the businesses in the United Kingdom, although these are mitigated by the following factors:

- ScottishPower accounts for 20% or so of the Group's total EBITDA, of which a percentage of 86% in 2020 originated from the regulated electricity distribution and transmission and renewable energy production businesses.

- Said regulated business have stable long-term regulatory frameworks with updated income, totally or partially, based on the trend in inflation and interest rates in the United Kingdom and are not subject to the risk of greater or lower demand growth at UK level.

Sensitivity analysis

The following sensitivity analyses show, for each type of risk (without reflecting the interdependence among risk variables), how income for the year and equity might be affected by reasonably possible changes in each risk variable at 31 December 2020 and 2019.

- Interest rates:

For calculating the sensitivity of consolidated profit to variations in interest rates, an increase or decrease of 25 basis points is used (the same for all currencies) on the average balance of variable rate net debt, once derivative hedges have been taken into consideration. For calculating the sensitivity of equity, an increase or decrease of 25 basis points is used (the same for all currencies) on the fair value of cash flow hedges at the reporting date, whose variation in fair value is recognised in equity.

The sensitivity of consolidated profit and equity to the variation of the interest rates is as follows:

Millions of euros	Increase/ decrease in interest rate (basis points)	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2020	25	(29)	79	50
	(25)	29	(79)	(50)
2019	25	(35)	102	67
	(25)	35	(102)	(67)

- Exchange rates:

For calculating the sensitivity of consolidated profit to variations of exchange rates, a depreciation or appreciation of 5% is applied mainly on the profit of foreign subsidiary companies whose functional currency is different to the Euro (net of subscribed economic hedges), given that the risk originated from other transactions in foreign currency, either due to financing or business operations, is covered by exchange rate hedges. The sensitivity of equity to exchange rates is calculated applying an appreciation or depreciation of 5% on net investment differences and on cash flow derivative hedges whose variation in fair value is recognised in equity.

The sensitivity of the consolidated profit and equity of the IBERDROLA Group to changes in the dollar/euro, pound sterling /euro and Brazilian real/euro exchange rate is as follows:

Millions of euros	Change in the dollar/euro exchange rate	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2020	Depreciation 5%	(8)	(825)	(833)
	Appreciation 5%	6	912	918
2019	Depreciation 5%	(12)	(865)	(877)
	Appreciation 5%	1	956	957

Millions of euros	Change in the pound sterling/euro exchange rate	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2020	Depreciation 5%	(5)	(641)	(646)
	Appreciation 5%	5	708	713
2019	Depreciation 5%	(11)	(694)	(705)
	Appreciation 5%	8	766	774

Millions of euros	Change in the Brazilian real/euro exchange rate	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2020	Depreciation 5%	(4)	(162)	(166)
	Appreciation 5%	5	179	184
2019	Depreciation 5%	(4)	(233)	(237)
	Appreciation 5%	4	257	261

- Commodities:

The sensitivity of consolidated profit and equity to changes in the market prices of the main commodities is as follows:

Millions of euros				
Year 2020	**Variation in price**	**Impact on profit before tax Income/(Expense)**	**Direct impact on equity before tax**	**Impact on equity before tax**
Gas	5%	–	20	20
	(5%)	–	(20)	(20)
Electricity	5%	15	38	53
	(5%)	(15)	(38)	(53)

Millions of euros				
Year 2019	**Variation in price**	**Impact on profit before tax Income/(Expense)**	**Direct impact on equity before tax**	**Impact on equity before tax**
Gas	5%	1	13	14
	(5%)	(1)	(13)	(14)
Electricity	5%	(2)	30	28
	(5%)	2	(30)	(28)

5. USE OF ACCOUNTING ESTIMATES

The most significant estimates made by the IBERDROLA Group in these consolidated Financial statements are as follows:

- Unbilled power supplied:

  Sales for each year include an estimate of the power supplied to customers of liberalised markets but not billed because it had not been measured at year end for reasons relating to the regular meter-reading period (Note 3.u). The estimated unbilled power at 31 December 2020 and 2019 amounted to EUR 2,037 million and EUR 2,137 million, respectively. This amount is included under the “Trade and other receivables” heading of the consolidated Statements of financial position at 31 December 2020 and 2019 (Note 17).

- Settlements relating to regulated activities in Spain:

  At the end of each year, the IBERDROLA Group estimates the definitive settlements relating to regulated activities in Spain for that year, establishing the shortfall in revenue, if any, that corresponds together with the amount that will be recovered in the future on the basis of the announcements made by the authorities and the periods during which this recovery will take place (Note 38).

  These estimates are made on the basis of the provisional settlements published up to the date the consolidated Financial statements were authorised for issue and all available information on the sector.

- Provisions for contingencies and expenses:

  As indicated in Note 3.s, the IBERDROLA Group recognises provisions to cover present obligations arising from past events. For this purpose, it must assess the outcome of certain of legal or other proceedings that are ongoing at the date of authorisation for issue of these consolidated Financial statements based on the best information available.

- Useful lives:

  The IBERDROLA Group's property, plant and equipment are used over very prolonged periods of time. The Group estimates their useful lives for accounting purposes (Note 3.e) taking into account each asset's technical characteristics, the period over which they are expected to generate economic benefits and the applicable legislation in each case.

- Costs incurred in closing and dismantling electrical energy facilities:

  The IBERDROLA Group periodically revises the estimates made concerning the costs to be incurred in the dismantling of its facilities.

- Provision for pensions and similar commitments and restructuring plans:

  At each year end, the IBERDROLA Group estimates the current actuarial provision required to cover obligations relating to restructuring plans, pensions and other similar obligations to its employees. This process involves an independent valuation of the obligations and assets. In calculating these values, the IBERDROLA Group relies on advice from independent actuaries and expert financial appraisers (Notes 3.p, 3.q and 27).

When valuing obligations, the independent expert proceeds as follows:

- Estimation of accrued liability, total cost for the year and payments in future years.
- Analysis of actuarial gains and losses, of the resulting surplus or deficit and sensitivity to relevant assumptions.

When valuing assets, the independent expert proceeds as follows:

- Identification of the managing entities, depositaries of the pension funds and Managed Accounts and the degree of aptitude of each manager and Managed Account
- Operational due diligence of the managers: financial strength of the manager, solvency, organisational structure, resources, processes run by the Risk Control and Compliance functions, best execution policy, order placement, quality and reputation, etc.
- Quantitative and qualitative analysis of each of the Managed Accounts in which the financial investments are materialised and classification, in terms of liquidity, of each asset and/or investment vehicle.

– Fair value of investment property:

The IBERDROLA Group appraises its investment property each year.

– Impairment of assets:

As described in Notes 3.i and 15, the IBERDROLA Group, in accordance with applicable accounting regulations, tests the cash-generating units that require testing for impairment each year. Specific tests are also conducted if indications of impairment are detected. These impairment tests require estimating the future cash flows of the businesses and the most appropriate discount rate in each case. The IBERDROLA Group believes its estimates in this respect are appropriate and consistent with the current economic climate and the commitments assumed under the Paris Agreement (Note 6) and reflect its investment plans and the best available estimate of its future expense and income. It is also confident that its discount rates adequately reflect the risks to which each cash-generating unit is exposed.

– Determining lease term:

With the entry into force of IFRS 16 (Note 2.a), in the determination of the lease term, the IBERDROLA Group considers all relevant facts and circumstances that create a significant economic incentive for the lessee to exercise the renewal option or not to exercise the cancellation option. Renewal or termination options are only included in the determination of the lease term if it is reasonably certain that the contract will be extended or will not be cancelled. In the event that a significant event or a significant change in circumstances occurs that may affect the term, the IBERDROLA Group reviews the valuations made in the determination of the lease term.

6. CLIMATE CHANGE AND THE PARIS AGREEMENT

The IBERDROLA Group’s strategy takes into account the Paris Agreement objectives of limiting global warming to below 2ºC and achieving climate neutrality by 2050.

The objectives of the Paris Agreement have been taken into account in drawing up the consolidated Financial statements for 2020. The effect of the commitments assumed by the Group has been considered when drawing up the statements and estimating the useful lives of assets and the costs of closing and decommissioning electrical power plants and when analysing the impairment of non-financial assets.

As for the estimated useful life of the IBERDROLA Group's assets, the Paris Agreement may affect the thermal generation business in the long term, although it is not expected to be material.

The projections used in the impairment tests of non-financial assets (Note 15) are based on the best forward-looking information held by the IBERDROLA Group and include the investment plans for each country prevailing at that time. These plans are aligned with the IBERDROLA Group’s strategy, which takes into account the objectives of the Paris Agreement.

These projections take into account the impact that new renewable power plants coming on stream are expected to have on wholesale and retail electricity prices, as well as developments in fuel prices (gas and electricity) and emission allowances as a result of the aforementioned agreements.

In 2017 the IBERDROLA Group asked to shut down its last coal-fired power plants. This took place in 2020, once the necessary administrative authorisations had been received, and has led to the accelerated depreciation of these plants for an amount of EUR 15 million recorded under the “Amortisation, depreciation and provisions” heading in the consolidated Income statement for 2020.

The IBERDROLA Group continues to pursue its strategy in the different markets where it operates. It has a EUR 75,000 million investment plan until 2025 to continue leading the transition towards climate neutrality, focusing on renewable energies, electricity grids, storage, sustainable mobility and new industrial vectors such as green hydrogen.

7. EFFECTS OF COVID-19

The consolidated Financial statements as at 31 December 2020 have been affected by the strict measures adopted by several countries in which the IBERDROLA Group operates to counter the spread of the COVID-19 virus, which have had a strong impact on their economies.

a) Use of accounting estimates

Although it is difficult to gauge the real impact of COVID-19, the IBERDROLA Group has prepared the following estimates based on the best available information.

Impairment of non-financial assets

At the date of issue of these consolidated Financial statements, there is no evidence that the COVID-19 pandemic has affected the long-term performance of the business in such a way as to significantly affect the valuation of the company's non-financial assets (Note 15).

Global economic activity was temporarily disrupted by the healthcare crisis associated with the coronavirus (COVID-19) pandemic and the containment measures applied by the various countries, affecting normal business operations in the first half of the 2020 financial year. However, to the best of the Company's knowledge, at the date of issue of these consolidated Financial statements, these effects appear to be temporary, and once economic recovery takes hold, businesses would be expected to revert to the situation they were in before. So these events are not expected to have a material adverse effect on business plans and hence on the recoverable amount of the assets.

Impairment of financial assets

The IBERDROLA Group estimates that one effect associated with COVID-19 is the increase in bad debt provisions compared to levels that would have been considered normal before the pandemic struck (Note 17). The increase is mainly due to the rise in trade receivables outstanding due to the measures adopted by the governments that have allowed customers to defer payment of electricity and gas supplies and the deferral plans which the Group has granted to its customers, although regulators in Brazil (ANEEL), the United Kingdom (Ofgem) and the United States have been asked to include measures to mitigate bad debts in forthcoming regulatory reviews.

Counterparties for the Group's other financial instruments also have solid credit ratings, leading to no significant impact on the valuation of the expected credit loss recorded in the period.

b) Impact on the consolidated Income statement for 2020

In addition to the points indicated above, the main effects of COVID-19 have been, first, a fall in demand, although in some cases, such as in the United Kingdom and the United States, this impact can be mitigated in future years thanks to the regulations of these countries.

Second, we have witnessed a fall in commodity prices, which has placed downward pressure on spot prices in wholesale markets, an effect that has been totally or partially offset by the purchases made by free marketing businesses, and also through fixed-price sales contracts (power purchase agreements, or PPA).

Other less significant impacts were i) the temporary delay in the application of the tariff revisions of some of the IBERDROLA Group's distribution companies in the United States and Brazil, ii) lower revenues from connections in the distribution business in Spain, and iii) lower revenues due to slight delays in the start-up of some projects.

On the net operating expense side, effects also overlap: the higher costs related to employee safety, health and transportation and donations have been offset by cost savings from lower commercial activity, suspension of travel and other cuts in non-core operating expenses.

For further details of the above effects by segment, refer to section 2, “Business performance”, of the consolidated management report.

8. MODIFICATION TO THE CONSOLIDATION SCOPE AND OTHER SIGNIFICANT TRANSACTIONS

Business combinations

In 2020, the IBERDROLA Group carried out the following transactions:

Aalto Power, S.A.S. (Aalto Power)

In April 2020 Iberdrola Renovables France, S.A.S., a wholly-owned subsidiary of the IBERDROLA Group, signed an agreement to acquire shares representing 100% of the share capital of the French company Aalto Power and for the assignment of certain loans provided by the sellers to Aalto Power. Aalto Power owns onshore wind farms in France with an installed and operating capacity of 118 MW and a portfolio of an additional 636 MW of onshore wind projects in various stages of development.

The consideration for the purchase and sale of the shares representing the entire share capital of Aalto Power and the assignment of the loans to Aalto Power under the purchase and sale agreement amounts to EUR 100.1 million. Once the conditions precedent often applied in this type of transaction were met, Iberdrola's subsidiary took over control of the company on 1 July.

Infigen

In June 2020 Iberdrola Renewables Australia Pty Ltd entered into a bid implementation agreement with Infigen Energy Limited and Infigen Energy RE Limited (together, “Infigen”). Under the terms of this agreement, it has agreed to make a cash tender offer for a price of AUD 0.89, equivalent to approximately EUR 0.545, for all linked securities issued by Infigen which are listed on the Australian Stock Exchange.

Infigen is an owner of onshore wind generation facilities. It has an installed capacity of 670 MW, with 268 MW of conventional generation assets and back-up energy storage and a production of 246 MW of renewable generation capacity owned by third parties acquired on a firm basis through power purchase agreements, plus a portfolio of wind and solar projects in various stages of development with a total capacity of over 1GW.

Iberdrola's subsidiary acquired an interest of 52.75% and took over control of Infigen on 5 August 2020. The IBERDROLA Group opted to value the non-controlling interests in Infigen at their fair value at the acquisition date, which resulted in a credit of EUR 254 million to “Equity - Non-controlling interests” in the consolidated Statement of financial position. Subsequent to that date, additional acquisitions of 47.25% of the ownership interest were made and recognised as transactions with non-controlling interests, giving rise to a charge of EUR 254 million to “Non-controlling interests” (see Note 22) in the consolidated Statement of financial position. As of 31 December 2020, the Group’s stake is 100%.

Acacia Renewables

In December 2020, the IBERDROLA Group acquired the Japanese company Acacia Renewables from Macquarie's Green Investment Group (GIG). Acacia Renewables has two offshore wind farms under development with a combined capacity of 1.2 GW, which could be operational by 2028. It also has four projects in the pipeline with a combined capacity of 2.1 GW. The IBERDROLA Group will hold a stake equal to that of GIG in these six facilities and both partners will be responsible for developing the projects.

IBERDROLA will make a fixed payment of EUR 6 million, in addition to a consideration that is contingent upon the favourable performance of the projects, which have been estimated to have a fair value of EUR 16 million.

Value of assets and liabilities acquired

The fair value of the assets and liabilities of Infigen and Aalto Power at the date of the takeover and their carrying amount at that date are as follows:

		Infigen		Aalto Power		Total	
Millions of euros	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Property, plant and equipment	12	619	733	90	122	709	855
Intangible assets	10	1	109	–	–	1	109
Right-of-use assets	13	40	40	10	10	50	50
Non-current financial investments		11	11	–	–	11	11
Deferred tax assets	35	46	46	5	5	51	51
Non-current trade and other receivables		–	–	–	2	–	2
Inventories		10	10	–	–	10	10
Current trade and other receivables		17	17	2	2	19	19
Current financial assets		4	4	–	–	4	4
Cash and cash equivalents		99	99	12	12	111	111
Total		**847**	**1,069**	**119**	**153**	**966**	**1,222**

		Infigen		Aalto Power		Total	
Millions of euros	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Capital grants		6	–	–	–	6	–
Non-current provisions	28	8	9	3	5	11	14
Non-current financial liabilities							
Bank borrowings, debentures or other marketable securities	29	77	85	77	84	154	169
Derivative financial instruments		18	18	–	–	18	18
Leases	32	39	39	10	10	49	49
Deferred tax liabilities	35	39	105	7	13	46	118
Current financial liabilities							
Bank borrowings, debentures or other marketable securities	29	271	271	–	–	271	271
Derivative financial instruments		10	10	–	–	10	10
Leases	32	1	1	–	–	1	1
Other non-current financial liabilities		32	32	2	2	34	34
Total		**501**	**570**	**99**	**114**	**600**	**684**

The carrying amount and fair value of the assets and liabilities acquired from Acacia Renewables are considered immaterial.

Goodwill

Details of goodwill at 31 December 2020 arising on the above business combinations are as follows:

Millions of euros	Infigen	Aalto Power	Acacia Renewables	Total
Fair value of net acquired assets	499	39	17	555
Recognition of non-controlling interests	254	–	–	254
Total acquisition cost	284	101	22	407
Goodwill arising from the acquisition (Note 10)	**39**	**62**	**5**	**106**

Goodwill from these business combinations consists primarily of future economic benefits arising from the acquired companies' own activities that do not meet the conditions for separate accounting recognition at the time of the business combinations.

Other information

The contribution of the Infigen and Aalto Power business combinations to the IBERDROLA Group's net profit for the year from continuing operations in 2020 since the takeover, amounted to a loss of EUR 1 million and EUR 2 million, respectively. The result of the acquisition of Acacia Renewables is not considered to make a material contribution to profit/(loss) as it took place in December.

If the acquisitions of Infigen and Aalto Power had taken place on 1 January 2020, the consolidated revenue of the IBERDROLA Group in 2020 would have increased by EUR 144 million, while net profit for the year from continuing operations would have been EUR 18 million lower.

The costs incurred in the above acquisitions amounted to EUR 9 million.

The accounting for these business combinations has been determined on a provisional basis, as the twelve-month period from acquisition established by IFRS 3 “Business combinations” has not yet expired.

<u>Transactions with non-controlling interests</u>

2020

- In February 2020, the IBERDROLA Group reached an agreement to acquire 30% of the shares of Ailes Marines, S.A.S., a company which develops, constructs, installs and operates the Saint-Brieuc Bay offshore wind farm in France, for EUR 100 million.

  Since the IBERDROLA Group, which already owned 70% of this interest, holds the control over the company, the transaction was recognised as a transaction with non-controlling interests, resulting in a decrease of EUR 0.125 million in “Non-controlling interests” (Note 20) and a credit of EUR 73 million under the “Other reserves” heading of the consolidated Statement of financial position at 31 December 2020.

2019

- On 27 June 2019, Neoenergia, S.A. was floated on the Brazilian Stock Exchange at a final share price of BRL 15.65 (equivalent to EUR 3.576) per share, with a gross amount of EUR 102 million collected in July. Before the market flotation, the IBERDROLA Group held an interest of 52.45% in the company, which fell to 50% after the floatation. Subsequently, the IBERDROLA Group increased its interest in the Neoenergia Group to 51.04% following the purchase by Iberdrola, S.A. of 12,618,700 shares.

  As the IBERDROLA Group retains control over the Neoenergia Group, the transactions were recorded as a transaction with non-controlling interests resulting in an increase of EUR 72 million in the "Non-controlling interests" heading (Note 22), a charge of EUR 70 million to "Other reserves" and a credit of EUR 39 million to "Translation differences" in the consolidated Statement of financial position at 31 December 2019.

- On 30 August 2019, 40% of the share capital in East Anglia One Ltd, holder of the East Anglia One offshore project in the United Kingdom, was sold to Bilbao Offshore Holding Ltd, a subsidiary of the Macquarie Group. Since the IBERDROLA Group maintains control over the company, the transaction was recognised as a transaction with non-controlling interests, resulting in an increase of EUR 962 million in "Non-controlling interests" (Note 22), a credit of EUR 515 million under the "Other reserves" heading and a charge of EUR 16 million under the "Valuation adjustments" heading of the consolidated Statement of financial position at 31 December 2019.

Other significant transactions

PNM Resources, Inc.

In October 2020, Avangrid, Inc., a company 81.5% owned by the IBERDROLA Group, announced that it had entered into a merger agreement with PNM Resources, Inc. (PNM), a company whose shares are listed on the New York Stock Exchange. Under this merger agreement, Avangrid has undertaken to acquire 100% of the share capital of PNM in exchange for a cash price payable to its shareholders of USD 50.3 per share. PNM's Board of Directors has unanimously approved the implementation of the merger agreement and has recommended the transaction to its shareholders.

The total price for the entire share capital of PNM amounts to approximately USD 4,317.5 million (equivalent to approximately EUR 3,663.5 million).

PNM is a U.S. electric utility domiciled in the State of New Mexico that conducts regulated business, primarily in the transmission, distribution and generation of electricity in the States of New Mexico and Texas.

The deal will only go ahead if the following conditions are met: (i) it has to be approved by PNM's shareholders at the Annual General Meeting; (ii) all the required regulatory approvals must be obtained from the relevant federal and state authorities in the United States of America; and (iii) other common conditions in these types of deals must also be fulfilled. The IBERDROLA Group expects the deal to be completed in approximately 12 months. Accordingly, the consolidated Financial statements at 31 December 2020 do not include any accounting effect from the recognition of this transaction.

The first of the conditions, the approval by PNM's General Shareholders' Meeting of the company's merger into AVANGRID, was fulfilled on 12 February 2021.

CEB Distribuição S.A.

In December 2020, Bahia Geração de Energia S.A., a company wholly-owned directly by Neoenergia S.A., was awarded 100% of the share capital of the Brazilian company CEB Distribuição S.A. ("CEB Distribuição") in a public auction. The privatisation process has been managed through a public auction on the Brazilian stock exchange. The total price for the entire share capital of CEB Distribuição amounts to approximately BRL 2,515 million (roughly EUR 399 million).

CEB Distribuição holds the electric power distribution concession for the region of Brasilia, an area of approximately 5,800 square kilometres. It serves approximately 1.1 million customers through a distribution network of more than 9,700 kilometres. This concession expires in 2045.

For the acquisition to be completed, the required regulatory approvals must be secured from the Brazilian authorities, and other common conditions in these types of deals must also be fulfilled. Neoenergia expects the deal to be completed in approximately 90 days and, therefore, the consolidated financial statements at 31 December 2020 do not include any accounting effect from the recognition of this transaction.

2019

In 2019 the IBERDROLA Group carried out the following transactions:

- On 6 March 2019, Iberdrola España, S.A.U., I-DE Redes Eléctricas Inteligentes, S.A.U. (formerly, Iberdrola Distribución Eléctrica, S.A.U.) and Iberdrola Generación, S.A.U., belonging to the IBERDROLA Group, reached an agreement with Lyntia Networks, S.A.U. for the assignment of the right of use of part of its dark fibre optic network. The operation involves the exclusive long-term assignment to Lyntia Networks of the right of use of the surplus capacity of the fibre optic network to which the aforementioned companies have a right of ownership or right to exclusive long-term use. Furthermore, as part of the agreement, Lyntia Networks acquired Iberdrola España, S.A.U.'s portfolio of contracts with fibre optic (dark and lit) customers. The total consideration for the operation, subject to the usual adjustments for this type of operation, amounted to EUR 260 million.

  Following the authorisation from the Spanish Market and Competition Commission, the transaction was completed in August 2019, resulting in a credit of EUR 49 million under the "Revenue" heading of the consolidated Income statement for 2019 for the sale of the contracts portfolio in force with optic fibre customers and a credit of EUR 114 million under the "Gains on disposal of non-current assets" heading of the consolidated Income statement for 2019 due to the long-term assignment of the right to use the exceeding capacity of the optic fibre network (Note 43)

- On 20 June 2019, Iberdrola, S.A., Iberdrola Generación, S.A.U. and Iberdrola Generación España, S.A.U. reached an agreement with Pavilion Energy Trading & Supply Pte. Ltd. (Pavilion) for the assignment of their contractual position in the portfolio of liquid natural gas (LNG) supply contracts in the long term, sea transportation and use of gas infrastructures, as well as other ancillary contracts related to LNG. The transaction was completed on 1 January 2020.

As a result of the transaction, in 2019, IBERDROLA recognised LNG supply contracts which had not been previously recognised in the financial statements until the time of delivery at their fair value. These contracts were maintained for the purposes of supplying LNG based on expected use needs (own use contracts excluded from the scope of IFRS 9: “Financial instruments”). Moreover, raw materials and exchange rate hedges whose purpose was to manage risks associated to assigned LNG contracts were discontinued.

As a result, the IBERDROLA Group recognised an income of EUR 87 million under the “Revenue” heading of the consolidated Income statement for 2019 and a reduction of EUR 85 million in the “Valuation adjustments” heading of the consolidated Statement of financial position at 31 December 2019.

9. SEGMENT INFORMATION

The IBERDROLA Group combines its segments based on the nature of the business activities in the different geographic areas in which said activities take place. The operating segments identified by the IBERDROLA Group are as follows:

- Networks business: including all the energy transmission and distribution activities, and any other regulated activity carried out in Spain, the United Kingdom, the United States and Brazil.

- Liberalised business: includes the electricity generation and supply businesses carried out by the Group in Spain, the United Kingdom, Mexico, Brazil and the other countries within the Iberdrola Energía Internacional (IEI) subholding.

- Renewables business: activities related to renewable energies (principally wind, solar and hydroelectric) in Spain, the United Kingdom, the United States, Brazil and the other countries within the Iberdrola Energía Internacional (IEI) subholding.

- Other businesses: other non-energy businesses.

Corporation includes the costs of the Group's structure (Single Corporation), and of the administration services of the corporate areas that are subsequently invoiced to the other companies through specific service agreements.

The transactions between the different segments are usually executed on an arm's-length basis.

The key figures for the identified operating segments are as follows:

Business segment reporting for 2020

	Liberalised						Renewable energy							Networks					Other business, Corporation and adjustments	
Millions of euros	Spain	United Kingdom	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total		Total
REVENUE																				
External revenues	9,859	4,195	2,583	116	1,236	**17,989**	373	342	1,113	92	108	400	**2,428**	1,845	1,206	4,078	5,493	**12,622**	106	**33,145**
Intersegment sales	609	20	(13)	258	15	**889**	917	676	2	29	65	44	**1,733**	121	156	–	1	**278**	10	**2,910**
Eliminations						**(573)**							**–**					**–**	(2,337)	**(2,910)**
Total sales						**18,305**							**4,161**					**12,900**	(2,221)	**33,145**
RESULTS																				
Segment operating profit	985	(54)	639	41	(91)	**1,520**	327	504	27	44	67	217	**1,186**	1,046	644	486	698	**2,874**	(44)	**5,536**
Result of equity-accounted investees - net of taxes	5	–	–	–	–	**5**	–	1	(11)	–	(13)	–	**(23)**	3	–	11	–	**14**	(1)	**(5)**
ASSETS																				
Segment assets	6,283	6,129	5,255	329	517	**18,513**	10,091	7,321	12,410	1,599	1,231	4,012	**36,664**	12,533	12,852	21,549	5,676	**52,610**	4,665	**112,452**
Equity-accounted investees	24	–	–	–	–	**24**	42	8	421	–	458	26	**955**	30	–	110	–	**140**	26	**1,145**
LIABILITIES																				
Segment liabilities	2,543	1,261	1,741	78	184	**5,807**	1,749	1,241	3,624	307	237	738	**7,896**	5,467	2,586	6,766	2,828	**17,647**	2,176	**33,526**
OTHER INFORMATION																				
Total cost incurred during the period in the acquisition of property, plant and equipment, rights of use and intangible assets	257	155	199	17	88	**716**	1,273	594	1,103	248	152	501	**3,871**	564	578	1,724	4	**2,870**	130	**7,587**
Valuation adjustments, trade and other receivables (expense/income)	63	134	–	–	27	**224**	–	–	(3)	–	–	–	**(3)**	3	2	79	77	**161**	(1)	**381**
Amortisation and depreciation	418	160	147	18	55	**798**	362	254	499	48	44	126	**1,333**	557	352	508	297	**1,714**	128	**3,973**
Charges for asset impairment	–	–	–	–	10	**10**	–	–	52	–	–	–	**52**	–	–	–	–	**–**	–	**62**
Reversal for asset impairment	–	–	–	–	–	**–**	–	–	–	–	–	(9)	**(9)**	–	–	–	–	**–**	–	**(9)**
(Charges)/Reversal for other provisions	1	10	1	–	–	**12**	9	1	15	1	1	–	**27**	5	2	14	7	**28**	–	**67**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	39	–	(4)	–	–	**35**	3	–	1	–	–	–	**4**	18	4	81	2	**105**	80	**224**

Business segment reporting for 2019

	Liberalised						Renewable energy							Networks					Other business, Corporation and adjustments	
Millions of euros	Spain	United Kingdom	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total		Total
REVENUE																				
External revenues	12,007	4,490	2,358	275	1,128	**20,258**	396	82	1,064	87	134	335	**2,098**	1,997	1,211	4,272	6,439	**13,919**	163	**36,438**
Intersegment sales	793	37	(31)	317	23	**1,139**	931	645	–	29	81	50	**1,736**	125	162	–	4	**291**	(5)	**3,161**
Eliminations						**(671)**							**–**					**–**	(2,490)	**(3,161)**
Total sales						**20,726**							**3,834**					**14,210**	(2,332)	**36,438**
RESULTS																				
Segment operating profit	1,115	(243)	636	42	(58)	**1,492**	396	363	116	43	76	228	**1,222**	1,162	641	713	780	**3,296**	(133)	**5,877**
Result of equity-accounted investees - net of taxes	6	–	–	–	–	**6**	8	1	(7)	–	7	–	**9**	2	–	9	–	**11**	(12)	**14**
ASSETS																				
Segment assets	7,024	6,742	4,995	467	462	**19,690**	9,106	7,217	13,216	1,459	1,578	2,308	**34,884**	12,377	13,358	22,407	6,343	**54,485**	4,280	**113,339**
Equity-accounted investees	23	–	–	–	–	**23**	60	9	445	–	666	–	**1,180**	29	–	124	–	**153**	601	**1,957**
LIABILITIES	–																			
Segment liabilities	3,065	1,365	1,227	116	159	**5,932**	1,121	1,279	4,039	298	256	345	**7,338**	5,496	2,645	7,255	2,552	**17,948**	2,099	**33,317**
OTHER INFORMATION																				
Total cost incurred during the period in the acquisition of property, plant and equipment, rights of use and intangible assets	310	217	380	33	82	**1,022**	773	977	1,359	130	35	74	**3,348**	546	734	1,482	11	**2,773**	193	**7,336**
Valuation adjustments, trade and other receivables (expense/income)	45	78	–	–	11	**134**	–	1	1	1	–	(1)	**2**	3	2	82	79	**166**	(4)	**298**
Amortisation and depreciation	398	267	126	22	22	**835**	339	161	470	41	52	96	**1,159**	536	342	508	368	**1,754**	126	**3,874**
Reversal for asset impairment	–	–	–	–	–	**–**	–	–	(20)	–	–	–	**(20)**	–	–	–	–	**–**	–	**(20)**
(Charges)/Reversal for other provisions	1	7	–	–	–	**8**	1	–	24	–	(3)	–	**22**	8	2	28	8	**46**	(1)	**75**
Expenses for the period other than depreciation and amortisation not resulting in cash outflows	28	4	2	–	–	**34**	11	–	(1)	–	–	–	**10**	40	22	78	7	**147**	75	**266**

Additionally, the breakdown of revenue and non-current assets by geographical area is as follows:

Millions of euros	31.12.2020	31.12.2019
Revenue		
Spain	12,128	14,514
United Kingdom	5,757	5,808
United States	5,203	5,335
Mexico	2,694	2,443
Brazil	5,717	6,848
IEI	1,646	1,490
Total	**33,145**	**36,438**

Millions of euros	31.12.2020	31.12.2019
Non-current assets (*)		
Spain	24,367	23,554
United Kingdom	24,118	24,916
United States	31,244	32,769
Mexico	5,234	5,427
Brazil	3,467	4,821
IEI	3,846	2,294
Total	**92,276**	**93,781**

(*) Excluding non-current financial investments, deferred tax assets, current tax assets and non-current trade and other receivables.

The reconciliation between segment assets and liabilities and the total assets and liabilities of the consolidated Statement of financial position, is as follows:

Millions of euros	31.12.2020	31.12.2019
Segment assets	**112,452**	**113,339**
Non-current financial investments	5,461	5,819
Current financial assets	1,178	1,098
Cash and cash equivalents	3,427	2,113
Total assets	**122,518**	**122,369**

Millions of euros	31.12.2020	31.12.2019
Segment liabilities	**33,526**	**33,317**
Equity	47,218	47,195
Non-current financial liabilities	33,586	32,404
Bank borrowings, debentures or other marketable securities	30,334	30,126
Equity instruments having the substance of a financial liability	334	193
Derivative financial instruments	991	471
Leases	1,927	1,614
Current financial liabilities	8,188	9,453
Bank borrowings, debentures or other marketable securities	7,703	8,800
Equity instruments having the substance of a financial liability	57	22
Derivative financial instruments	297	478
Leases	131	153
Total liabilities and equity	**122,518**	**122,369**

10. INTANGIBLE ASSETS

The changes in 2020 and 2019 in intangible assets and the corresponding accumulated amortisation and impairment allowances were as follows:

Millions of euros	Balance at 01.01.2019	Translation differences	Additions and charges/ (reversals)	Capitalised personnel expenses (Note 40)	Transfers	Decreases, disposals or reductions	Balance at 31.12.2019	Translation differences	Modification of the consolidation scope (Note 8)	Additions and charges/ (reversals)	Capitalised personnel expenses (Note 40)	Transfers	Decreases, disposals or reductions	Balance at 31.12.2020
Cost:														
Goodwill	7,838	359	–	–	–	(44)	8,153	(633)	106	–	–	–	(13)	7,613
Concessions, patents, licenses, trademarks and others	7,616	169	31	3	(7)	–	7,812	(881)	–	7	–	(22)	–	6,916
Intangible assets under IFRIC 12 (Notes 3.b and 14)	5,277	(42)	–	–	(512)	(65)	4,658	(1,366)	–	–	–	257	(39)	3,510
Computer software	2,177	45	154	11	1	(35)	2,353	(116)	4	162	12	(8)	(7)	2,400
Customer acquisition costs	457	10	222	–	–	(43)	646	(14)	–	278	7	–	(29)	888
Other intangible assets	3,266	88	10	–	(373)	(15)	2,976	(243)	108	4	–	(23)	(3)	2,819
Total cost	**26,631**	**629**	**417**	**14**	**(891)**	**(202)**	**26,598**	**(3,253)**	**218**	**451**	**19**	**204**	**(91)**	**24,146**
Accumulated amortisation and provisions:														
Concessions, patents, licenses, trademarks and others	624	18	241	–	4	–	887	(151)	–	86	–	–	–	822
Intangible assets under IFRIC 12 (Notes 3.b and 14)	2,377	(30)	282	–	–	(51)	2,578	(761)	–	234	–	1	(29)	2,023
Computer software	1,577	29	163	–	–	(34)	1,735	(81)	3	190	–	–	(7)	1,840
Customer acquisition costs	203	4	122	–	–	(43)	286	(5)	–	173	–	–	(29)	425
Other intangible assets	509	13	103	–	(1)	(12)	612	(56)	–	111	–	(2)	(1)	664
Total accumulated amortisation	**5,290**	**34**	**911**	**–**	**3**	**(140)**	**6,098**	**(1,054)**	**3**	**794**	**–**	**(1)**	**(66)**	**5,774**
Impairment allowance (Notes 9 and 42)	**340**	**6**	**(20)**	**–**	**(194)**	**–**	**132**	**(13)**	**–**	**31**	**–**	**–**	**–**	**150**
Total accumulated amortisation and provisions	**5,630**	**40**	**891**	**–**	**(191)**	**(140)**	**6,230**	**(1,067)**	**3**	**825**	**–**	**(1)**	**(66)**	**5,924**
Total net cost	**21,001**	**589**	**(474)**	**14**	**(700)**	**(62)**	**20,368**	**(2,186)**	**215**	**(374)**	**19**	**205**	**(25)**	**18,222**

The amounts incurred due to research and development (expenses and investment) activities in 2020 and 2019 total EUR 293 and 280 million, respectively.

The fully amortised intangible assets in use at 31 December 2020 and 2019 amount to EUR 1,133 and 1,214 million, respectively.

At 31 December 2020 and 2019, the IBERDROLA Group maintains commitments to acquire intangible assets for EUR 22 and 16 million, respectively.

In addition, at 31 December 2020 and 2019, there were no significant restrictions on the ownership of intangible assets, except for the regulated businesses that may require authorisation by the corresponding regulator for specific transactions.

The allocation of goodwill to the cash-generating units at 31 December 2020 and 2019, is as follows:

Millions of euros	31.12.2020	31.12.2019
Electricity and gas retail supply in the UK	4,220	4,504
Regulated activities in the United Kingdom	827	881
Renewable energies in the UK	491	525
Renewable energies in the USA	752	840
Regulated activities in the United States	970	1,066
Regulated activities in Brazil	108	151
Electricity generation and retail supply in Brazil	29	41
Renewable energies in Brazil	85	120
Renewable energies in France	62	–
Renewable energies and other in Australia	39	–
Corporate activities and other	30	25
Total	**7,613**	**8,153**

The allocation of intangible assets in progress and with indefinite useful lives at 31 December 2020 and 2019 to the different cash generating units, is as follows:

	2020			2019		
Millions of euros	Intangible assets with indefinite useful lives	Intangible assets in progress	Total	Intangible assets with indefinite useful lives	Intangible assets in progress	Total
Electricity distribution in Scotland	732	–	732	782	–	782
Electricity distribution in Wales and England	705	–	705	752	–	752
Electricity transmission in the UK	278	–	278	297	–	297
Renewable energies in the USA	–	–	–	–	42	42
Electricity and gas distribution in New York (NYSEG)	966	–	966	1,062	–	1,062
Electricity and gas distribution in New York (RG&E)	871	–	871	957	–	957
Electricity transmission and distribution in Maine (CMP)	240	–	240	264	–	264
Electricity transmission and distribution in Connecticut (UI)	1,007	–	1,007	1,107	–	1,107
Gas distribution in Connecticut (CNG)	254	–	254	279	–	279
Gas distribution in Connecticut (SCG)	499	–	499	548	–	548
Gas distribution in Massachusetts (BGC)	34	–	34	37	–	37
Other	–	394	394	–	396	396
Total	**5,586**	**394**	**5,980**	**6,085**	**438**	**6,523**

Assets with indefinite useful lives mostly correspond to the acquisition cost in business combinations of licences to operate in different businesses which are the core business in the activities performed by the IBERDROLA Group.

11. INVESTMENT PROPERTY

The changes in 2020 and 2019 in the IBERDROLA Group's investment property were as follows:

Millions of euros	Balance at 01.01.2019	Additions and (charges)/reversals	Transfers	Decreases, disposals or reductions	Balance at 31.12.2019	Additions and (charges)/reversals	Transfers	Decreases, disposals or reductions	Balance at 31.12.2020
Investment property	513	3	1	(95)	422	2	6	(59)	371
Impairment allowance	(26)	1	–	4	(21)	–	–	12	(9)
Accumulated depreciation	(58)	(8)	–	7	(59)	(7)	–	5	(61)
Total net cost	**429**	**(4)**	**1**	**(84)**	**342**	**(5)**	**6**	**(42)**	**301**

The investment property owned by the IBERDROLA Group relates primarily to properties used for leasing. The income accrued during 2020 and 2019 for this operation is EUR 20 and 28 million, respectively, and are recognised under the “Revenue” heading of the consolidated Income statement. The operating expenses directly related to investment property during 2020 and 2019 were not significant.

The fair value of the investment property in use at 31 December 2020 and 2019 amounted to EUR 361 and 395 million, respectively. This fair value (classified in Level 3) is determined via expert independent appraisals made annually in accordance with the Valuation Standards published by the Royal Institution of Chartered Surveyors (RICS) of Great Britain, in their January 2014 edition. The valuations at 31 December 2020 and 2019 were carried out by Knight Frank España.

The assets have been valued individually and not as part of a property portfolio.

The methods applied for the calculation of fair value have been the discount of cash flows, the capitalisation of revenue and the comparison method, checked, as far as possible, against comparable (peer) transactions to reflect the reality of the market and the prices at which operations involving assets of similar characteristics to the reference operations are currently being closed

The discount of cash flows is based on a prediction of the probable net income that investment property will generate for a period of time and it considers its residual value at the end of the period. Cash flows are discounted at an internal rate of return that reflects the urban, construction and business risk of the asset.

The key variables and assumptions of the cash flow discount method are:

- Net income that the property will generate for a certain period of time, considering the initial contractual situation, development of renters and expected income, marketing costs, divestment expenses (variable percentage depending on the sale price), etc.

- Discount rate or objective internal return rate adjusted to reflect the risk that the investment entails depending on the localisation, occupation, renter quality, property age, etc.

- Disposal return, which consists of an estimate of the exit (sale) price of the property applying an estimated return for the close of the transaction at that date, considering the criteria of obsolescence, liquidity and market uncertainty.

For rental property that does not include such a broad number of variables and involves leased property for a period of time greater than 10 years and to one tenant, the capitalisation method for income is usually applied. This method consists of the perpetual capitalisation of the current contractual income via a capitalisation rate that inherently includes the risks and uncertainties that could arise in the market.

At 31 December 2020 and 2019, none of the investment properties had been fully depreciated and there were no restrictions on their realisation. Moreover, there were no contractual obligations to acquire, build, develop, repair or maintain investment property.

12. PROPERTY, PLANT AND EQUIPMENT

The changes in 2020 and 2019 in property, plant and equipment and the corresponding accumulated depreciation and provisions have been as follows:

Millions of euros	Balance at 01.01.2019	Application of IFRS 16 (Note 2.a.)	Translation differences	Additions	Charges/ (Reversals)	Transfers	Disposals/ Derecognitions	Balance at 31.12.2019	Translation differences	Modification of the consolidation scope (Note 8)	Additions	Charges/ (Reversals)	Transfers	Disposals/ Derecognitions	Write-off	Balance at 31.12.2020
Cost:																
Land and buildings	**2,322**	**(118)**	**29**	**102**	**–**	**255**	**(51)**	**2,539**	**(212)**	**1**	**96**	**–**	**80**	**(7)**	**–**	**2,497**
Electric energy technical facilities:																
Hydroelectric power plants	6,956	–	(3)	–	–	170	–	7,123	(171)	–	–	–	153	(1)	–	7,104
Thermal power plants	1,226	–	–	1	–	1	–	1,228	–	–	(1)	–	–	–	–	1,227
Combined cycle power plants	7,223	–	78	82	–	1,206	(18)	8,571	(563)	103	45	–	535	(15)	–	8,676
Nuclear power plants	7,692	–	–	35	–	135	(66)	7,796	–	–	44	–	79	(40)	–	7,879
Wind power plants	24,218	(97)	661	413	–	1,919	(226)	26,888	(1,727)	1,184	472	–	2,263	(128)	–	28,952
Photovoltaic power plants	611	–	(164)	8	–	–	–	455	(52)	–	75	–	418	–	–	896
Facilities of:																
Gas storage	139	–	6			33		178	(15)	–	–	–	19	–	–	182
Electricity transmission	8,418	–	318	29	–	459	(22)	9,202	(759)	–	5	–	808	(11)	–	9,245
Electricity distribution	30,125	–	583	111	–	1,320	(51)	32,088	(1,272)	–	166	–	1,701	(75)	–	32,608
Gas distribution	3,029	–	62	–	–	232	(14)	3,309	(311)	–	(17)	–	216	(20)	–	3,177
Meters and metering devices	1,967	–	47	102	–	50	(35)	2,131	(113)	–	67	–	52	(83)	–	2,054
Dispatching centres and other facilities	2,086	–	21	36	–	137	(146)	2,134	(42)	–	21	–	119	(2)	–	2,230
Total operating technical facilities	**93,690**	**(97)**	**1,609**	**817**	**–**	**5,662**	**(578)**	**101,103**	**(5,025)**	**1,287**	**877**	**–**	**6,363**	**(375)**	**–**	**104,230**
Others in use	**1,899**	**(49)**	**21**	**213**	**–**	**166**	**(54)**	**2,196**	**(141)**	**2**	**208**	**–**	**(63)**	**(39)**	**–**	**2.163**
Ongoing technical installations	**7,096**	**–**	**206**	**5,522**	**–**	**(5,565)**	**(20)**	**7,239**	**396**	**38**	**5,676**	**–**	**(5,987)**	**(203)**	**(31)**	**6,336**
Prepayments and other PP&E under construction (*)	**555**	**–**	**6**	**589**	**–**	**(311)**	**(197)**	**642**	**(73)**	**–**	**595**	**–**	**(318)**	**(249)**	**–**	**597**
Total cost	**105,562**	**(264)**	**1,871**	**7,243**	**–**	**207**	**(900)**	**113,719**	**(5,847)**	**1,328**	**7,452**	**–**	**75**	**(873)**	**(31)**	**115,823**

(*) Prepayments at 31 December 2020 and 2019 amount to EUR 138 and 137 million, respectively.

Millions of euros	Balance at 01.01.2019	Application of IFRS 16 (Note 2.a.)	Translation differences	Additions	Charges/ (Reversals)	Transfers	Disposals/ Derecognitions	Balance at 31.12.2019	Translation differences	Modification of the consolidation scope (Note 8)	Additions	Charges/ (Reversals)	Transfers	Disposals/ Derecognitions	Write-off	Balance at 31.12.2020
Accumulated depreciation and provisions:																
Buildings	**550**	**(19)**	**8**	**–**	**61**	**–**	**(5)**	**595**	**(47)**	**–**	**–**	**37**	**(15)**	**(2)**	**–**	**568**
Operating technical facilities:																
Hydroelectric power plants	3,901	–	(11)	–	106	–	–	3,996	(38)	–	–	100	11	–	–	4,069
Thermal power plants	1,111	–	–	–	53	–	–	1,164	1	–	–	54	–	–	–	1,219
Combined cycle power plants	2,684	–	31	–	232	–	(11)	2,936	(174)	6	–	256	–	(14)	–	3,010
Nuclear power plants	5,958	–	–	–	183	–	(65)	6,076	–	–	–	195	–	(34)	–	6,237
Wind power plants	8,231	(23)	177	71	852	–	(79)	9,229	(514)	434	–	996	16	(106)	–	10,055
Photovoltaic power plants	57		(40)	12				29	(3)	–	–	26	–	–	–	52
Facilities for:																
Gas storage	45		2		5	14		66	(5)	–	–	5	–	–	–	66
Electricity transmission	1,886	–	70	–	184	–	(12)	2,128	(175)	–	–	190	–	(8)	–	2,135
Electricity distribution	10,747	–	174	–	774	–	(38)	11,657	(404)	–	–	813	16	(40)	–	12,042
Gas distribution	1,220	–	25	–	29	–	(9)	1,265	(116)	–	–	23	16	(11)	–	1,177
Meters and metering devices	860	–	23	–	117	–	(25)	975	(49)	–	–	105	–	(65)	–	966
Dispatching centres and other facilities	788	–	9	–	96	2	(65)	830	(19)	–	–	99	1	(2)	–	909
Total operating technical facilities	**37,488**	**(23)**	**460**	**83**	**2,631**	**16**	**(304)**	**40,351**	**(1,496)**	**440**	**–**	**2,862**	**60**	**(280)**	**–**	**41,937**
Others in use	**1,126**	**(7)**	**21**	**–**	**123**	**–**	**(52)**	**1,211**	(46)	33	–	134	(10)	(38)	–	1,284
Total accumulated depreciation	**39,164**	**(49)**	**489**	**83**	**2,815**	**16**	**(361)**	**42,157**	**(1,589)**	**473**	**–**	**3,033**	**35**	**(320)**	**–**	**43,789**
Impairment allowance (Note 42)	289	–	–	–	–	5	(21)	273	(3)	–	–	(9)	–	(6)	–	255
Total accumulated depreciation and provisions	**39,453**	**(49)**	**489**	**83**	**2,815**	**21**	**(382)**	**42,430**	**(1,592)**	**473**	**–**	**3,024**	**35**	**(326)**	**–**	**44,044**
TOTAL NET COST	**66,109**	**(215)**	**1,382**	**7,160**	**(2,815)**	**186**	**(518)**	**71,289**	**(4,255)**	**855**	**7,452**	**(3,024)**	**40**	**(547)**	**(31)**	**71,779**

The breakdown by business of the main investments in property, plant and equipment made in 2020 and 2019, net of additions for the year under “Other provisions” (Note 28), “Capital grants” (Note 25) and “Facilities assigned and financed by third parties” (Note 26) is as follows:

Millions of euros	31.12.2020	31.12.2019
Liberalised Business		
Spain and Portugal	131	131
United Kingdom	72	115
Mexico	188	355
Brazil	17	32
Iberdrola Energía Internacional	1	–
Renewable Business		
Spain	1,190	750
United Kingdom	546	887
United States	919	1,275
Mexico	230	122
Brazil	145	45
Iberdrola Energía Internacional	410	67
Networks business		
Spain	516	511
United Kingdom	548	605
United States	1,636	1,447
Brazil	1	8
Corporation and other	59	78
Total	**6,609**	**6,428**

The fully depreciated items of property, plant and equipment in use at 31 December 2020 and 2019 amounted to EUR 3,611 and 2,502 million, respectively.

At 31 December 2020 and 2019, the IBERDROLA Group maintains commitments to acquire property, plant and equipment for EUR 3,861 and 4,196 million, respectively.

13. RIGHT-OF-USE ASSETS

Changes in 2020 and 2019 in right-of-use assets arising from contracts in which the IBERDROLA Group is the lessor were as follows:

Millions of euros	Balance at 01.01.2019	Application of IFRS 16 (Note 2.a.)	Translation differences	Additions and charges/ (reversals)	Re-evaluation/ changes of lease liabilities (Note 32)	De-recognition	Balance at 31.12.2019	Translation differences	Modification of the consolidation scope (Note 8)	Additions and (charges)/ reversals	Re-evaluation/ changes of lease liabilities (Note 32)	De-recognition	Balance at 31.12.2020
Cost:													
Land	–	957	23	229	79	(1)	1,287	(78)	50	230	135	(16)	1,608
Buildings	–	283	8	22	(9)	–	304	(22)	2	57	17	(7)	351
Equipment	–	68	1	3	5	–	77	(3)	–	56	(1)	(3)	126
Fleet	–	42	1	25	3	–	71	(3)	–	15	4	(1)	86
Other	–	118	2	108	12	(1)	239	(9)	–	–	(5)	(103)	122
Total cost	**–**	**1,468**	**35**	**387**	**90**	**(2)**	**1,978**	**(115)**	**52**	**358**	**150**	**(130)**	**2,293**
Accumulated depreciation and provisions:													
Land	–	–	(1)	(58)	–	–	(59)	5	(1)	(65)	–	–	(120)
Buildings	–	(19)	–	(40)	–	–	(59)	5	(1)	(39)	–	2	(92)
Equipment	–	(5)	–	(9)	–	–	(14)	1	–	(9)	–	–	(22)
Fleet	–	(2)	–	(20)	–	–	(22)	1	–	(21)	–	1	(41)
Other	–	(23)	(1)	(17)	–	–	(41)	3	–	(11)	–	6	(43)
Total accumulated depreciation	**–**	**(49)**	**(2)**	**(144)**	**–**	**–**	**(195)**	**15**	**(2)**	**(145)**	**–**	**9**	**(318)**
Impairment allowance	–	–	–	(1)	–	–	(1)	–	–	–	–	–	(1)
Total accumulated depreciation and provisions	**–**	**(49)**	**(2)**	**(145)**	**–**	**–**	**(196)**	**15**	**(2)**	**(145)**	**–**	**9**	**(319)**
Total net cost	**–**	**1,419**	**33**	**242**	**90**	**(2)**	**1,782**	**(100)**	**50**	**213**	**150**	**(121)**	**1,974**

The IBERDROLA Group is the holder of lease agreements enabling the assignment of use of the land used for the installation of wind farms, solar plants and other renewable facilities, as well as electricity distribution and transmission infrastructures. These are long-term agreements and/or include extension options which may adjust the lease term to the useful life of property, plant and equipment installed there. The payment of the rent includes fixed and variable amounts calculated based on parameters such as electricity generation or the sales of the facilities.

Moreover, the Group maintains long-term lease contracts with options to be extended on certain office buildings.

Many of the lease contracts for land and buildings are indexed to consumer price indices or similar indicators.

14. CONCESSION AGREEMENTS

The description of electricity service concession arrangements in Brazil within the scope of IFRIC 12: "Service concession arrangements" (Note 3.b) is set out below:

Distribution

Company	Location	Concession date	Maturity date	No. of towns	Tariff cycle	Last review
Elektro Redes, S.A.	Estado do Sao Paulo	27/08/1998	26/08/2028	223	4 years	Aug.-19
Elektro Redes, S.A.	Estado do Mato Grosso do Sul	27/08/1998	26/08/2028	5	4 years	Aug.-19
Companhia de Eletricidade do Estado da Bahia, S.A.	Estado da Bahia	08/08/1997	07/08/2027	415	5 years	Apr-18
Companhia Energética de Pernambuco, S.A.	Estado de Pernambuco	30/03/2000	29/03/2030	184	4 years	Apr.-17
Companhia Energética de Pernambuco, S.A.	Distrito de Fernando de Noronha	30/03/2000	29/03/2030	1	4 years	Apr.-17
Companhia Energética de Pernambuco, S.A.	Estado da Paraíba	30/03/2000	29/03/2030	1	4 years	Apr.-17
Companhia Energética do Rio Grande do Norte, S.A.	Estado do Rio Grande do Norte	31/12/1997	30/12/2027	167	5 years	Apr-18

Transmission in operation

Company	Location	Concession date	Maturity date	Tariff cycle	Last review
Afluente Transmissão de Energia Elétrica, S.A.	Estado da Bahia	08/08/1997	08/08/2027	5 years	2020
S.E. Narandiba, S.A. (SE Narandiba)	Estado da Bahia	28/01/2009	28/01/2039	5 years	2019
S.E. Narandiba, S.A. (SE Extremoz)	Estado do Rio Grande do Norte	10/05/2012	10/05/2042	5 years	2017
S.E. Narandiba, S.A. (SE Brumado)	Estado da Bahia	27/08/2012	27/08/2042	5 years	2018
Potiguar Sul Transmissão de Energia, S.A.	Estado da Paraíba do Rio Grande do Norte	01/08/2013	01/08/2043	5 years	2019
Sobral	Estado do Ceará	31/07/2017	31/07/2047	5 years	-
Atibaia	Estado de São Paulo	31/07/2017	31/07/2047	5 years	-
Biguaçu	Estado de Santa Catarina	31/07/2017	31/07/2047	5 years	-

Transmission in construction

Company	Location	Concession date	Maturity date
Neoenergia Guanabara Transmissão de Energia, S.A.	Estado do Rio de Janeiro	22/03/2019	22/03/2049
Neoenergia Itabapoana Transmissão de Energia, S.A.	Estado do Rio de Janeiro	22/03/2019	22/03/2049
Neoenergia Lagoa dos Patos Transmissão de Energia, S.A.	Rio Grande do Sul e Santa Catarina	22/03/2019	22/03/2049
Neoenergia Vale do Itajaí Transmissão de Energia, S.A.	Paraná e Santa Catarina	22/03/2019	22/03/2049
Neoenergia Jalapão Transmissão de Energia, S.A.	Estados do Tocantis, Bahia e Piauí	08/03/2018	08/03/2048
Neoenergia Santa Luzia Transmissão de Energia, S.A.	Estados da Paraíba e Ceará	08/03/2018	08/03/2048
Neoenergia Dourados Transmissão de Energia, S.A.	Estados do Mato Grosso do Sul e São Paulo	31/07/2017	31/07/2047
EKTT 6A	Estado da Bahia	20/03/2020	20/03/2050

In December 2020, in Transmission Auction No. 01/2020 organised by the National Electricity Agency (ANEEL), the NEOENERGIA Group was awarded batch 02, comprising three 500 kV transmission lines, one 230 kV transmission line and a new 500 kV Medeiros Neto substation, totalling 1,091 km in length, covering mainly Bahia, as well as Minas Gerais and Espírito Santo.

The duration of the transmission and distribution concessions is 30 years, and they may be extended for up to 30 years upon application by the concession holder and at the discretion of the concession grantor, which is the Agência Nacional de Energia Elétrica (ANEEL). The concession holder may not transfer such assets or use them as collateral without the prior written consent of the regulatory body. At the end of the concession the property automatically reverts to the concession grantor and the amount of compensation due to the concession holder is assessed and determined.

Income from previous concession agreements includes the provision of construction services (Note 38) and operation and maintenance services for facilities owned by the granting public administration. The provision of said services constitutes two separate execution obligations incorporating different margins.

Construction services have a length of 3 to 5 years, whereas the provision of operation and maintenance services for facilities starts on the date they are delivered. In general, the latter date determines when the agreed annual payments are collected as part of the concession agreements. Such annual payments are collected during the concession period (normally 30 years), so they have a significant financial component.

15. IMPAIRMENT OF NON-FINANCIAL ASSETS

Methodology for designing impairment tests

At least yearly, the IBERDROLA Group analyses its assets for indications of impairment. If such indications are found, an impairment test is conducted.

The IBERDROLA Group also conducts a systematic analysis of the impairment of cash-generating units that include goodwill or intangible assets in progress or with indefinite useful life.

The projections used in the impairment tests are based on the best forecast information held by the IBERDROLA Group and include the investment plans for each country prevailing at that time. These plans aredesigned on the basis of the IBERDROLA Group's strategy, taking into account the objectives of the Paris Agreement, and are based on the electrification of the economy with renewable energy sources, to advance towards decarbonisation and climate neutrality, and the objective of the IBERDROLA Group becoming carbon neutral by 2030, ahead of the European Union's target for 2050.

a) Assumptions used in the liberalised business:

- Facilities' production: the hours of operation used are consistent with those in previous years, and in line with the expected change over time.

- Electricity and gas sale prices: the selling prices used are those agreed upon in the signed price purchase agreements. For unsold production, future prices in the market where the IBERDROLA Group operates are used.

- Electricity and gas retail supply margin: growth forecasts for the number of customers and unit margins based on the knowledge of the markets in which the IBERDROLA Group operates and the company's relative position in each of them.

- Investment: the projections are based on the best available information about the cost of the investments to be made in the coming years.

- Operation and maintenance costs: maintenance agreements for the current facilities were used. Other operating costs were projected consistent with the expected growth.

b) Assumptions used in the Networks business:

- Regulated remuneration: approved remuneration has been used for years in which it is available, while in subsequent periods revision mechanisms of such remuneration set indifferent regulations have been used, and these have been applied in line with the estimated costs of the corresponding cash-generating units.

- Investment: the projections were based on investment plans consistent with the expected demand growth and undertakings in each concession, with the minimums set by each regulator and with the estimate of future remuneration used.

- Operation and maintenance costs: the best available estimation of the performance of the operation and maintenance cost was used, which is in line with the remuneration assumed to be received in each year.

c) Assumptions used in the renewables business:

- Facilities' production: the operation hours of each plant were consistent with their historical output. In this respect, the long-term predictability of wind output was taken into account, which was also covered by regulatory mechanisms in practically all countries that enabled wind farms to produce whenever meteorological and network conditions allowed it.

- Electricity sales prices: the selling prices used are those agreed upon in the signed price purchase agreements. For unsold production, future prices in the market where the IBERDROLA Group operates are used. In all cases, the existing support mechanisms have been taken into account.

- Investment: the projections were based on the best information available about the plants that were expected to come into operation in the next years, taking into account the fixed prices stated in the contracts to buy wind turbines from various suppliers, as well as the technical and financial capacity of the IBERDROLA Group to successfully fulfil the planned projects.

- Operation and maintenance costs: the prices set in land leases and maintenance agreements for the useful life of the facilities were used.

d) Forecast period and nominal growth rate:

The forecast period of future cash flows and the nominal growth rate (g) used to extrapolate these projections beyond the reporting period for the different cash-generating units, are as follows:

	2020		2019	
	No. of years	g	No. of years	g
Electricity and gas retail supply in the UK	10	2.0%	10	2.0%
Electricity transmission and distribution in the UK	10	2.0%	10	2.0%
Renewable energies in the UK	Useful life	-	Useful life	-
Electricity and gas transmission and distribution in the United States	10	1.0%	10	1.0%
Renewable energies in the USA	Useful life	-	Useful life	-
Electricity generation and retail supply in Brazil	Useful life / 10	- / 3.5%	Useful life / 10	- / 4.0%
Electricity transmission and distribution in Brazil	Concession life	-	Concession life	-
Renewable energies in Brazil	Useful life	-	Useful life	-

Although under IAS 36 "Impairment of assets", it is recommended to use projections not exceeding five years for impairment test purposes, IBERDROLA has decided to use the periods included in this table for the following reasons:

- The most appropriate method for assets in the generation business is using their remaining useful lives. This is due to the fact that in the liberalised business there are long-term energy sale contracts in force and long-term estimated price curves are frequently used in the operating activity of the IBERDROLA Group (contracts, hedges, etc.).

- Energy is a basic necessity. Therefore, the business of electricity and gas retail supply is influenced by long-term governmental policies and is based on stable relationships with customers, using, in certain cases, infrastructures such as smart meters with long recoverability periods.

- Electricity transmission and distribution concessions include longer regulatory periods and the method that the regulator will use to calculate the new tariff at the beginning of the new regulatory period is known.

- The IBERDROLA Group considers its projections to be reliable and that past experience demonstrates its ability to predict cash flows in periods such as those under consideration.

Moreover, the nominal growth rate considered in the electricity and gas transmission and distribution activities in Brazil, the United Kingdom and the United States is consistent with the market and inflation growth forecasts used by the IBERDROLA Group for these markets.

e) Discount rate:

The methodology for calculating the discount rate used by IBERDROLA is to add the specific asset risks or risk premium of the asset or business to the temporary value of money or risk-free rate of each market.

The risk-free rate corresponds to 10-year Treasury bonds issued in the market, with sufficient depth and solvency. In countries with economies or currencies lacking sufficient depth and solvency, a country risk and currency risk is estimated so that the aggregate of all such components is considered to be the finance cost without the risk spread of the asset.

The asset's risk premium corresponds to the specific risks of the asset, which is calculated taking into account the unlevered betas estimated on the basis of peer companies performing the same main activity.

The discount rates before taxes used for the impairment test for the different cash generating units are:

	Rates 2020	Rates 2019
Electricity and gas retail supply in the UK	6.74%	6.75%
Electricity transmission and distribution in the UK	3.88%	4.10%
Renewable energies in the UK onshore/offshore	4.89% / 5.56%	5.35% / 5.97%
Electricity and gas transmission and distribution in the United States	4.52%	4.86%
Renewable energies in the USA onshore/offshore	5.48% / 7.30%	5.69% / 7.04%
Electricity generation and retail supply in Brazil	11.58%	12.09%
Electricity transmission and distribution in Brazil	9.32%	10.32%
Renewable energies in Brazil	10.88%	11.64%

Impairment and write-offs recognised in 2020 and 2019

The process of selling 85% of the wind power project developed by Tatanka Ridge Wind, LLC revealed an impairment of EUR 31 million on the assets disposed of, and which arose through the development costs assigned to this project (Note 12).

As a result of the impairment test carried out in 2020 and 2019 on the renewable facilities in the USA (Note 3.b), the IBERDROLA Group has recognised a provision for its intangible assets amounting to EUR 21 million in 2020, while in 2019 it reversed part of the provision accounted for in relation to its intangible assets from past years, for an amount of EUR 20 million (Notes 10 and 42).

Sensitivity analysis

The IBERDROLA Group has performed several sensitivity analyses of the impairment test results carried out in a systematic way, including reasonable changes in a series of basic assumptions defined for each cash-generating unit (or groups of cash generating units):

- Electricity and gas generation and retail supply in the United Kingdom and Brazil:
  - Decrease of 5% in produced energy.
  - Decrease of 10% in margin per kWh.
  - No increase in the electricity and gas customer base.
  - Increase of 10% in operating and maintenance costs.
  - Increase of 10% in investment costs.
- Electricity transmission and distribution in the United Kingdom, the United States and Brazil:
  - Decrease of 10% in rate of return on which regulated remuneration is based.
  - Increase of 10% in operating and maintenance costs.
  - Decrease of 10% in investment (resulting in a subsequent decrease in remuneration).
- Renewable energies in the United Kingdom, the United States and Brazil:
  - Decrease of 5% in produced energy.
  - Decrease of 10% in total price per kWh, solely applicable to production for which there are no long-term sales agreements.
  - Increase of 10% in operating and maintenance costs.
  - Increase of 10% in investment costs.

The IBERDROLA Group has also performed an additional sensitivity analysis, increasing the applicable discount rate in the United Kingdom and the United States by 50 basis points and in Brazil by 100 basis points.

These sensitivity analyses carried out separately for each basic assumption did not detect any impairment, except for the following cases:

- Retail supply of electricity and gas in the UK, whose value in use is EUR 413 million more than its carrying amount, meaning that an increase in the customer base of less than 1.1% per annum or an increase in 37 basis points on the discount rate would imply that the value in use is lower than the carrying amount.

- Renewable energies in the USA, whose value in use is EUR 371 million more than its carrying amount, meaning that a decrease of 1.7% in energy production, a lower market price of 2.6%, greater operating expenditure of 5.4%, higher unit investment of 4.2%, or an increase in 18 basis points on the discount rate would imply that the value in use is lower than the carrying amount.

16. FINANCIAL INVESTMENTS

16.a) Equity-accounted investees

Activity for 2020 and 2019 in the carrying amounts recognised through global integration of the IBERDROLA Group's associates and joint ventures (Appendix I), is as follows:

		Joint ventures				
Millions of euros	**Associated companies**	**NEONERGIA subgroup**	**Flat Rock Subgroup**	**Vineyard Wind, LLC**	**Other**	**Total**
Balance at 01.01.2019	**649**	**661**	**145**	**46**	**209**	**1,710**
Investment/Addition	17	13	–	157	121	308
Profit for the year from continuing activities	(7)	7	(4)	(7)	25	14
Profit for the year from discontinued activities	(7)	–	–	–	–	(7)
Other comprehensive income	(3)	–	–	–	–	(3)
Dividends	(7)	(10)	(8)	–	(22)	(47)
Translation differences	4	(7)	3	1	3	4
Disposals	(6)	–	–	–	(16)	(22)
Other	–	1	–	–	(1)	–
Balance at 31.12.2019	**640**	**665**	**136**	**197**	**319**	**1,957**
Investment/Addition	3	5	5	23	23	59
Change in the scope of consolidation (Note 8)	–	–	–	–	16	16
Profit for the year from continuing activities	6	(13)	–	(13)	15	(5)
Other comprehensive income	1	–	–	–	–	1
Dividends	(3)	(8)	(13)	–	(31)	(55)
Translation differences	41	(192)	(12)	(18)	(20)	(201)
Disposals	(622)	–	–	–	–	(622)
Other	–	–	–	–	(5)	(5)
Balance at 31.12.2020	**66**	**457**	**116**	**189**	**317**	**1,145**

The balance corresponding to the NEOENERGIA Subgroup at 31 December 2020 and 2019 mainly includes the shares in Companhia Hidreletrica Teles Pires, S.A (TELES PIRES), Norte Energia, S.A. (NORTE ENERGÍA) and Energetica Aguas da Pedra, S.A. (EAPSA) held by the IBERDROLA Group through NEONERGIA.

The IBERDROLA Group, through the company Vineyard Wind, LLC, continues to develop a large scale offshore wind farm off the coast of Massachusetts, in the United States.

Main transactions

In February 2020, Iberdrola Participaciones, a company wholly-owned by Iberdrola, S.A. entered into an agreement with Siemens Aktiengesellschaft for the sale of IBERDROLA PARTICIPACIONES' entire investment in Siemens Gamesa Renewable Energy, S.A. (SIEMENS GAMESA), representing 8.07% of its share capital.

The transaction price amounts to EUR 1,100 million, equivalent to EUR 20 per share in SIEMENS GAMESA and is not subject to any future adjustment. The purchase was finalised on 5 February 2020 and has implied a gross capital gain of EUR 485 million, which was recorded under the "Gains on disposal of non-current assets" heading of the consolidated Income statement for 2020. These capital gains have been considered exempt in the 2020 corporate tax estimate (Note 43).

In 2019, no significant transactions related to investments accounted for using the equity method took place.

Summary of financial information

The summarised financial information at 31 December 2020 and 2019 (at 100% and before intercompany eliminations) for the major subgroups accounted for using the equity method is as follows:

	NORTE ENERGIA		TELES PIRES		EAPSA		Flat Rock Subgroup		Vineyard Wind, LLC	
Millions of euros	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Segment	Renewables-Brazil						Renewables – United States			
Percentage ownership	5.10%		26.03%		26.03%		40.75%		40;75%	
Current assets	287	252	43	35	23	25	6	2	27	29
Non-current assets	6,705	9,714	1,061	1,539	208	303	233	267	347	314
Total assets	**6,992**	**9,966**	**1,104**	**1,574**	**231**	**328**	**239**	**269**	**374**	**343**
Current liabilities	302	976	50	71	16	21	7	9	153	180
Non-current liabilities	4,616	5,880	520	739	56	88	40	35	1	2
Total liabilities	**4,918**	**6,856**	**570**	**810**	**72**	**109**	**47**	**44**	**154**	**182**
Income from ordinary activities	788	997	143	202	47	60	10	12	–	–
Depreciation and amortisation	(288)	(254)	(32)	(41)	(5)	(7)	(16)	(16)	(1)	–
Interest income	27	10	(6)	(1)	–	1	–	–	–	–
Interest expenses	(343)	(382)	(36)	(65)	(3)	(5)	(1)	(1)	–	–
Tax (expense)/income	27	37	4	5	(3)	(3)	–	–	–	–
Profit/(loss) for the year from continuing operations	(145)	85	(20)	(24)	18	23	2	(6)	(19)	(19)
Total comprehensive income	**(145)**	**85**	**(20)**	**(24)**	**18**	**23**	**2**	**6**	**(19)**	**(19)**
Other information										
Cash and cash equivalents	156	43	25	10	15	14	3	1	26	28
Current financial liabilities (*)	102	633	35	47	6	8	2	–	19	–
Non-current financial liabilities (*)	4,442	5,577	435	624	28	47	–	–	–	–

(*) Excluding trade and other payables.

16.b) Other financial investments

The detail of the “Other non-current financial investments” and “Other current financial investments” headings of the IBERDROLA Group’s consolidated Statement of financial position is as follows:

Millions of euros	31.12.2020	31.12.2019
Non-current (Note 4)		
Receivables in Brazil (Notes 3.b and 14)	2,261	2,597
Long-term deposits and guarantees	259	311
Fixed-income securities	1	4
Long-term deposits	87	54
Loans to third parties	8	9
Assets for pension plans (Note 27)	5	7
Other investments in equity-accounted investees	6	20
Other	283	22
Bad debt provisions	(1)	(4)
Total	**2,909**	**3,020**
Current (Note 4)		
Short-term financial investments (between 3 and 12 months) (Notes 4 and 22)	247	–
Concessional guarantee of the sufficiency tariff in Brazil (Note 14)	14	87
Accounts receivable for financing imbalance in revenues in 2020	53	–
Accounts receivable for financing imbalance in revenues in 2019	–	213
Other investments in equity-accounted investees	8	6
CSA derivatives value guarantee deposits (Notes 4 and 22)	50	113
Other short-term deposits and guarantees	138	209
Other	92	89
Bad debt provisions	(24)	(24)
Total	**578**	**693**

Receivables in Brazil

“Receivables in Brazil” relates to receivables by the Brazilian companies upon termination of their service concession arrangements. Law 12.783/13 provides that such compensation must be determined by the replacement value (Valor Novo de Reposiçao, VNR) of the concession assets which have not been depreciated by the end of the concession period, using the residual value of the Asset regulatory base (Base de Remuneração Regulatória, BRR) at the end of the concession agreement.

The methodology established by the regulator enables reasonable estimates to be made of the amounts to be collected at the end of the concession, to the extent that the granting government protects the value of the Regulatory Asset Base once each ordinary tariff review has been passed. These ordinary reviews are conducted every four or five years, depending on the concession. This means that after the regulator has conducted a tariff review, the value of the Regulatory Asset Base prior to that date is modified by the Brazilian Large Consumers Prices General Index (Índice Nacional de Preços ao Consumidor Amplo (IPCAM). The next tariff review will determine the value of the regulatory asset base only with regard to additions in the interval between two tariff reviews.

To estimate the amount of the financial asset, observable values are used. Specifically, the net replacement value, as calculated by the energy regulator in the course of the latest tariff review. The amount is updated in the intervals between tariff reviews by additions to the underlying fixed assets or, as the case may be, any changes in the method of calculation of the net realizable value and the IPCAM.

Long-term deposits and guarantees

"Non-current deposits and guarantees" essentially corresponds to the portion of guarantees and deposits received from customers at the time their contracts are arranged as security of electricity supply (recorded under the "Non-current financial liabilities - Other non-current financial liabilities" heading of the consolidated Statement of financial position - Note 33) and have been filed with the competent Public Authorities in accordance with current legislation in Spain.

Receivable due to imbalanced financing

Law 24/2013 of the Electricity Sector establishes that, in the case that an imbalance occurs due to revenue shortfalls in the settlement of the electricity sector, the amount may not exceed 2% of the estimated revenue of the system for that year. In addition, the accumulated debt by imbalances from previous years may not exceed 5% of the estimated revenue of the system. If these limits are exceeded, access fees will be reviewed at least in an amount equivalent to the total excess of those limits. This law additionally states that the part of the imbalance due to revenue shortfall, without exceeding the limits, and that is not compensated by raising tolls and fees, will be covered by the subjects of the settlements system proportionally to their remuneration for the activities they perform.

The final settlement of the Spanish electricity system for 2019, as estimated in that year, presented a shortfall which was offset by unused gains from the previous years. In 2020, the IBERDROLA Group estimated that the final settlement of the Spanish electricity system would again present a shortfall, which would also be offset by unused gains from the previous years. The IBERDROLA Group's financed deficit at 31 December 2020 and 2019 amounted to EUR 248 and 369 million, respectively.

At 31 December 2020 and 2019, the amounts of EUR 195 and 156 million, respectively, were subject to a factoring contract with the non-recourse assignment of payment rights. Therefore, said amounts have been derecognised in the consolidated Statement of financial position at 31 December 2020 and 2019.

The IBERDROLA Group's financed deficit at 31 December 2019 has been collected in 2020.

17. TRADE AND OTHER RECEIVABLES

Details of the "Non-current trade and other receivables" and "Current trade and other receivables" headings of the consolidated Statement of financial position are as follows:

Millions of euros	31.12.2020	31.12.2019
Non-current		
Receivables in equity-accounted investees	2	2
PIS/COFINS Brazil (Notes 33 and 36)	734	537
Other receivables	714	738
Contract assets:		
Concessions under IFRIC 12 (Notes 3.u and 14)	1,372	1,226
CFE (Note 38)	338	345
All others	8	11
Valuation changes for impairment	(7)	(8)
Total	**3,161**	**2,851**

Millions of euros	31.12.2020	31.12.2019
Current		
Customers (Note 5)	6,415	6,659
Other receivables	727	614
Receivables from equity-accounted investees	6	13
Contract assets:		
Construction contracts	41	41
Concessions under IFRIC 12 (Notes 3.u and 14)	21	20
CFE (Note 38)	15	12
Valuation changes for impairment	(748)	(685)
Total	**6,477**	**6,674**

Concessions under IFRIC 12

Activity in contract assets in relation to concessions in Brazil under the scope of IFRIC 12 is as follows:

Millions of euros	2020
Opening balance	**1,246**
Investment	954
Amounts allocated to the income statement	231
Transfers	(615)
Proceeds	(15)
Translation differences	(403)
Other	(5)
Closing balance	**1,393**

PIS/COFINS Brazil

In September 2019, the Brazilian federal government issued a favourable decision for COSERN and COELBA regarding the recognition of the receivable related to amounts unduly paid as a result of including Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação (ICMS) on the calculation base for Programas de Integração Social (PIS) and the Contribuição para Financiamento da Seguridade Social (COFINS). A decision upholding CELPE's claim was delivered in December 2020.

As a result, the IBERDROLA Group has recognised receivables for the exclusion of the ICMS from the tax base credited to payables under the "Other non-current financial liabilities" heading of the consolidated Statement of financial position (Note 33) based on the understanding that the tax credit would be transferred to end customers following legal and regulatory rules in the Brazilian electricity sector, although it would not be paid in the short term. The current balance of the account receivable has been recorded under "Current trade and other receivables – Other tax receivables" in the consolidated Statement of financial position. (Note 36).

Therefore, the decision by the Brazilian federal government has had no impact on the IBERDROLA Group's consolidated Income statement for 2020 or 2019.

Valuation changes for impairment

The movements in valuation changes resulting from credit losses expected from previous balances are as follows:

Millions of euros	2020	2019
Opening balance	**693**	**627**
Charges (Note 7)	499	411
Applications	(224)	(240)
Excess	(118)	(113)
Translation differences	(95)	6
Other	–	2
Closing balance	**755**	**693**

Practically the entire provision corresponds to gas and electricity consumers.

18. MEASUREMENT AND OFFSETTING OF FINANCIAL INSTRUMENTS

With the exception of financial derivative instruments, most of the financial assets and liabilities recorded in the consolidated statements of financial position correspond to the financial instruments classified at amortised cost.

The fair value of “Bank borrowings, debentures or other marketable securities” in current and non-current liabilities in the IBERDROLA Group’s consolidated Statement of financial position at 31 December 2020 and 2019 amounts to EUR 41,065 and 41,285 million, respectively. The carrying amount is EUR 38,037 and 38,926 million, respectively. Said value is classified in Level 2 of the valuation hierarchy. The fair value of the derivative financial instruments does not differ significantly from their carrying amount.

The IBERDROLA Group measures equity instruments and derivative financial instruments at fair value, provided they can be measured reliably, classifying them into three levels:

- Level 1: assets and liabilities quoted in liquid markets.
- Level 2: assets and liabilities whose fair value is determined using valuation techniques that use observable market assumptions.
- Level 3: assets and liabilities whose fair value is determined using valuation techniques that do not use observable market assumptions.

Details of derivative financial instruments measured at fair value by level are as follows:

Millions of euros	Value at 31.12.2020	Level 1	Level 2	Level 3
Derivative financial instruments (financial assets)	1,969	1	1,852	116
Derivative financial instruments (financial liabilities)	(1,288)	–	(1,171)	(117)
Total (Note 30)	**681**	**1**	**681**	**(1)**

Millions of euros	Value at 31.12.2019	Level 1	Level 2	Level 3
Derivative financial instruments (financial assets)	1,161	–	1,015	146
Derivative financial instruments (financial liabilities)	(949)	–	(830)	(119)
Total (Note 30)	**212**	**–**	**185**	**27**

The reconciliation between initial and final balances for derivative financial instruments classified as Level 3 in the fair-value hierarchy is as follows:

	Derivative financial instruments	
Millions of euros	2020	2019
Opening balance	**27**	**(28)**
Income and expense recognised in the consolidated Income statement	–	5
Income and expense recognised in equity	(10)	63
Purchases	(2)	(19)
Sales and settlements	(15)	4
Translation differences	(1)	–
Transfers and other	–	2
Closing balance	**(1)**	**27**

The fair value of Level 3-classified financial instruments has been determined using the discounted cash flow method. Projections of these cash flows are based on assumptions not observable in the market, and mainly correspond to purchase and sale price estimates that the Group normally uses, based on its experience in the markets.

None of the possible foreseeable scenarios of the assumptions given would result in a material change in the fair value of the financial instruments classified at this level.

In addition, the IBERDROLA Group´s financial assets and liabilities are offset and presented net in the consolidated Statement of financial position when a legally enforceable right exists to offset the amounts recognised and the Group intends to settle the assets and liabilities net or simultaneously. The breakdown of offset financial assets and liabilities at 31 December 2020 and 2019, is as follows:

	31.12.2020					
				Amounts not offset under netting agreements		
Millions of euros	Gross amount	Netted amount (Note 30)	Net amount	Financial instruments	Financial guarantees	Net amount
ASSET DERIVATIVES:						
Current						
Commodities	393	(146)	247	(22)	(7)	218
Other	3	–	3	–	(2)	1
Non-current						
Commodities	146	(13)	133	(19)	(14)	100
Other	48	–	48	–	(47)	1
Total	**590**	**(159)**	**431**	**(41)**	**(70)**	**320**
OTHER FINANCIAL ASSETS:						
Receivables	136	(117)	19	(2)	(17)	–
LIABILITY DERIVATIVES:						
Current						
Commodities	220	(161)	59	(22)	–	37
Other	1	–	1	–	–	1
Non-current						
Commodities	47	(13)	34	(19)	–	15
Total	**268**	**(174)**	**94**	**(41)**	**–**	**53**
OTHER FINANCIAL LIABILITIES:						
Payables	265	(117)	148	(2)	(22)	124

	31.12.2019					
				Amounts not offset under netting agreements		
Millions of euros	Gross amount	Netted amount (Note 30)	Net amount	Financial instruments	Financial guarantees	Net amount
ASSET DERIVATIVES:						
Current						
Commodities	347	(242)	105	(47)	(10)	48
Other	2	–	2	–	(2)	–
Non-current						
Commodities	153	(15)	138	(24)	(33)	81
Other	56	(2)	54	–	(51)	3
Total	**558**	**(259)**	**299**	**(71)**	**(96)**	**132**
OTHER FINANCIAL ASSETS:						
Receivables	216	(170)	46	(12)	(9)	25
LIABILITY DERIVATIVES:						
Current						
Commodities	592	(265)	327	(47)	(6)	274
Other	6	(1)	5	–	–	5
Non-current						
Commodities	71	(18)	53	(24)	(5)	24
Other	1	–	1	–	–	1
Total	**670**	**(284)**	**386**	**(71)**	**(11)**	**304**
OTHER FINANCIAL LIABILITIES:						
Payables	372	(170)	202	(12)	(104)	86

19. NUCLEAR FUEL

The changes in the “Nuclear fuel” heading of the consolidated Statement of financial position in 2020 and 2019, as well as the detail thereof at 31 December 2020 and 2019 are as follows:

Millions of euros	Fuel put in reactor core	Nuclear fuel in progress	Total
Balance at 01.01.2019	**223**	**50**	**273**
Additions	–	150	150
Capitalised finance expenses (Notes 3.g and 44)	–	1	1
Transfers	150	(150)	–
Fuel consumed (Note 3.g)	(118)	–	(118)
Balance at 31.12.2019	**255**	**51**	**306**
Additions	–	57	57
Capitalised finance expenses (Notes 3.g and 44)	–	1	1
Transfers	42	(42)	–
Fuel consumed (Note 3.g)	(104)	–	(104)
Balance at 31.12.2020	**193**	**67**	**260**

The IBERDROLA Group’s nuclear fuel purchase commitments at 31 December 2020 and 2019 amount to EUR 535 and 514 million, respectively.

20. INVENTORIES

The details of the “Inventories” heading (Note 3.h) of the consolidated Statements of financial position at 31 December 2020 and 2019, are as follows:

Millions of euros	31.12.2020	31.12.2019
Energy resources	148	180
Emission allowances and renewable certificates	381	455
Real estate inventories	1,250	1,215
Land and plots	964	966
Developments in construction	264	241
Developments completed	22	8
Other inventories	831	847
Real estate inventories impairment allowance	(167)	(155)
Total	**2,443**	**2,542**

The variations in the impairment allowance in 2020 and 2019 are as follows:

Millions of euros	2020	2019
Opening balance	**155**	**151**
Charges	16	8
Reversals	(3)	(2)
Applications and others	(1)	(2)
Closing balance	**167**	**155**

The “Revenue” heading in the 2020 and 2019 consolidated Income statement includes EUR 75 and 131 million, respectively, in respect of real estate inventories.

21. CASH AND CASH EQUIVALENTS

The breakdown of this heading in the consolidated Statement of financial position is as follows:

Millions of euros	31.12.2020	31.12.2019
Cash	1,251	500
Cash equivalents	2,176	1,613
Total	**3,427**	**2,113**

Cash equivalents mature or expire within a period of less than three months and bear market interest rates. There are no restrictions on cash withdrawals for significant amounts.

22. EQUITY

Subscribed capital

Changes in 2020 and 2019 in the different items of the share capital of IBERDROLA are as follows:

	Registration in the Mercantile Registry	% Capital	Number of shares	Nominal	Euros
Balance at 01.01.2019			**6,397,629,000**	**0.75**	**4,798,221,750**
Capital increase	31 January 2019	1.920	122,828,000	0.75	92,121,000
Capital reduction	21 June 2019	4.300	(280,457,000)	0.75	(210,342,750)
Capital increase	30 July 2019	1.956	122,072,000	0.75	91,554,000
Balance at 31.12.2019			**6,362,072,000**	**0.75**	**4,771,554,000**
Capital increase	4 February 2020	1.440	91,520,000	0.75	68,640,000
Capital reduction	2 July 2020	3.310	(213,592,000)	0.75	(160,194,000)
Capital increase	30 July 2020	1.764	110,061,000	0.75	82,545,750
Balance at 31.12.2020			**6,350,061,000**	**0.75**	**4,762,545,750**

The scrip issues that took place in 2020 and 2019 correspond to the various runs of the Iberdrola Flexible Remuneration system approved by the General Shareholders' Meeting.

Additionally, on 18 June 2019 and 1 July 2020, capital reductions through the retirement of treasury stock were agreed, as approved at the General Shareholders Meeting held on 29 March 2019 and 2 April 2020, respectively.

There were no changes to IBERDROLA's share capital other than those resulting from the transactions described above. There are no claims on IBERDROLA's share capital other than those established by the Spanish Companies Act ("Ley de Sociedades de Capital").

IBERDROLA´s shares are listed for trading on the Spanish electronic trading system (Mercado Continuo Español), and included in the IBEX-35, Eurostoxx-50 and European Eurostoxx-50 index.

<u>Powers delegated by the General Shareholders' Meeting</u>

On 2 April 2020, the General Shareholders' Meeting resolved, in respect of items twenty-two and twenty-three on the agenda, to delegate powers to the Board of Directors, with express powers of substitution, for a period of five years, to:

- increase share capital in the terms and to the limits stipulated in Article 297.1 b) of the Spanish Companies Act (“Ley de Sociedades de Capital”), with authorisation to exclude preferential subscription rights, and

- issue bonds or debentures convertible into shares in the Company or other companies, and warrants (options to acquire new or existing shares in the Company or other companies), to a maximum amount of EUR 5,000 million. This authorisation includes the delegation of powers to, where applicable: (i) determine the basis and procedures for conversion, exchange or exercise; (ii) increase share capital by the amount required to cover applications for conversion; and (iii) exclude shareholders' preferential subscription rights on the issue.

Both authorisations have a joint limit to a maximum nominal amount of 20% of the share capital.

Significant shareholders

Since IBERDROLA’s shares are represented by the book-entry system, the exact stakes held by its shareholders are not known. The table below summarises major direct and indirect shareholdings in the share capital of IBERDROLA at 31 December 2020 and 2019, as well as the holdings of financial instruments disclosed by the owners of these stakes in compliance with Royal Decree 1362/2007 of 19 October. This information is based on filings by the owners of the shares in the official registers of the Spanish National Securities Market Commission (CNMV) or communications made to the Company and the respective annual reports and press releases, and it is presented in the 2020 IBERDROLA Group´s Annual Corporate Governance Report (Management Report).

Among direct or indirect shareholders with a significant stake, IBERDROLA treats as a “significant shareholder” any shareholder who exerts a significant influence on the company’s financial and operating decisions when they i) are represented on the Board of Directors or equivalent a similar committee or ii) they have the possibility of exercising the proportional representation system. Therefore, the company treats Qatar Investment Authority as a significant shareholder, which is the only shareholder that met the criteria at 31 December 2020 and 2019.

	% of voting rights 2020				
Holder	Direct	Indirect	Total	Financial instruments 2020	Directors in IBERDROLA 2020
Qatar Investment Authority (1)	–	8.711	8.711	–	–

	% of voting rights 2019				
Holder	Direct	Indirect	Total	Financial instruments 2019	Directors in IBERDROLA 2019
Qatar Investment Authority (1)	–	8.694	8.694	–	–

(1) Parent company of Qatar Holding LLC and DIC Holding LLC, direct holders of a 6.277% and 2.434% interest, respectively.

The following breakdown presents other companies that at 31 December 2020 and 2019 had direct or indirect voting rights higher than 3% of the share capital:

	% of voting rights 2020			% of voting rights 2019		
Holder	Direct	Indirect	Total	Direct	Indirect	Total
Norges Bank	3.600	–	3.600	3.430	–	3.430
Blackrock, Inc.	–	5.160	5.160	–	5.160	5.160

Capital structure

IBERDROLA is committed to maintaining a policy of financial prudence, ensuring a financial structure that optimises the cost of capital.

Leverage ratios at 31 December 2020 and 2019 were as follows:

Millions of euros	31.12.2020	31.12.2019 [(1)]
Parent company	35,412	37,678
Non-controlling interests	11,806	9,517
Equity	**47,218**	**47,195**
Treasury stock derivatives with physical settlement that at the current date are not expected to be executed.	784	602
Adjusted equity	**48.002**	**47,797**
Bank borrowings, debentures or other marketable securities (Note 29)	38,037	38,926
Derivative financial liabilities	592	426
Leases (Note 32)	2,058	1,767
Gross financial debt	**40,687**	**41,119**
Treasury stock derivatives with physical settlement that at the current date are not expected to be executed.	784	602
Adjusted net financial debt	**39,903**	**40,517**
Derivative financial assets	1,037	753
CSA Derivatives value guarantee deposits (Notes 4 and 16.b)	50	113
Short-term financial investments (between 3 and 12 months) (Notes 4 and 16.b)	247	–
Cash and cash equivalents (Note 21)	3,427	2,113
Total treasury assets	**4,761**	**2,979**
Adjusted net financial debt	**35,142**	**37,538**
Adjusted net leverage	**42.27%**	**43.99%**

(1) The structure of financial leverage as shown has been modified compared to that included in the 2019 consolidated financial statements so as to align it with figures used by the Group in its financial management and in its reporting to the market.

Treasury stock derivatives with physical settlement not executed to date and those that at the current date are not expected to be executed:

Millions of euros	31.12.2020	31.12.2019
Accumulators (potential shares)	317	602
Out of the money put options	467	–
Treasury stock derivatives with physical settlement that at the current date are not expected to be executed	**784**	**602**

The derivative financial instruments shown in the table above do not include those related to the price of commodities and are as follows (Note 30):

	2020					
	Derivative assets			Derivative liabilities		
Millions of euros	Current	Non-current	Total	Current	Non-current	Total
Interest rate hedges	22	65	87	(23)	(48)	(71)
Exchange rate hedges	248	431	679	(144)	(116)	(260)
Total hedging derivatives	**270**	**496**	**766**	**(167)**	**(164)**	**(331)**
Interest rate derivatives	6	5	11	(1)	–	(1)
Treasury share derivatives	–	260	260	–	(260)	(260)
Total non-hedging derivatives	**6**	**265**	**271**	**(1)**	**(260)**	**(261)**
Total	276	761	1,037	(168)	(424)	(592)

	2019					
	Derivative assets			Derivative liabilities		
Millions of euros	Current	Non-current	Total	Current	Non-current	Total
Interest rate hedges	32	107	139	12	(111)	(99)
Exchange rate hedges	211	338	549	(107)	(147)	(254)
Total hedging derivatives	**243**	**445**	**688**	**(95)**	**(258)**	**(353)**
Exchange rate derivatives	6	–	6	(12)	–	(12)
Interest rate derivatives	–	–	–	(2)	–	(2)
Treasury shares derivatives	–	59	59	–	(59)	(59)
Total non-hedging derivatives	**6**	**59**	**65**	**(14)**	**(59)**	**(73)**
Total	249	504	753	(109)	(317)	(426)

Legal reserve

Under the Spanish Companies Act, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve may be used to increase the share capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, if no other reserves are available.

Revaluation reserves

The balance of “Revaluation reserves” arose as a result of the revaluation of property, plant and equipment made by IBERDROLA pursuant to Royal Decree-law 7/1996. This balance can be used, free of tax, to offset recorded losses both prior years’ accumulated losses and current year losses or losses which might arise in the future, and to increase share capital. From 1 January 2007, the balance of this reserve can be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised on the portion on which depreciation has been taken for accounting purposes or if the revalued assets have been transferred or derecognised. If the balance of this account was used in any way other than as specified in the Royal Decree-law 7/1996, it would be subject to tax.

In 2019 this reserve has been used in full to increase share capital on 31 January 2019. As a result, at 31 December 2019 and 2020 there are no amounts in this reserve.

Share premium

The Spanish Companies Act expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

Other restricted reserves

"Other restricted reserves" of the "Equity" heading of the consolidated Statement of financial position primarily includes the restricted reserve set up by IBERDROLA in accordance with Article 335.c) of the Spanish Companies Act arising from the capital reductions carried out in prior years through the retirement of treasury shares. The restricted reserves relating to group companies other than the parent IBERDROLA are included under "Retained earnings" of the same heading.

Non-controlling interests

The variations in this heading in 2020 and 2019 are as follows:

Millions of euros	AVANGRID subgroup	NEONERGIA subgroup	East Anglia	Infigen	Other	Subordinated perpetual bonds (Restated Note 2.c)	Total
Balance at 01.01.2019	**3,187**	**2,402**	**–**	**–**	**80**	**1,726**	**7,395**
Capital increase	5	–	196	–	5	800	1,006
Redemption							–
Profit for the year from non-controlling interests	100	228	3	–	17	–	348
Other comprehensive income	6	6	(7)	–	1	–	6
Dividends	(90)	(77)	–	–	(12)	–	(179)
Translation differences	62	(31)	58	–	–	–	89
Transactions with non-controlling interests (Note 8)	–	72	765	–	–	–	837
Other	(9)	(7)	–	–	8	23	15
Balance at 31.12.2019	**3,261**	**2,593**	**1,015**	**–**	**99**	**2,549**	**9,517**
Capital increase	–	–	206	–	–	3,000	3,206
Profit for the year from non-controlling interests	43	226	59	–	13	–	341
Other comprehensive income	5	10	(7)	–	–	–	8
Dividends	(90)	(51)	–	–	(9)	–	(150)
Translation differences	(290)	(766)	(76)	–	(6)	–	(1,138)
Modification of the consolidation scope (Note 8)	–	–	–	254	–	–	254
Transactions with non-controlling interests (Note 8)	–	–	–	(254)	–	–	(254)
Other	7	–	–	–	64	(49)	22
Balance at 31.12.2020	**2,936**	**2,012**	**1,197**	**–**	**161**	**5,500**	**11,806**

In 2019 and 2020, several share capital increases were carried out to complete the construction of the East Anglia project in the amount of EUR 491 and 516 million, respectively, subscribed by the shareholders in proportion to their interest, resulting in a payment of EUR 196 and 206 million in "Equity - non-controlling interests" heading of the Consolidated income statement at 31 December 2020 and 2019, respectively.

The summarised financial information related to subgroups in which IBERDROLA Group does not have a 100% interest refers to amounts consolidated before intercompany eliminations:

Millions of euros	AVANGRID subgroup 31.12.2020	AVANGRID subgroup 31.12.2019	NEONERGIA subgroup 31.12.2020	NEONERGIA subgroup 31.12.2019	East Anglia 31.12.2020	East Anglia 31.12.2019
Current assets	2,622	1,400	2,352	2,860	978	865
Non-current assets	33,961	35,706	9,118	10,438	2,501	2,224
Total assets	**36,583**	**37,106**	**11,470**	**13,298**	**3,479**	**3,089**
Current liabilities	(2,580)	3,292	1,853	2,112	102	379
Non-current liabilities	(18,308)	16,328	5,593	6,003	382	170
Total liabilities	**(20,888)**	**19,620**	**7,446**	**8,115**	**484**	**549**
Gross operating profit (EBITDA)	1,689	1,944	1,208	1,372	278	6
Valuation adjustments, trade receivables and other assets	(76)	(84)	(77)	(75)	–	–
Amortisation, depreciation and provisions	(1,091)	(1,010)	(367)	(448)	(83)	(4)
Result of equity-accounted investees - net of taxes	–	2	(13)	7	–	–
Finance income	(263)	(246)	(182)	(304)	(1)	–
Gains /(losses) from non-current assets	2	64	–	2	–	–
Income tax	(47)	(131)	(122)	(99)	(47)	(1)
Non-controlling interests	(3)	(1)	(226)	(228)	–	–
Net profit for the year	**211**	**538**	**221**	**227**	**147**	**1**

31.12.2020 Millions of euros	AVANGRID subgroup	NEONERGIA subgroup
Net cash flows from operating activities	1,367	601
Net cash flows used in investing activities	(2,504)	(815)
Net cash flows from financing activities	2,262	387
Net increase/(decrease) in cash and cash equivalents	**1,125**	**173**

Subordinated perpetual bonds

At 31 December 2020 and 2019, the IBERDROLA Group has carried out the following perpetual subordinated bonds issues:

Issue date	Millions of euros	Coupon	Early redemption option
22/11/2017	1,000	1.875% per year from the issue date until 22 May 2023. From the date of the first revision, 5-year swap rate plus an annual spread of 1.592% during the following five years. Five-year swap rate plus a spread of 1.8492% per year during each of the five-year review periods starting on 22 May 2028, 2033 and 2038 and 5-year swap rate plus a spread of 2.5992% per year during the subsequent five-year revision periods.	During the three months prior to (and including) 22 May 2023 and from that date each year.
26/03/2018	700	Fixed annual rate of 2.625% from the issuance date until 26 March 2024. From the date of the first review, 5-year swap rate plus an annual spread of 2.061% during the following five years. 5-year swap rate plus a spread of 2.311% per year during each of the five-year review periods starting on 26 March 2029, 2034 and 2039 and 5-year swap rate plus a spread of 3.061% per year during the subsequent five-year review periods.	During the three months prior to (and including) 26 March 2024 and from that date each year.

Issue date	Millions of euros	Coupon	Early redemption option
12/02/2019	800	Fixed annual rate of 3.25% from the issuance date until 12 February 2025. From the date of the first review, 5-year swap rate plus an annual spread of 2.973% during the following five years. 5-year swap rate plus a spread of 3.223% per year during each of the five-year review periods starting on 12 February 2030, 2035 and 2040 and 5-year swap rate plus a spread of 3.973% per year during the subsequent five-year review periods.	During the three months prior to (and including) 12 February 2025 and from that date each year.
21/10/2020	3,000	First tranche of EUR 1.600 million Fixed annual rate of 1.874% from the issuance date until 28 April 2026. From the date of the first review, five-year swap rate plus an annual spread of 2.321% during the following five years.5--year swap rate plus a spread of 2.571% per year during each of the five-year review periods starting on 28 April 2031, 2036 and 2041 and 5-year swap rate plus a spread of 3.321% per year during the subsequent five-year review periods.	During the three months prior to (and including) 29 April 2026 and from that date each year
		Second tranche of EUR 1.400 million Fixed annual rate of 2.25% from the issuance date until 28 April 2029. From the date of the first review, five-year swap rate plus an annual spread of 2.574% during the following five years. 5-year swap rate plus a spread of 2.824% per year during each of the five-year review periods starting on 28 April 2034, 2039 and 2044 and 5-year swap rate plus a spread of 3.574% per year during the subsequent five-year review periods.	During the three months prior to (and including) 29 April 2029 and from that date each year

These bonds do not have a contractual maturity date. After analysing the issue conditions, the IBERDROLA Group recognises the cash received with a credit to the “From non-controlling interests” heading under Equity in the consolidated Statement of financial position, as it considers that it does not qualify for classification as a financial liability, given that the IBERDROLA Group does not have a commitment to deliver cash, as the circumstances that would require it to do so - namely distribution of dividends and exercising of its right to redeem the bonds early - are fully under its control.

The interest accrued on these bonds will not be callable but rather cumulative. However, the IBERDROLA Group will be obliged to settle the interest accrued in the event it distributes dividends. Interest paid during 2020 and 2019 amounts to EUR 63 million and EUR 37 million, respectively.

Valuation adjustments

The change in this reserve arising from valuation adjustments to derivatives designated as cash flow hedges at 31 December 2020 and 2019 is as follows:

Millions of euros	01.01.2019	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to the income statement	31.12.2019	Change in fair value and other	Allocation to the values of hedged assets	Amounts allocated to the income statement	31.12.2020
Valuation adjustments of equity-accounted investees (net of tax):	**2**	**(3)**	**–**	**–**	**(1)**	**1**	**–**	**–**	**–**
Cash flow hedges:									
Interest rate swaps	(360)	(237)	–	75	(522)	(283)	–	136	(669)
Collars	(6)	(1)	–	–	(7)	–	–	–	(7)
Commodities derivatives	229	(634)	–	243	(162)	113	–	381	332
Currency forwards	92	(41)	(19)	(29)	3	24	(14)	(9)	4
	(45)	**(913)**	**(19)**	**289**	**(688)**	**(146)**	**(14)**	**508**	**(340)**
Hedging costs	**3**	**(36)**	**–**	**31**	**(2)**	**34**	**–**	**36**	**–**
Tax effect:	**8**	**194**	**4**	**(59)**	**147**	**57**	**2**	**(108)**	**98**
Total	**(32)**	**(758)**	**(15)**	**261**	**(544)**	**(122)**	**(12)**	**436**	**(242)**

Treasury shares

The IBERDROLA Group buys and sells treasury shares in accordance with the prevailing law and the resolutions of the General Shareholders' Meeting. Such transactions include purchases and sales of company shares and derivatives thereon.

At 31 December 2020 and 2019, the balances of the different instruments are as follows:

	31.12.2020		31.12.2019	
	No. of shares	Millions of euros	No. of shares	Millions of euros
Treasury shares held by IBERDROLA	85,222,122	888	24,376,375	218
Treasury shares held by SCOTTISHPOWER	815,645	8	913,719	8
Total return swaps	8,209,638	53	11,949,623	78
Put options sold	42,996,817	451	–	–
Accumulators (exercised shares)	11,306,168	107	63,395,734	530
Accumulators (potential shares)	47,016,022	478	70,058,270	602
Total	**195,566,412**	**1,985**	**170,693,721**	**1,436**

(a) Treasury shares

Changes in 2020 and 2019 in the treasury shares of IBERDROLA and SCOTTISHPOWER (Note 3.m) are as follows:

	IBERDROLA		SCOTTISHPOWER	
	No of shares	Millions of euros	No. of shares	Millions of euros
Balance at 01.01.2019	**135,985,344**	**873**	**1,050,639**	**8**
Additions	172,369,618	1,402	256,592	2
Capital reduction	(280,457,000)	(2,015)	–	–
Iberdrola Flexible Remuneration (1)	3,039,564	–	110,714	–
Disposals (2)	(6,561,151)	(42)	(504,226)	(2)
Balance at 31.12.2019	**24,376,375**	**218**	**913,719**	**8**
Additions	286,880,467	2,708	210,836	2
Capital reduction	(213,592,000)	(1,918)	–	–
Iberdrola Flexible Remuneration (1)	693,281	–	88,194	–
Disposals (2)	(13,136,001)	(120)	(397,104)	(2)
Balance at 31.12.2020	**85,222,122**	**888**	**815,645**	**8**

(1) Shares received
(2) Includes awards to employees

SCOTTISHPOWER's treasury shares correspond to the matching shares held by the trust in the share plan called Share Incentive Plan (Note 23).

During 2020 and 2019, treasury shares held by the IBERDROLA Group were always below the legal limit.

(b) Derivatives settled by physical delivery

The IBERDROLA Group recognises these transactions directly in equity under the "Treasury shares" heading and records the obligation to purchase said shares under the "Bank borrowings, debentures or other marketable securities" heading in current liabilities of the consolidated Statement of financial position.

- Total return swaps

The IBERDROLA Group has swaps on treasury shares in which it pays the financial entity the 3-month Euribor plus a spread on the underlying notional and will receive the corresponding dividends with respect to the shares paid out to the financial entity. On the expiration date, IBERDROLA will buy the shares at the strike price set out in the contract.

The characteristics of these contracts at 31 December 2020 and 2019 are as follows:

2020	No. of shares at 31.12.2020	Strike price	Maturity date	Interest rate	Millions of euros
Total return swap	8,209,638	6.440	28/07/2021	3 month Euribor + 0.24%	53
Total	**8,209,638**				**53**

2019	No. of shares at 31.12.2019	Strike price	Maturity date	Interest rate	Millions of euros
Total return swap	5,810,088	6.188	24/07/2020	3 month Euribor + 0.30%	36
Total return swap	6,139,535	6.783	25/07/2020	3 month Euribor + 0.30%	42
Total	**11,949,623**				**78**

- Treasury share accumulators

The IBERDROLA Group holds several purchase accumulators on treasury shares. These accumulators are obligations to buy in the future, with a notional amount of zero on the start date. The number of shares to be accumulated depends on the market price quoted on a range of observation dates throughout the life of the options – in this case, on a daily basis. A strike price is set, and a knockout level above which the structured product is “knocked out” and shares are no longer accumulated.

The accumulation mechanism is as follows:

- when the spot price is below the strike price, two units of the underlying security are accumulated;
- when the spot price is between the strike price and the knockout level, only one unit of the underlying security is accumulated; and
- when the spot price is above the knockout level, no shares are accumulated.

The characteristics of these contracts at 31 December 2020 and 2019 are as follows:

2020	No of shares	Average price of the period	Maturity date	Millions of euros
Exercised shares	11,306,168	9.4737	15/03/2021 - 15/11/2021	107
Potential maximum (1)	47,016,022	10.1760	15/03/2021 - 15/11/2021	478

2019	No. of shares	Average price of the period	Maturity date	Millions of euros
Exercised shares	63,395,734	8.3656	7/02/2020 a 11/06/2020	530
Potential maximum (1)	70,058,270	8.5994	7/02/2020 a 11/06/2020	602

(1) Maximum number of additional shares that could be accumulated according to the described mechanism until the maturity of the structures (assuming that the cash price over the remaining life of the structure is always below the strike price).

– Sold put settled by physical delivery

The IBERDROLA Group has sold put options on treasury shares that grant the counterparty the option to sell these shares on the expiry date at the strike price set in the contract.

2020	No of shares	Average price of the period	Maturity date	Millions of euros (1)
Put options sold	42,996,817	10.8460	29/01/2021 - 31/03/2021	451

(1) The amount is presented net of the premiums collected (EUR 15 million in 2020).

Distribution of dividends with a charge to 2020 profit

IBERDROLA's Board of Directors has agreed to propose at the General Shareholders' Meeting the distribution of a dividend chargeable to the profit for 2020 and the retained earnings from previous years. The gross amount of this dividend will be the sum of the following amounts:

(a) EUR 266 million that were paid out in a dividend charged to 2020 on 8 February 2021 to the holders of 1,583,410,921 IBERDROLA shares that chose to receive their remuneration in cash within the scope of the second settlement of the Iberdrola flexible remuneration system for 2020 through the collection of a gross amount of EUR 0.168 per share (the Interim dividend); and

(b) the amount to be determined by multiplying:

   (i) the gross amount per share that, as an additional dividend payment for 2020, will be distributed by the Company within the scope of the first settlement of the Iberdrola Flexible Remuneration system for 2021 (the final dividend); by

   (ii) the total number of shares upon which the holders have opted to receive the final dividend within the scope of the first settlement implementation of the Iberdrola Flexible Remuneration (optional dividend) system for 2021.

On the date of authorisation of these consolidated Financial statements, it is not possible to determine the amount of the final dividend or, consequently, the amount of the dividend chargeable to the results of 2020.

The final dividend shall be paid together with the implementation of the capital increase that the Board of Directors will propose at the General Shareholders' Meeting to offer the shareholders the possibility of receiving their remuneration in cash (through the payment of the final dividend) or in the newly issued shares of the Company (through the aforementioned increase in share capital).

The payment of the final dividend will be one of the alternatives that the shareholder may choose when receiving their remuneration within the scope of the first settlement of the Iberdrola Flexible Remuneration corresponding to 2021 that will be carried out through application of the aforementioned capital increase.

It is estimated that the amount of the final dividend will be at least EUR 0.252 per share, subject to the approval by the General Shareholders' Meeting of the resolutions relating to the Iberdrola Flexible Remuneration system for 2021. The final amount of the final dividend will be disclosed as soon as the Board of Directors (or the body to which it delegates) so determines in accordance with the terms of the resolutions on dividend distribution and capital increase that the Board of Directors will propose to the General Shareholders' Meeting regarding the Iberdrola Flexible Remuneration system for 2021. Further, following the conclusion of the first implementation of the Iberdrola Flexible Remuneration system for 2021, the Board of Directors (with express powers of substitution) will determine the aforementioned distribution proposal, specifying the final amount of the dividend and the amount to be allocated to retained earnings.

23. LONG-TERM COMPENSATION PLANS

23.1 Share-based long-term compensation plans

Share-based long-term compensation plans in the settlement period

The key features of the plans are summarised below.

Long-term compensation Programme	Settled in shares	Assessment period	Settlement period	Maximum number of beneficiaries	Maximum number of shares	Degree of fulfilment
Iberdrola 2014-2016	Iberdrola	2014-2016	2017-2019	350	19,000,000	93.2% (1)
Iberdrola 2017-2019	Iberdrola	2017-2019	2020-2022	300	14,000,000	100% (1)
Avangrid 2016-2019	Avangrid	2016-2019	2020-2022	80	2,500,000	17.4% (2)

(1) Degree of fulfilment approved by the Board of Directors of IBERDROLA upon the proposal of the Remuneration Committee.

(2) Degree of fulfilment and settlement approved by the Board of Directors of AVANGRID upon the proposal of the Compensation, Nominating and Corporate Governance Committee (CNCGC).

The movement of the shares granted in these plans is as follows:

No. of shares	IBERDROLA 2014-2016	IBERDROLA 2017-2019	AVANGRID 2016-2019 (3)
Balance at 01.01.2019	**2,427,062**	**11,685,416**	**1,200,954**
Additions	–	80,000	2,523
Cancellations	(33,153)	(255,607)	(726)
Deliveries	(2,393,909) (1) (2)	–	–
Balance at 31.12.2019	**–**	**11,509,809**	**1,202,751**
Cancellations	–	(155,000)	(20,771)
Other	–	683,000	(976,317)
Deliveries	–	(3,985,715) (2)	(68,586)
Balance at 31.12.2020	**–**	**8,052,094**	**137,077**

(1) These shares included those delivered to executive directors (Note 49) and to senior management (Note 51).

(2) Taxes charged on shares delivered to senior management: EUR 2,383 thousand for the third instalment of the 2014-2016 Strategic bonus and EUR 3,526 thousand for the first instalment of the 2017-2019 Strategic bonus.

(3) In addition, under the scope of AVANGRID's Omnibus Plan, the general plan that establishes the governance framework for executive remuneration plans in cash and shares: i) 60,000 restricted shares have been settled, the balance at 31 December 2020 being 13,000 shares; ii) 161,920 notional shares (Phantom Share Units) were granted in 2020, with the equivalent value of 53,980 shares settled in cash and with the balance at 31 December 2020 being 102,628 notional shares to be settled in 2021 and 2022.

In relation to the long-term share-based compensation plans described above, the change in the "Other reserves" heading of the consolidated Statement of financial position is as follows:

Millions of euros	IBERDROLA 2014-2016	IBERDROLA 2017-2019	AVANGRID 2016-2019 (1)	Other, Avangrid (1)	Total
Balance at 01.01.2019	**21**	**37**	**4**	**1**	**63**
Provision charged to "Personnel expenses"	1	24	1	1	27
Price effect charged to "Other reserves"	3	–	–	–	3
Payments in shares	(25)	–	–	–	(25)
Balance at 31.12.2019	**–**	**61**	**5**	**2**	**68**
Provision charged to "Personnel expenses"	–	25	7	–	32
Price effect charged to "Other reserves"	–	16	–	–	16
Payments in shares	–	(50)	(2)	(2)	(54)
Transfers and other	–	–	(1)	–	(1)
Balance at 31.12.2020	**–**	**52**	**9**	**–**	**61**

(1) Submitted for 100%. Non-controlling interests account for 18.5%.

Share-based long-term compensation plans in the assessment period

In 2020, the following long-term share-based compensation plans were approved by the respective General Shareholders' Meeting of IBERDROLA and NEOENERGIA on 1 April 2020 (point 16 of the agenda) and in the Extraordinary Shareholders' Meeting of NEOENERGIA held on 20 April 2020 (item a):

Long-term compensation Programme	Settled in shares	Assessment period	Settlement period	Maximum number of beneficiaries	Maximum number of shares	Expected shares (1)
Iberdrola 2020-2022	Iberdrola	2020-2022	2023-2025	300	14,000,000 (2)	11,215,600 (2)
NEOENERGIA 2020-2022	Neoenergía	2020-2022	2023-2025	125	3,650,000	2,955,379

(1) Foreseeable number of shares to be delivered, based on the degree of compliance with the objectives to which they are pegged.

(2) Includes shares for all of the executive directors.

The reference metrics for the global performance evaluation over the assessment period are similar under the above plans, through adapted to each company:

Targets related to	Target type	Relative weight
Consolidated net profit	Performance	30%
Total shareholder return	Market	20%
Financial strength	Performance	20%
Sustainable Development Goals	Performance	30%

The "Personnel expenses" heading of the consolidated Income statement for 2020 includes EUR 8 million under the aforementioned long-term share-based compensation plans currently in the assessment period, as recognised and credited to "Other reserves" of the consolidated Statement of financial position.

Other share-based compensation plans

SCOTTISHPOWER has two share-based plans for its employees:

- *Sharesave Schemes*: savings plans under which employees may, at the end of a three or five-year saving period, use the money saved to buy IBERDROLA shares at a discounted option price set at the beginning of the plan or otherwise receive the amount saved in cash.

Share plan	Type	Term	Start year	Option price	Employee contribution	Company contribution
Sharesave 2014	Iberdrola shares	5 years	2014	£ 3.75	£ 5-250	20% discount
Sharesave 2020	Iberdrola shares	3 years	2020	£ 7.43	£ 5-500	20% discount

Changes in both plans are as follows:

	Sharesave 2014 (outstanding options)	Sharesave 2020 (outstanding options)
Balance at 01.01.2019	**3,573,882**	**–**
Exercised	(378,572)	–
Cancelled	(129,250)	–
Balance at 31.12.2019	**3,066,060**	**–**
Awarded	–	3,474,202
Exercised	(3,045,354)	(235)
Cancelled	(20,706)	(32,335)
Balance at 31.12.2020	**–**	**3,441,632**

- Share Incentive Plan: this plan has an option for purchasing IBERDROLA shares with tax incentives (partnership shares) plus a share contribution from the company up to a maximum amount (matching shares). The matching shares vest three years after purchase.

Plan	Type	Start year	Employee contribution	Company contribution
Share Incentive Plan	Iberdrola shares	2008	£ 10-150	£ 10-50

Changes in the number of shares are as follows:

	Number of shares
Shares acquired with employee contribution (*partnership shares)* in 2020	576,390
Total balance of partnership shares at 31.12.2020	**4,857,570**
Shares acquired with company contribution (*matching shares)* in 2020	210,836
Shares acquired with company contribution (matching shares) with a term shorter than 3 years	813,111
Total balance of matching shares at 31.12.2020	**2,378,785**

The "Personnel expenses" heading of the consolidated Income statement for 2020 and 2019 includes EUR 3 million and EUR 3 million for these plans, respectively, which have been credited under the "Other reserves" heading of the consolidated Statement of financial position.

Additionally, in 2020 and 2019 payments for options and shares have been made in the amount of EUR 18 and EUR 4 million, respectively.

23.2 Cash-based long-term compensation plans

The key features of the long-term cash-based plans currently in the settlement period are summarised below.

Long-term compensation Programme	Measurement period	Settlement period	Maximum number of beneficiaries	Maximum cash amount	Degree of fulfilment
2017-2019 IBERDROLA DISTRIBUCIÓN ELÉCTRICA	2017-2019	2020-2022	12	-	100% (1)
2018-2019 NEOENERGIA	2018-2019	2020-2022	100	BRL 50 million	97.64% (2)

(1) Degree of fulfilment and settlement approved by the Board of Directors of i-DE REDES ELÉCTRICAS INTELIGENTES, formerly IBERDROLA DISTRIBUCIÓN ELÉCTRICA.

(2) Degree of fulfilment and settlement approved by the Board of Directors of NEOENERGIA upon the proposal of the Remuneration Committee.

The "Personnel expenses" heading of the consolidated Income statement for 2020 and 2019 includes EUR 6 and 5 million, respectively.

The first of the three yearly settlements involved the delivery of EUR 5 million.

24. EQUITY INSTRUMENTS HAVING THE SUBSTANCE OF A FINANCIAL LIABILITY

In the United States, the IBERDROLA Group has signed several contracts that have brought in third parties as non-controlling interests in some of its wind farms in exchange for primarily cash and other financial assets.

The main characteristics of these contracts are as follows:

- Regardless of the interest acquired by the non-controlling interests, the IBERDROLA Group retains control and management over the wind farms; accordingly, they are fully consolidated in these consolidated financial statements.
- The non-controlling interests have the right to a substantial portion of the profits and tax credits generated by these wind farms up to the return level established at the beginning of the contract.
- The non-controlling interests remain in the equity of the wind farms until they achieve the stipulated returns.
- Once these returns have been obtained, the non-controlling interests must renounce their stake in the wind farms, thus losing their right to the profits and tax credits generated.

- Whether or not the non-controlling interests of the IBERDROLA Group obtain the agreed-upon returns depends on the economic performance of the wind farms. Although the IBERDROLA Group is obliged to operate and maintain these facilities in an efficient manner and to take out the appropriate insurance policies, it is not obliged to deliver cash to the non-controlling interests over and above the aforementioned profits and tax credits.

Following an analysis of the economic substance of these agreements, the IBERDROLA Group classifies the consideration received at the outset of the transaction under the “Non-current equity instruments having the substance of a financial liability” and “Current equity instruments having the substance of a financial liability” headings of the consolidated Statement of financial position. Subsequently, this consideration is measured at amortised cost.

At 31 December 2020 and 2019, the amount in this heading accrues an average interest in USD of 6.59% and 7.85% respectively.

Changes in this heading of the consolidated Statements of financial position for 2020 and 2019 are as follows:

Millions of euros	2020	2019
Opening balance	**215**	**177**
Finance expenses accrued in the year (Note 45)	28	20
Payments	(86)	(100)
Translation differences	(33)	4
Additions	267	114
Closing balance	**391**	**215**

In 2020 and May 2019, the IBERDROLA Group signed new agreements through its subsidiaries in the United States, Aeolus VII and Patriot Wind Holdings LLC, respectively.

25. CAPITAL GRANTS

The change in this heading of the consolidated Statements of financial position in 2020 and 2019 is as follows (Note 3.n).:

Millions of euros	Capital grants	Investment tax credits	Total
Balance at 01.01.2019	**276**	**1,202**	**1,478**
Additions	13	–	13
Disposals	(3)	(37)	(40)
Translation differences	1	24	25
Amounts allocated to the income statement (Note 3.n)	(16)	(61)	(77)
Balance at 31.12.2019	**271**	**1,128**	**1,399**
Additions	8	–	8
Disposals	–	(2)	(2)
Transfers	14	–	14
Translation differences	(6)	(99)	(105)
Amounts allocated to the income statement (Note 3.n)	(17)	(57)	(74)
Balance at 31.12.2020	**270**	**970**	**1,240**

26. FACILITIES TRANSFERRED OR FINANCED BY THIRD PARTIES

The change in this heading of the consolidated Statements of financial position in 2020 and 2019 is as follows (Note 3.o).:

Millions of euros	Transfer of facilities from third parties	Facilities financed by third parties	Total
Balance at 01.01.2019	**2,571**	**2,252**	**4,823**
Additions	111	185	296
Disposals	(1)	(3)	(4)
Translation differences	4	65	69
Amounts allocated to the income statement (Note 3.o)	(121)	(76)	(197)
Balance at 31.12.2019	**2,564**	**2,423**	**4,987**
Additions	167	216	383
Disposals	–	(2)	(2)
Transfers	–	5	5
Translation differences	(15)	(111)	(126)
Amounts allocated to the income statement (Note 3.o)	(124)	(80)	(204)
Balance at 31.12.2020	**2,592**	**2,451**	**5,043**

27. PROVISION FOR PENSIONS AND SIMILAR OBLIGATIONS

The breakdown of this heading of the consolidated Statements of financial position is as follows:

Millions of euros	31.12.2020	31.12.2019
Defined benefit plans (Spain)	385	409
Long-service bonuses and other long-term benefits (Spain)	47	44
Defined benefit plans (United Kingdom)	615	766
Defined benefit plans (United States)	871	1,030
Defined benefit plans (Brazil)	176	190
Defined benefit plans and other long-term benefits (Spain and other countries)	68	75
Restructuring plans	179	172
Total	**2.341**	**2,686**

Each year IBERDROLA estimates, based on an independent actuarial report, the payments for pensions and similar benefits that it will have to meet in the following financial year. These are recognised as current liabilities in the consolidated Statement of financial position.

27.a) Defined benefit plans and other non-current employee benefits

Spain

IBERDROLA Group's main commitments to providing defined benefits for its employees in Spain, in addition to those provided by Social Security, are as follows:

- Employees subject to IBERDROLA's Collective Labour Agreement who retired before 9 October 1996, are covered by a defined benefit retirement pension scheme, the actuarial value of which was fully externalised at 31 December 2020 and 2019.

IBERDROLA Group has no liability of any kind for this segment of employees and has no claim on any potential excess generated in the assets of this plan above and beyond the defined benefits.

- Further, in relation to serving employees and employees who have retired after 1996 and are subject to IBERDROLA Group's Collective Labour Agreement and members/beneficiaries of the IBERDROLA Pension Plan, risk benefits (e.g. widowhood, permanent disability or orphanhood) which guarantee a defined benefit at the time the event giving rise to such benefits occurs, are instrumented through a multi-year insurance policy. The guaranteed benefit consists of the difference between the present actuarial value of the above mentioned defined benefit at the time of the event and the member's vested rights at the time of the event, if the latter were lower. The premiums on the insurance policy for 2020 and 2019 are recognised under the "Personnel expenses" heading of the consolidated Income statements for an amount of EUR 9 million and EUR 14 million, respectively.

- IBERDROLA also maintains a provision to cover certain commitments with its employees other than those indicated above. These further commitments are covered by internal funds linked to social benefits, consisting mainly of free electricity supply, with an annual consumption limit, for retired employees and other long term benefits, primarily consisting of a long-service bonus for active employees at 10, 20 and 30 years of service.

United Kingdom (SCOTTISHPOWER)

SCOTTISHPOWER employees residing in the United Kingdom, hired before 1 April 2006, are covered by the following defined benefit retirement pension schemes: ScottishPower Pension Scheme (SPPS) and Manweb Group of Electricity Supply Pension Scheme (Manweb).

One-off capital sums have been offered to pensioners and deferred beneficiaries, reducing the defined benefit burden.

USA (AVANGRID)

The former employees of SCOTTISHPOWER that now form part of the workforce of the IBERDROLA Group in the United States, most of them belonging to the workforce of the Avangrid Renewables Holding Inc. Group (hereinafter, ARHI), are included in various post-employment plans (Supplemental Executive Retirement Plan, Iberdrola Renewables Retiree Benefits Plan and Iberdrola Renewables Retirement Plan).

From 30 April 2011, there was a change affecting all plan participants in the Iberdrola Renewables Retiree Benefits Plan. The benefit receivable at retirement age was set at the amount accrued until 30 April 2011 and the plan became a defined contribution scheme from that date onwards.

AVANGRID NETWORKS Group employees are affiliated to various defined benefit retirement pension schemes (Qualified Pension Plans, Non-Qualified Pension Plans), disability benefit plans (Long Term Disability Plans) and health insurance plans (Post-retirement Welfare Plans).

UIL Group´s employees, integrated in the AVANGRID NETWORKS Group, were covered by several defined benefit retirement schemes (Qualified Pension Plans, Non-Qualified Pension Plans) and health plans (Post-retirement Welfare Plans).

Defined benefit retirement plans are not available for new incorporations and, in certain cases, only past services rendered are recognised for employees who remain.

One-off capital sums have been offered to pensioners and deferred beneficiaries, reducing the defined benefit burden.

Brazil

On 24 August 2017 NEOENERGIA was acquired through the incorporation of ELEKTRO. ELEKTRO, CELPE, COELBA and COSERN employees are covered by several defined benefit retirement schemes. COELBA employees are also covered by a post-employment health plan.

Defined benefit retirement plans are not available for new incorporations.

Other commitments with employees

In addition, some IBERDROLA Group companies have provisions to meet certain commitments with their employees, other than those described above, which are met by in-house pension funds.

The most significant information about pension plans is as follows:

					United States						Brazil							
	Spain		United Kingdom		ARHI		UIL		AVANGRID NETWORKS		ELEKTRO [1]		NEOENERGIA [2]		Other		Total	
Millions of euros	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Present value of the obligation	(432)	(453)	(6,181)	(6,081)	60	(64)	(1,059)	(1,128)	(2,410)	(2,531)	(304)	(361)	(375)	(505)	(68)	(75)	(10,889)	(11,198)
Fair value of plan assets	–	–	5,566	5,315	34	35	730	715	1,894	1,943	278	363	270	379	–	–	8,772	8,750
Net asset / (Net provision)	**(432)**	**(453)**	**(615)**	**(766)**	**(26)**	**(29)**	**(329)**	**(413)**	**(516)**	**(588)**	**(26)**	**2**	**(105)**	**(126)**	**(68)**	**(75)**	**(2,117)**	**(2,448)**
Amounts recognised in the consolidated Statement of financial position:																		
Provision for pensions and similar obligations	(432)	(453)	(615)	(766)	(26)	(29)	(329)	(413)	(516)	(588)	(26)	–	(150)	(190)	(68)	(75)	(2,162)	(2,514)
Assets for pensions and similar obligations (Note 16.b)	–	–	–	–	–	–	–	–	–	–	–	–	5	7	–	–	5	7
Net asset / (Net provision)	**(432)**	**(453)**	**(615)**	**(766)**	**(26)**	**(29)**	**(329)**	**(413)**	**(516)**	**(588)**	**(26)**	**–**	**(145)**	**(183)**	**(68)**	**(75)**	**(2,157)**	**(2,507)**

(1) These amounts have not been recognised in the consolidated Statement of financial position at 31 December 2020 and 2019, respectively, since the requirements set forth in the current legislation for their accounting treatment are not met.

(2) At 31 December 2020 and 2019 a surplus of EUR 40 and 57 million, respectively, was not recognised, in application of IFRIC 14: “IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction”.

The changes in provisions for the commitments detailed in the previous section in 2020 and 2019 is as follows:

	Spain			United States			Brazil [1]			
Millions of euros	Electricity tariff	Long-service bonus	United Kingdom	ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA	Other	Total
Balance at 01.01.2019	**373**	**41**	**5,464**	**61**	**1,004**	**2,308**	**300**	**482**	**56**	**10,089**
Normal cost (Note 40)	5	4	58	1	13	28	1	–	3	**113**
Past service cost (Note 40)	–	–	(13)	(1)	–	–	–	–	1	**(13)**
Finance expense (Note 45)	6	–	153	2	40	89	28	44	2	**364**
Actuarial gains and losses										
To Profit and loss (Note 40)	1	3	–	–	–	–	–	–	–	**4**
To reserves	40	–	432	4	112	223	54	29	19	**913**
Member contributions	–	–	7	–	–	–	1	–	–	**8**
Payments	(16)	(4)	(345)	(4)	(63)	(164)	(18)	(45)	(7)	**(666)**
Translation differences	–	–	325	1	22	47	(5)	(5)	1	**386**
Balance at 31.12.2019	**409**	**44**	**6,081**	**64**	**1,128**	**2,531**	**361**	**505**	**75**	**11,198**
Normal cost (Note 40)	6	4	57	1	13	35	2	–	3	**121**
Past service cost (Note 40)	(43)	–	–	–	(10)	–	(4)	–	(6)	**(63)**
Other costs charged to “Personnel expenses” (Note 40)	–	–	(9)	–	–	–	–	–	–	**(9)**
Finance expense (Note 45)	4	–	119	2	34	70	21	28	1	**279**
Actuarial gains and losses										
To Profit and loss (Note 40)	–	3	–	–	–	–	–	–	–	**3**
To reserves	25	–	642	5	60	171	47	21	4	**975**
Member contributions	–	–	6	–	–	–	1	–	–	**7**
Payments	(16)	(4)	(321)	(5)	(65)	(161)	(15)	(32)	(5)	**(624)**
Translation differences	–	–	(394)	(7)	(101)	(236)	(109)	(147)	(4)	**(998)**
Balance at 31.12.2020	**385**	**47**	**6,181**	**60**	**1,059**	**2,410**	**304**	**375**	**68**	**10,889**

(1) As the surplus was not recognised, the actuarial differences recognised in reserves were adjusted upwards in 2020 and 2019 by EUR 6 and 33 million respectively in application of IFRIC 14: “IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction”. Moreover, in 2020 and 2019, and for the same concept, the finance expenses recognised were adjusted upwards by EUR 3 and 8 million, respectively.

The average length at the end of the year of the liability for the defined benefit commitments described previously is:

	Spain			United States			Brazil	
Years	Electricity tariff	Long-service bonus	United Kingdom	ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA
Average length	22	9	19	14	14	12	15	10

The movement in the fair value of the plan assets in 2020 and 2019 is as follows:

		United States			Brazil		
Millions of euros	United Kingdom	ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA	Total
Fair value at 01.01.2019	**4,894**	**31**	**610**	**1,726**	**331**	**332**	**7,924**
Revaluation (Note 45)	139	1	25	67	30	31	**293**
Actuarial gains and losses to reserves	145	4	98	234	22	46	**549**
Company contributions	188	3	32	45	1	20	**289**
Member contributions	7	–	–	–	1	–	**8**
Proceeds	(345)	(4)	(63)	(164)	(18)	(45)	**(639)**
Translation differences	287	–	13	35	(4)	(5)	**326**
Fair value at 31.12.2019	**5,315**	**35**	**715**	**1,943**	**363**	**379**	**8,750**
Revaluation (Note 45)	105	1	22	54	21	21	**224**
Actuarial gains and losses to reserves	632	4	81	199	14	(3)	**927**
Company contributions	176	2	48	44	1	14	**285**
Member contributions	6	–	–	–	1	–	**7**
Proceeds	(321)	(5)	(65)	(161)	(15)	(32)	**(599)**
Translation differences	(347)	(3)	(71)	(185)	(107)	(109)	**(822)**
Fair value at 31.12.2020	**5,566**	**34**	**730**	**1,894**	**278**	**270**	**8,772**

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the commitments referred to above at 31 December 2020 and 2019 are as follows:

2020	Discount rate	Wage growth	Price kWh (euros)	Inflation	Mortality tables	Health insurance cost Pre-Medicare/medicare
Spain						
Electricity tariff [1]	0.37%	–	2021 0.09152; 2022 0.10936; 2023 0.10914; 2024 0.10845; […]	–	PER 2020	–
Length of service bonus [1]	0.06%	1.00%	–	–	PER 2020	–
United Kingdom	1.40%	2.90%	–	2.90%	Pre/post-retirement Men: 85% AMC00 / 90%S2PMA CMI2019 M (1.25% improvement rate) Women: 85%AFC00 / 100%S2PFA CMI2019 F (1.25% improvement rate)	–
United States						
ARHI	2.59%	n.a.	–	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2020	Function year RX: 6.50% (pre-65)/7.25% (post-65) (2021); 6.25%/7.00%(2022) [...]: 4.50%/4.50% (2029 onwards)
UIL	2.51%	Specific flat rates (Union/Non-union)	–	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2020	Function year RX: 6.50% (pre-65)/7.25% (post-65) (2021); 6.25%/7.00%(2022) [...]: 4.50%/4.50% (2029 onwards)
AVANGRID NETWORKS	2.22%	In accordance with age (Non-Union) and specific flat rates (Union)	–	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2020	Function year RX: 6.50% (pre-65)/7.25% (post-65) (2021); 6.25%/7.00%(2022) [...]: 4.50%/4.50% (2029 onwards)
Brazil						
ELEKTRO	7.25%	5.94%	–	3.25%	AT - 2000 male - 10%	–
NEOENERGIA						
Celpe BD	7.04%	4.28%	–	3.25%	AT-2000 male	–
Coelba BD	6.98%	–	–	3.25%	BR-EMS-sb 2015 Male -15%	–
Coelba Plan As. Médica	7.23%	n.a.	–	3.25%	AT-2000 Basic	–
Cosern BD	6.80%	–	–	3.25%	AT - 2000 (40% male; 60% female) - 10%	–

2019	Discount rate	Wage growth	kWh price increase	Inflation	Mortality tables	Health insurance cost Pre-Medicare/medicare
Spain						
Electricity tariff [(1)]	0.93%	–	2020 0.1129174; 2021: 0.118912; 2022: 0.116039; 2023: 0.1115581; […]	–	PERMF 2000P	–
Length of service bonus [(1)]	0.47%	1.00%	–	–	PERMF 2000P	–
United Kingdom	2.10%	3.07%	–	3.07%	Pre/post-retirement Men: 85% AMC00 / 90%S2PMA CMI2018 M (1.25% improvement rate) Women: 85%AFC00 / 100%S2PFA CMI2018 F (1.25% improvement rate)	–
United States						
ARHI	3.10%	n.a.	–	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2019	Function year RX: 6.75% (pre-65)/7.25% (post-65) (2020); 6.50%/7.25%(2021) […]: 4.50%/4.50% (2029 onwards)
UIL	3.19%	3.50% - 3.80%	–	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2019	Function year 6.75%(pre-65)/5.50% (post-65) (2020); 6.50%/5,25%(2021) […]: 4.50%/4.50% (2029 onwards)
AVANGRID NETWORKS	2.93%	According to age and Union/Non-union	–	2.00%	Pri-2012 Fully Generational Projection using Scale MP 2019	Function year RX: 6.75% (pre-65)/7.25% (post-65) (2020); 6.50%/7.25%(2021) […]: 4.50%/4.50% (2029 onwards)
Brazil						
ELEKTRO	7.81%	6.65%	–	4.00%	AT - 2000 male - 10%	–
NEOENERGIA			–	–		
Celpe BD	7.61%	5.04%	–	4.00%	AT-2000 male	–
Coelba BD	7.53%	n.a.	–	4.00%	BR-EMS-sb 2015 Male -15%	–
Coelba Plan As. Médica	7.79%	n.a.	–	4.00%	AT-2000 Basic	–
Cosern BD	7.41%	n.a.	–	4.00%	AT - 2000 (40% male; 60% female)-10%	–

(1) In both cases, the retirement age has been established pursuant to the Law 27/2011, of 1 August, on the upgrade, adjustment and modernisation of the Social Security system, providing for a gradual increase in the retirement age in accordance with the law.

The most relevant figures for these commitments over the last years are the following:

Millions of euros	2020	2019	2018	2017	2016
Spain					
Present value of the obligation	(432)	(453)	(413)	(445)	(553)
Net asset / (Net provision)	(432)	(453)	(413)	(445)	(553)
Experience adjustments arising on plan liabilities	–	(9)	5	8	5
United Kingdom					
Present value of the obligation	(6,181)	(6,081)	(5,464)	(6,190)	(6,262)
Fair value of plan assets	5,566	5,315	4,894	5,552	5,742
Net asset / (Net provision)	(615)	(767)	(569)	(638)	(520)
Experience adjustments arising on plan liabilities	42	13	81	46	(18)
Experience adjustments arising on plan assets	633	144	(344)	97	552
ARHI					
Present value of the obligation	(60)	(64)	(61)	(63)	(73)
Fair value of plan assets	34	35	31	35	38
Net asset / (Net provision)	(26)	(29)	(31)	(29)	(35)
Experience adjustments arising on plan liabilities	(2)	(2)	(1)	(1)	2
Experience adjustments arising on plan assets	4	(4)	(3)	4	1
UIL					
Present value of the obligation	(1,059)	(1,128)	(1,004)	(1,016)	(1,126)
Fair value of plan assets	730	715	610	662	695
Net asset / (Net provision)	(329)	(413)	(395)	(354)	(431)
Experience adjustments arising on plan liabilities	6	(7)	3	27	(30)
Experience adjustments arising on plan assets	81	(98)	(61)	68	20
AVANGRID NETWORKS					
Present value of the obligation	(2,410)	(2,531)	(2,308)	(2,389)	(2,629)
Fair value of plan assets	1,894	1,943	1,726	1,854	1,992
Net asset / (Net provision)	(516)	(588)	(581)	(535)	(637)
Experience adjustments arising on plan liabilities	(9)	(21)	20	(26)	38
Experience adjustments arising on plan assets	199	(234)	(146)	179	38
ELEKTRO					
Present value of the obligation	(304)	(361)	(300)	(303)	(336)
Fair value of plan assets	278	363	331	343	376
Net asset / (Net provision)	(26)	2	31	40	40
Experience adjustments arising on plan liabilities	(54)	(8)	(2)	18	(16)
Experience adjustments arising on plan assets	14	22	14	(3)	17
NEOENERGIA					
Present value of the obligation	(375)	(505)	(482)	(542)	–
Fair value of plan assets	270	379	332	348	–
Net asset / (Net provision)	(105)	(126)	(150)	(194)	–
Experience adjustments arising on plan liabilities	(29)	(13)	14	(7)	–
Experience adjustments arising on plan assets	(3)	46	(25)	(8)	–

The sensitivity at 31 December 2020 of the present value of the obligation of these commitments to changes in different variables is as follows:

	Spain			United States			Brazil	
Increase/decrease	Electricity tariff	Long-service bonus	United Kingdom	ARHI	UIL	AVANGRID NETWORKS	ELEKTRO	NEOENERGIA
Discount rate (basis points)								
10	(7)	–	(113)	(1)	(14)	(27)	(4)	(3)
(10)	7	–	121	1	14	27	4	4
Inflation (basis points)								
10	–	–	108	–	–	–	–	
(10)	–	–	(105)	–	–	–	–	
Wage growth (basis points)								
10	–	–	–	–	1	2	–	–
(10)	–	–	–	–	(1)	(2)	–	–
Mortality tables (years)								
1	–	–	248	2	49	114	–	–
Health insurance cost (basis points)								
25	–	–	–	–	1	1	–	–
(25)	–	–	–	–	(1)	(1)	–	–
Price increase kWh (basis points)								
10	9	–	–	–	–	–	–	–
(10)	(8)	–	–	–	–	–	–	–

Category of assets

The main categories of plan assets, as a percentage of total plan assets at year end, are shown in the table below:

2020	Equity securities	Fixed income securities	Cash and cash equivalents	Other
United Kingdom	15%	31%	12%	42%
AVANGRID NETWORKS				
Retirement plan	36%	50%	5%	9%
Retiree Benefits Plan	58%	38%	3%	0%
UIL				
Qualified Pension Plans	35%	53%	3%	9%
Post-retirement Welfare Plans	52%	25%	5%	18%
ARHI				
Qualified Pension Plans	40%	49%	4%	7%
Post-retirement Welfare Plans	53%	41%	6%	–
ELEKTRO	–	97%	–	3%
NEOENERGÍA	2%	95%	–	2%

2019	Equity securities	Fixed income securities	Cash and cash equivalents	Other
United Kingdom	16%	32%	7%	45%
AVANGRID NETWORKS				
Retirement plan	22%	63%	2%	13%
Retiree Benefits Plan	52%	37%	2%	9%
UIL				
Qualified Pension Plans	33%	52%	1%	14%
Post-retirement Welfare Plans	10%	4%	65%	21%
ARHI				
Qualified Pension Plans	42%	42%	1%	15%
Post-retirement Welfare Plans	46%	48%	6%	0%
ELEKTRO	–	96%	–	4%
NEOENERGÍA	1%	97%	–	2%

The assets associated with these plans include neither financial instruments issued by the IBERDROLA Group nor tangible nor intangible assets.

Moreover, the liquidity of plan assets measured at fair value is reviewed by an independent third party, and is as follows:

Millions of euros	Value at 31.12.2020	Listed or measured with observable inputs	Measured with non-observable inputs
United Kingdom	5,566	4,631	935
AVANGRID	2,658	2,407	251
ELEKTRO	278	261	17
NEOENERGIA	270	259	11
Total	**8,772**	**7,558**	**1,214**

Millions of euros	Value at 31.12.2019	Listed or measured with observable inputs	Measured with non-observable inputs
United Kingdom	5,315	4,108	1,207
AVANGRID	2,693	2,253	440
ELEKTRO	363	330	33
NEOENERGIA	379	360	19
Total	**8,750**	**7,051**	**1,699**

The strategic distribution of pension plans investments is supported by periodic specific Asset Liability Management studies for each of the plans. This guarantees the match between the funding policy and the expected time to fully finance the commitment in accordance with flows resulting therefrom. Those studies provide the level of sensitivity to the different expected rates of return of the assets and discount of obligations. It also guarantees that plans are adequately funded while recovering regulated cash flows. There are also prudential investment rules applicable to pensions within the scope of the Group.

Assets managed at global level have been progressively switched to passive management. Provisions for death and permanent disability have been covered with pension plans through insurance policies and managing entities and investment assets have been qualified through independent third parties, resulting in investments with lower liquidity. Additionally, in the United Kingdom, longevity risk has been hedged through the use of swaps and inflation risk has been partially hedged.

27.b) Defined contribution plans

Active employees of IBERDROLA and employees who have retired after 9 October 1996, who are members of the IBERDROLA Group pension plan with joint sponsors, are covered by an occupational, defined-contribution retirement pension system independent of the Social Security system.

In accordance with this system and Iberdrola Group’s effective Collective Labour Agreement, the periodic contribution to be made is calculated as a percentage of the annual pensionable salary of each employee, except for employees who joined the Company after 9 October 1996, who are subject from 1 January 2020 to a contributory system whereby the Company pays 65% and the employee 35% (from 1 January 2019, the Company paid 62.5% and the employee 37.5%). For the ones hired after 20 July 2015 the company pays 1/3 and the employee 2/3, until the date in which the employee takes part in the Base Salary Rating (SBC), whereupon they will become subject to the same rules and criteria as applicable to those who joined the Company after 9 October 1996. The respective subsidiaries finance these contributions for all their active employees under 65.

The Iberdrola Group's contributions in 2020 and 2019 were EUR 20 and 19 million, respectively, and are recognised under the “Personnel expenses” heading of the consolidated Income statement.

The contribution made on behalf of employees not covered by the Collective Bargaining Agreement in 2020 and 2019, recognised under the “Personnel expenses” heading of the consolidated Income statement is shown below.

Defined contribution plans	2020	2019
SCOTTISHPOWER	15	14
AVANGRID	43	35
NEOENERGIA	5	6
Other	1	1
Total	64	56

27.c) Restructuring plans

Given the interest shown by some of the employees in requesting early retirement, IBERDROLA Group has offered them different mutually agreed plans for termination of the employment relationship, thus carrying out a process of individual termination contracts in Spain. At 31 December 2020 and 2019, the existing provisions in this regard correspond to the following restructuring plans:

	31.12.2020		31.12.2019	
Millions of euros	Provisions	No. of individual contracts	Provisions	No. of individual contracts
2012 restructuring plan	–	2	–	4
2014 restructuring plan	12	96	21	159
2015 restructuring plan	4	40	7	51
2016 restructuring plan	2	32	5	43
2017 restructuring plan	60	327	85	386
2019 restructuring plan	29	141	38	141
2020 restructuring plan	58	168	–	–
Total	165	806	156	784

In addition, the following provisions at 31 December 2020 and 2019 are held to meet these commitments abroad and for the subsidiary company Iberdrola Ingeniería y Construcción, S.A.U.(IIC):

Millions of euros	31.12.2020	31.12.2019
SCOTTISHPOWER	2	6
IIC	12	10
Total	14	16

The discount to present value of the provisions is charged under the heading “Finance expense” heading of the consolidated Income statement.

The change in provisions for the commitments detailed in the previous section in 2020 and 2019 is as follows:

Millions of euros	2020	2019
Opening balance	**172**	**188**
Charge (Note 40)	63	47
Finance expense	–	1
Actuarial gain and losses and other	–	(2)
Payments	(56)	(62)
Closing balance	179	172

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the aforementioned commitments relating to the restructuring plans at 31 December 2020 and 2019 are as follows:

	2020		2019	
	Discount rate	Inflation	Discount rate	Inflation
Restructuring plans	0.00%	1.00% / 0.70%	0.24%-0,26%	1.00% / 0.70%

28. OTHER PROVISIONS

The movement and breakdown of the "Other provisions" heading in the liabilities of the consolidated Statement of financial position in 2020 and 2019 is as follows:

Millions of euros	Provisions for litigation, indemnity payments and similar costs	Provision for CO2 emissions	Provision for facility closure costs (Notes 3.r and 5)	Other provisions	Total
Balance at 31.12.2018	**762**	**430**	**1,798**	**415**	**3,405**
First-time application of IFRS 16 (Note 2.a.)	(6)	–	16	–	10
Charge or reversals for the year with a debit/credit to "Property, plant and equipment" (Note 3.d)	22	–	391	10	423
Charges for discount to present value (Note 45)	49	–	35	1	85
Charges for the year to the Income statement	186	618	9	29	842
Reversal due to excess	(69)	–	(10)	(6)	(85)
Translation differences	–	20	26	7	53
Transfers	23	–	–	(8)	15
Payments made and other	(177)	–	(2)	(43)	(222)
Emission allowances and Green certificates	–	(562)	–	–	(562)
Balance at 31.12.2019	**790**	**506**	**2,263**	**405**	**3,964**
Charge or reversals for the year with a debit/credit to "Property, plant and equipment" (Note 3.d)	24	–	423	5	452
Charges for discount to present value (Note 45)	40	–	28	1	69
Charges for the year to the Income statement	79	556	7	28	670
Reversal due to excess	(78)	–	(17)	(31)	(126)
Modification of the consolidation scope (Note 8)	2	–	11	1	14
Translation differences	(109)	(23)	(93)	(40)	(265)
Transfers	9	–	–	(6)	3
Payments made and other	(64)	–	(8)	(26)	(98)
Emission allowances and Green certificates	–	(609)	–	–	(609)
Balance at 31.12.2020	**693**	**430**	**2,614**	**337**	**4,074**

In addition, the IBERDROLA Group has provisions for responsibilities arising from litigation in progress and from indemnity payments, obligations, collateral and other similar guarantees, and those aimed at covering environmental risks. The latter have been determined on a case-by-case analysis of the situation of the polluted assets and the cost that will have to be incurred in cleaning them.

The IBERDROLA Group also maintains provisions to meet a series of costs needed for decommissioning at its nuclear and thermal power plants, its wind farms, and at other facilities.

The cost arising from decommissioning obligations is reviewed on a regular basis to incorporate the experience of past decommissioning carried out, or to include new bylaw or regulatory requirements, into future cost estimates.

Details of provision for plants closure costs are as follows:

Millions of euros	31.12.2020	31.12.2019
Nuclear power plants	690	657
Wind-powered farms and other alternative stations	1,526	1,256
Combined cycle power plants	240	207
Thermal power plants	55	57
Other facilities	83	64
Right-of-use asset	20	22
Total	**2,614**	**2,263**

The amount related to nuclear plants covers the costs which the plant operator will incur from the end of its useful life until ENRESA (Note 3.x) takes control of them.

The discount rates (minimum and maximum range) before taxes of the main countries in which the IBERDROLA Group operates used in the discounting to present value of the provisions are as follows:

		Discount rate 2020		Discount rate 2019	
Country	Currency	5 years	30 years	5 years	30 years
Spain	Euro	(0.47%)	0.85%	(0.05%)	1.46%
United Kingdom	Pound sterling	(0.02%)	0.84%	0.61%	1.33%
United States	US dollar	0.38%	1.74%	1.71%	2.36%

The estimated dates on which the Iberdrola Group considers that it will have to meet the payments relating to the provisions included in this heading of the consolidated Statement of financial position at 31 December 2020 are as follows:

Millions of euros	
2021	556
2022	119
2023	77
2024 onwards	3,322
Total	**4,074**

29. BANK BORROWINGS, DEBENTURES OR OTHER MARKETABLE SECURITIES

Details of bank borrowings, debentures or other marketable securities outstanding at 31 December 2020 and 2019, once foreign exchange hedges are considered, and the repayment schedule are as follows:

		Bank borrowings, debentures or other marketable securities at 31 December 2020 maturing in						
		Short term	Long term					
Millions of euros	Balance at 31.12.2020 (*)	2021	2022	2023	2024	2025	2026 and following	Total non-current
In euros								
Obligations and bonds	12,005	1,110	2,202	1,398	1,897	2,002	3,396	10,895
Promissory notes	2,763	2,763	–	–	–	–	–	–
Loans and drawdowns of credit facilities	5,447	733	725	258	298	750	2,683	4,714
Other financing transactions	1,165	1,158	4	3	–	–	–	7
Unpaid accrued interest	169	169	–	–	–	–	–	–
	21,549	**5,933**	**2,931**	**1,659**	**2,195**	**2,752**	**6,079**	**15,616**
Foreign currency								
US dollars	8,676	563	305	691	1,158	1,157	4,802	8,113
Pound sterling	3,430	420	44	482	382	589	1,513	3,010
Brazilian reais	4,095	580	696	608	693	496	1,022	3,515
Other	121	50	6	6	7	7	45	71
Unpaid accrued interest	166	157	6	–	–	–	3	9
	16,488	**1,770**	**1,057**	**1,787**	**2,240**	**2,249**	**7,385**	**14,718**
Total	**38,037**	**7,703**	**3,988**	**3,446**	**4,435**	**5,001**	**13,464**	**30,334**

		Bank borrowings, debentures or other marketable securities at 31 December 2019 maturing in						
		Short term	Long-term					
Millions of euros	Balance at 31.12.2019 (*)	2020	2021	2022	2023	2024	2025 and following	Total non-current
In euros								
Obligations and bonds	13,126	1,962	1,078	2,011	1,235	1,924	4,916	11,164
Promissory notes	2,216	2,216	–	–	–	–	–	–
Loans and drawdowns of credit facilities	4,753	882	725	634	382	245	1,885	3,871
Other financing transactions	1,308	1,293	8	4	3	–	–	15
Unpaid accrued interest	208	208	–	–	–	–	–	–
	21,611	**6,561**	**1,811**	**2,649**	**1,620**	**2,169**	**6,801**	**15,050**
Foreign currency								
US dollars	8,497	1,191	725	331	757	808	4,685	7,306
Pound sterling	3,638	98	399	46	505	401	2,189	3,540
Brazilian reais	4,947	770	573	842	777	792	1,193	4,177
Other	42	3	4	4	4	5	22	39
Unpaid accrued interest	191	177	7	7	–	–	–	14
	17,315	**2,239**	**1,708**	**1,230**	**2,043**	**2,006**	**8,089**	**15,076**
Total	**38,926**	**8,800**	**3,519**	**3,879**	**3,663**	**4,175**	**14,890**	**30,126**

(*) At 31 December 2020, the balance includes EUR 3,016 million in issuances of domestic commercial paper (USCP) and Euro Commercial Paper (ECP). At 31 December 2020, there were no drawdowns of credit facilities.

At 31 December 2019, the balance included EUR 538 million from drawdowns on credit lines and facilities, and EUR 2,720 million from issues of domestic promissory notes (USCP) and Euro Commercial Paper (ECP).

The average balance under the Euro Commercial Paper (ECP) programme amounts to EUR 2,446 and 2,258 million, respectively, in 2020 and 2019.

At 31 December 2020 and 2019, the IBERDROLA Group was fully up to date with all its financial debt payments and there had been no circumstances affecting the change of control or adverse changes in its credit quality, and consequently it had not been necessary to meet the early maturity of the debt or modify the cost related to the loans of which it is the holder.

The average cost of debt of the IBERDROLA Group in 2020 and 2019 was 2.86% and 3.24%, respectively.

The breakdown of maturities applicable to future commitments of unaccrued interest payments at 31 December 2020 and 2019 after considering the effect of exchange rate hedges and interest rate hedges, considering that interest and exchange rates in force are kept until they mature, is as follows:

31.12.20 Millions of euros	2021	2022	2023	2024	2025	2026 and following	Total
Euros	172	149	116	91	77	213	818
US dollars	304	299	283	272	231	1,827	3,216
Pound sterling	153	149	137	117	63	216	835
Brazilian reais	139	168	165	127	87	349	1,035
Other	5	5	4	4	3	10	31
Total	**773**	**770**	**705**	**611**	**461**	**2,615**	**5,935**

31.12.19 Millions of euros	2020	2021	2022	2023	2024	2025 and following	Total
Euros	270	234	204	170	126	197	1,201
US dollars	347	308	303	280	266	2,117	3,621
Pound sterling	178	171	168	157	126	364	1,164
Brazilian reais	251	221	199	145	102	208	1,126
Other	4	4	3	3	3	6	23
Total	**1,050**	**938**	**877**	**755**	**623**	**2,892**	**7,135**

Significant transactions carried out by the IBERDROLA Group during 2020 are as follows:

Borrower	Transaction	Date arranged	Amount (millions)	Currency	Interest rate	Maturity
First quarter						
Itabapoana	Infrastructures public green bond	19-Feb.-2020	300	BRL	IPCA+4.5%	15-Feb.-2045
Iberdrola Finanzas	Private Bond	31-Mar.-2020	160	EUR	1.62%	29-Nov.-2029
Celpe (1)	Loan 4131	07-Jan.-2020	62,5	USD		30-Jan.-2025
Celpe (1)	Loan 4131	11-Mar.-2020	52	USD		18-Mar.-2025
Coelba (1)	Loan 4131	07-Jan.-2020	62,5	USD		27-Feb.-2025
Coelba (1)	Loan 4131	11-Mar.-2020	52	USD		18-Mar.-2025
Jalapão (2)	BNDES loan	30-Jan.-2020	778	BRL		15-Nov.-2043
Dourados	FCO loan	27-Feb.-2020	30	BRL		01-Feb.-2035
Second quarter						
Iberdrola Finanzas	Public green bond	08-Apr.-2020	750	EUR	0.88%	16-Jun.-2025

Borrower	Transaction	Date arranged	Amount (millions)	Currency	Interest rate	Maturity
Avangrid	Public green bond	07-Apr.-2020	750	USD	3.20%	15-Apr.-2025
Elektro Redes	Public bond	28-Apr.-2020	260	BRL	CDI+1.90%	04-May.-2022
Iberdrola International	Structured public bond	03-May-2020	200	EUR	0.00%	11-Nov.-2022
NY State Electric & Gas	Tax exemption bond	09-Mar.-2020	65	USD	1.40%	01-Jul.-2026
NY State Electric & Gas	Tax exemption bond	09-Mar.-2020	34	USD	1.53%	01-Dec.-2027
NY State Electric & Gas	Tax exemption bond	09-Mar.-2020	37,5	USD	1.61%	01-Feb.-2029
NY State Electric & Gas	Tax exemption bond	09-Mar.-2020	63,5	USD	1.61%	01-Jun.-2029
Berkshire Gas Company	Private Bond	04-May-2020	25	USD	3.68%	01-Sep.-2050
Coelba (1)	Loan 4131	22-May-2020	3,858	JPY		22-Jun.-2021
Celpe (1)	Loan 4131	24-Jun.-2020	80	USD		23-Jun.-2025
Iberdrola Financiación	Bilateral loan	16-Apr.-2020	50	EUR		16-Apr.-2022
Celpe	Bilateral loan	09-Jun.-2020	100	BRL		08-Jun.-2021
Avangrid	Sustainable syndicated loan	29-Jun.-2020	500	USD		27-Jun.-2022
Iberdrola Financiación	Bilateral loan	06-Apr.-2020	23,528	JPY		06-Apr.-2022
Iberdrola Financiación	Bilateral loan	13-Apr.-2020	200	EUR		13-Apr.-2022
Iberdrola Financiación	Bilateral loan	24-Apr.-2020	200	EUR		24-Apr.-2022
Third quarter						
NY State Electric & Gas	Public bond	23-Sept.-2020	200	USD	1.95%	01-Oct.-2030
Central Maine Power Company	Mortgage-backed bond	22-Sept.-2020	50	USD	1.87%	15-Dec.-2030
The Southern Connecticut Gas Company	Mortgage-backed bond	22-Sept.-2020	50	USD	1.87%	15-Dec.-2030
Connecticut Natural Gas Corporation	Private Bond	22-Sept.-2020	30	USD	2.02%	15-Dec.-2030
The United Illuminating Company	Private Bond	22-Sept.-2020	75	USD	2.02%	01-Dec.-2030
Iberdrola Financiación (2)	EIB green loan	06-Jul.-2020	600	EUR		03-Aug.-2029
Iberdrola Financiación (3)	Green ICO loan	07-Jul.-2020	200	EUR		07-Jul.-2029
Iberdrola Financiación	Green ICO loan	22-Jul.-2020	59.5	EUR		22-Jul.-2029
Santa Luzia (2)	BNDES loan	02-Jul.-2020	369	BRL		15-Jul.-2044
Coelba (3)	BNDES loan	29-Sept.-2020	1,596.7	BRL		15-Jun.-2040
Celpe (3)	BNDES loan	29-Sept.-2020	716.3	BRL		15-Jun.-2040
Elektro (3)	BNDES loan	29-Sept.-2020	687.4	BRL		15-Jun.-2040
Cosern (3)	BNDES loan	30-Sep.-2020	387.6	BRL		15-Jun.-2040
Oitis 2 to 8 (3)	BNB loan	10-Sept.-2020	715	BRL		15-Sep.-2044
Fourth quarter						
Rochester Gas and Electric Corporation	Mortgage-backed bond	16-Nov.-2020	200	USD	1.85%	01-Dec.-2030
Coelba	Loan 4131	19-Oct.-2020	200	BRL		27-Dec.-2023
Celpe	Loan 4131	19-Oct.-2020	200	BRL		27-Dec.-2023
Celpe (1) (3)	Loan 4131	02-Dec.-2020	38,1	USD		08-Jan.-2024
Celpe (1) (3)	Loan 4131	23-Dec.-2020	38,3	USD		26-Jan.-2024
Cosern (1) (3)	Loan 4131	30-Dec.-2020	19,4	USD		08-Jan.-2024
Iberdrola Financiación	Bilateral loan	09-Dec.-2020	50	EUR		09-Dec.-2025
Coelba	Bilateral loan	02-Oct.-2020	50	BRL		02-Oct.-2023
Coelba	Bilateral loan	02-Oct.-2020	155	BRL		02-Oct.-2023
Coelba	Bilateral loan	26-Nov.-2020	195	BRL		26-Nov.-2023
Jalapão (3)	BASA loan	17-Dec.-2020	214	BRL		15-Mar.-2040

(1) Currency swap contracts for the company's currency

(2) Partially drawn financing

(3) Financing expected to be drawn down in 2021/2022

The most significant transaction extension performed by the IBERDROLA Group during 2020 are as follows:

Borrower	Transaction	Amount (millions)	Currency	Extension option	Maturity
Iberdrola	Sustainable syndicated loan (1)	2,979	EUR	-	13-Feb.-2025
Iberdrola	Sustainable syndicated loan (1)	2,321	EUR	-	13-Feb.-2025
Iberdrola Financiación	Sustainable syndicated loan (1)	1,500	EUR	1 year	27-Mar.-2025

(1) Second option to extend the novated syndicated credit facilities for 1 further year in January 2018 in the amount of EUR 5,300 million.

Certain Group investment projects, mainly related to renewable energies, have been financed specifically through loans that include covenants such as the compliance with certain financial ratios or the obligation to pledge in benefit of creditors the shares of the project-companies (Note 48). The fair value of these kinds of loans at 31 December 2020 and 2019 amounted to EUR 620 and 561 million, respectively. These loans also require that a deposit be set aside for the fulfilment of obligations under the loan agreements. If the ratios are not met and/or the security deposit does not reach the agreed amount, it is impossible to distribute dividends in the year in which they are not met.

With respect to the clauses relating to credit ratings, the IBERDROLA Group has arranged financial transactions with the EIB and the ICO at 31 December 2020 and 2019 amounting to EUR 3,876 million and EUR 2,647 million, respectively, which may need to be renegotiated in the event of a rating downgrade, foreseeably at the same price as other transactions with the EIB and the ICO that do not incorporate such clauses.

Also, at 31 December 2020 and 2019, the IBERDROLA Group has arranged loans and credits amounting to EUR 500 and 1,038 million, respectively, the cost of which would be revised as a result of the decline in its credit rating. However, in both cases, the increase in cost would not be significant.

In addition, at 31 December 2020 there are bonds issued, borrowings and other agreements between bank entities and the IBERDROLA Group whose maturity dates could be impacted or may require additional guarantees to those already existing should a control change be implemented in the manner and times set. The most significant changes are those described in the following paragraphs:

- Bond issues in the amount of EUR 12,035 million in the European market and USD 150 million (equivalent to EUR 122 million) in the US market.
- EIB and ICO loans jointly total EUR 3,876 million.
- Bank borrowings in the amount of EUR 1,124 million and USD 900 million (equivalent to EUR 734 million).
- Lastly, BRL 9,994 million (equivalent to EUR 1,570 million) from issuances and BRL 14,080 million (equivalent to EUR 2,211 million) from borrowings to the Brazilian subsidiary NEOENERGY and its subsidiaries.

30. DERIVATIVE FINANCIAL INSTRUMENTS

The breakdown of balances at 31 December 2020 and 2019 including the valuation of derivative financial instruments at those dates is as follows:

	2020				2019			
	Assets		Liabilities		Assets		Liabilities	
Millions of euros	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
INTEREST RATE HEDGES	**22**	**65**	**(23)**	**(48)**	**32**	**107**	**12**	**(111)**
Cash flow hedges	**–**	**–**	**(39)**	**(48)**	**–**	**17**	**(14)**	**(108)**
Exchange rate swaps (1)	–	–	(39)	(48)	–	17	(14)	(108)
Fair value hedges	**22**	**65**	**16**	**–**	**32**	**90**	**26**	**(3)**
Exchange rate swaps	22	65	16	–	32	90	27	(3)
Currency forwards	–	–	–	–	–	–	(1)	–
EXCHANGE RATE HEDGES	**248**	**431**	**(144)**	**(116)**	**211**	**338**	**(107)**	**(147)**
Cash flow hedges	**181**	**283**	**(102)**	**(101)**	**67**	**131**	**(100)**	**(114)**
Exchange rate swaps	50	274	(23)	(95)	19	114	(24)	(111)
Currency forwards	131	9	(79)	(6)	48	17	(76)	(3)
Fair value hedges	**51**	**144**	**34**	**(15)**	**108**	**207**	**4**	**(26)**
Exchange rate swaps	51	144	(34)	(15)	108	207	4	(26)
Net investment hedges in foreign countries	**16**	**4**	**(8)**	**–**	**36**	**–**	**(11)**	**(7)**
Exchange rate swaps	(1)	4	–	–	–	–	(3)	(7)
Currency forwards	17	–	(8)	–	36	–	(8)	–
COMMODITIES HEDGES	**301**	**139**	**(123)**	**(102)**	**118**	**144**	**(359)**	**(126)**
Cash flow hedges	**301**	**139**	**(123)**	**(102)**	**118**	**144**	**(359)**	**(126)**
Futures	298	136	(123)	(100)	118	144	(359)	(126)
Other	3	3	–	(2)	–	–	–	–
NON-HEDGE DERIVATIVES	**175**	**747**	**(168)**	**(738)**	**286**	**184**	**(290)**	**(105)**
Treasury shares derivatives	**–**	**260**	**–**	**262**	**–**	**59**	**–**	**(59)**
Treasury shares derivatives	–	260	–	(262)	–	59	–	(59)
Exchange rate derivatives	**–**	**–**	**–**	**–**	**6**	**–**	**(12)**	**–**
Currency forwards	–	–	–	–	6	–	(12)	–
Derivatives on commodities	**169**	**482**	**(167)**	**(476)**	**280**	**125**	**276**	**(46)**
Futures	167	31	(158)	(29)	279	91	(275)	(38)
Other	2	451	(9)	(447)	1	34	(1)	(8)
Interest rate derivatives	**6**	**5**	**(1)**	**–**	**–**	**–**	**(2)**	**–**
Exchange rate swaps	6	5	(1)	–	–	–	(2)	–
NET OPERATIONS (Note 18)	**(146)**	**(13)**	**161**	**13**	**(242)**	**(17)**	**266**	**18**
Total	**600**	**1,369**	**(297)**	**(991)**	**405**	**756**	**(478)**	**(471)**

The maturity schedule of the notional underlying of derivative instruments contracted by the IBERDROLA Group and outstanding at 31 December 2020 is as follows:

Millions of euros	2021	2022	2023	2024	2025 and following	Total
INTEREST RATE HEDGES	**1,677**	**1,774**	**294**	**926**	**902**	**5,573**
Cash flow hedges	**1,084**	**949**	**268**	**393**	**110**	**2,804**
Exchange rate swaps (1)	1,084	949	268	393	110	2,804
Fair value hedges	**593**	**825**	**26**	**533**	**792**	**2,769**
Exchange rate swaps	593	825	26	533	792	2,769
EXCHANGE RATE HEDGES	**7,438**	**952**	**393**	**707**	**2,077**	**11,567**
Cash flow hedges	**5,550**	**696**	**174**	**467**	**1,926**	**8,813**
Exchange rate swaps	203	566	113	442	1,900	3,224
Currency forwards	5,347	130	61	25	26	5,589
Fair value hedges	**954**	**256**	**52**	**240**	**151**	**1,653**
Exchange rate swaps	954	256	52	240	151	1,653
Net investment hedges in foreign countries	**934**	**–**	**167**	**–**	**–**	**1,101**
Exchange rate swaps	–	–	167	–	–	167
Currency forwards	934	–	–	–	–	934
COMMODITIES HEDGES	**1,873**	**481**	**274**	**181**	**485**	**3,294**
Fair value hedges	**1**	**6**	**3**	**–**	**–**	**10**
Currency forwards	1	6	3	–	–	10
Cash flow hedges	**1,872**	**475**	**271**	**181**	**485**	**3,284**
Futures	1,855	462	266	175	406	3,164
Other	17	13	5	6	79	120
NON-HEDGE DERIVATIVES	**2,284**	**2,285**	**315**	**268**	**4,657**	**9,809**
Treasury shares derivatives	**–**	**1,409**	**–**	**–**	**–**	**1,409**
Treasury shares derivatives	–	1,409	–	–	–	1,409
Exchange rate derivatives	**25**	**17**	**–**	**–**	**–**	**42**
Currency forwards	25	17	–	–	–	42
Derivatives on commodities	**2,245**	**732**	**314**	**267**	**4,656**	**8,214**
Futures	1,956	460	52	3	–	2,471
Other	289	272	262	264	4,656	5,743
Interest rate derivatives	**14**	**127**	**1**	**1**	**1**	**144**
Exchange rate swaps	14	127	1	1	1	144
Total	**13,272**	**5,492**	**1,276**	**2,082**	**8,121**	**30,243**

(1) Includes the derivatives arranged by the IBERDROLA Group at 31 December 2020 to cover the interest rate risk of future financing for a nominal amount of EUR 2,020 million, thus helping to mitigate interest rate risk (EUR 4,551 million at 31 December 2019).

The information presented in the table above includes notional amounts of derivative financial instruments arranged in absolute terms (without offsetting assets and liabilities or purchase and sale positions). This does not reflect the risk assumed by the IBERDROLA Group since this amount only records the basis on which the calculations to settle the derivative are made.

The “Finance expense” heading of the 2020 and 2019 consolidated Income statements includes EUR 244 million and EUR 199 million, respectively, in connection with derivatives linked to financial indices that fail to meet the conditions to qualify as hedging instruments or, having met the conditions, but as explained in Notes 3.l and 45, are partially ineffective. The “Finance income” heading of the consolidated Income statements for the same years also includes EUR 300 million and EUR 78 million, respectively, for the aforementioned items (Note 44).

The nominal value of bank borrowings, debentures and other marketable securities subject to exchange rate hedging (Note 4) is as follows:

Hedge type	2020 Millions of US dollars	Millions of Japanese Yens	Millions of Norwegian Kroner	Millions of Pound sterling	Millions of euros
Cash flow	1,045	3,858	2,250	100	158
Fair value	999	3,000	–	700	–

Hedge rate	2019 Millions of US dollars	Millions of Japanese Yens	Millions of Norwegian Kroner	Millions of Pound sterling	Millions of euros
Cash flow	1,361	–	2,250	–	158
Fair value	1,604	3,000	–	700	–

The nominal value of bank borrowings, debentures and other marketable securities subject to interest rate hedging (Note 4) is as follows:

Hedge rate	2020 Millions of euros	Millions of AUS dollars	Millions of Pound sterling	Millions of BRL reais
Cash flow	1,577	61	225	–
Fair value	2,661	–	–	1,082

Hedge rate	2019 Millions of euros	Millions of AUS dollars	Millions of Pound sterling	Millions of BRL reais
Cash flow	1,843	–	225	–
Fair value	3,641	–	–	1,136

31. CHANGES IN FINANCING ACTIVITIES SHOWN ON THE STATEMENT OF CASH FLOWS

In 2020 and 2019 liabilities classified as financing activities in the Statement of cash flows and excluded from the “Equity”, “Equity instruments having the substance of a financial liability” (Note 24) and “Leases” (Note 32) headings were as follows:

			Cash flow			Other non-cash changes						
Millions of euros	**Balance at 01.01.2020**	**First-time application of IFRS 16 (Note 2.a.)**	**Issues and disposals (1)**	**Redemptions/ instalments paid**	**Interest paid**	**Accrual of interest**	**Foreign currency exchange (2)**	**Change in fair value**	**Accrual of transaction costs**	**Modification of the consolidation scope (Note 8)**	**Potential treasury shares accumulated and other**	**Balance at 31.12.2020**
Obligations, bonds and promissory notes	28,290	–	6,933	(6,671)	–	–	(1,538)	(30)	94	–	–	27,078
Loans and other financing transactions	9,027	–	4,679	(4,137)	–	–	(513)	18	19	438	(14)	9,517
Unpaid accrued interest	399	–	–	–	(950)	937	(50)	–	–	2	–	338
Derivatives on the company's own shares with a physical settlement (Note 22)	1,210	–	–	(1,456)	–	–	–	–	–	–	1,350	1,104
Total (Note 29)	**38,926**	**–**	**11,612**	**(12,264)**	**(950)**	**937**	**(2,101)**	**(12)**	**113**	**440**	**1.336**	**38,037**
Derivative financial instruments associated with financing	(283)	–	43	328	61	(32)	(643)	44	–	19	–	(463)
Total	**38,643**	**–**	**11,655**	**(11,936)**	**(889)**	**905**	**(2,744)**	**32**	**113**	**459**	**1,336**	**37,574**

Millions of euros	Balance at 01.01.2019	First-time application of IFRS 16 (Note 2.a.)	Cash flow: Issues and disposals (1)	Cash flow: Redemptions/ instalments paid	Cash flow: Interest paid	Other non-cash changes: Accrual of interest	Other non-cash changes: Foreign currency exchange (2)	Other non-cash changes: Change in fair value	Other non-cash changes: Accrual of transaction costs	Modification of the consolidation scope (Note 8)	Potential treasury shares accumulated and other	Balance at 31.12.2019
Financial leases under IAS 17	141	(142)	–	–	1	–	–	–	–	–	–	–
Obligations, bonds and promissory notes	27,310	–	5,580	(5,024)	5	(6)	352	(23)	96	–	–	28,290
Loans and other financing transactions	9,337	–	9,726	(10,108)	1	–	82	(3)	(8)	–	–	9,027
Unpaid accrued interest	408	–	–	–	(1,112)	1,099	4	–	–	–	–	399
Derivatives on the company's own shares with a physical settlement (Note 20)	129	–	–	(107)	–	–	–	–	–	–	1,188	1,210
Total (Note 29)	**37,325**	**(142)**	**15,306**	**(15,239)**	**(1,105)**	**1,093**	**438**	**(26)**	**88**	**–**	**1,188**	**38,926**
Derivative financial instruments associated with financing	(436)	–	(5)	179	65	(80)	(59)	53	–	–	–	(283)
Total	**36,889**	**(142)**	**15,301**	**(15,060)**	**(1,040)**	**1,013**	**379**	**27**	**88**	**–**	**1,188**	**38,643**

(1) Issues net of expenses.

(2) Includes translation differences.

32. LEASES

Lessee

Changes in lease liabilities in 2019 and 2020 are as follows:

Millions of euros	2020	2019
Opening balance	**1,767**	**–**
First-time application of IFRS 16 (Note 2.a.)	–	1,388
Modification of the consolidation scope (Note 8)	50	–
Translation differences	(105)	35
New lease contracts (Note 13)	358	387
Discount to present value (Note 45)	68	62
Payments made from principal	(159)	(156)
Interest paid	(39)	(33)
Re-evaluation/changes of lease liabilities (Note 13)	150	90
Derecognitions and other	(32)	(6)
Closing balance	**2,058**	**1,767**

The breakdown of undiscounted lease liabilities at 31 December 2020 and 2019 is as follows:

Millions of euros	31.12.2020
2021	131
2022	170
2023	195
2024	162
2025	142
From 2026 onwards	2,105
Total	**2,905**
Finance expense	847
Present value of the payments	2,058
Total	**2.905**

Millions of euros	31.12.2019
2020	153
2021	160
2022	144
2023	177
2024	123
From 2025 onwards	1,885
Total	**2,642**
Finance expense	875
Present value of the payments	1,767
Total	**2,642**

Additionally, the IBERDROLA Group is potentially exposed to future cash outflows that are not reflected in the measurement of lease liabilities mainly due to payment commitments related to variable leases. In 2020 and 2019, the IBERDROLA Group accrued an amount of EUR 41 and 35 million for variable lease payments recognised under the “External services” heading of the consolidated Income statement. Said amounts correspond mainly to lease payments depending on output and operating income from wind farms located in leased lands.

Expenses in 2020 related to short-term leases excluded from the scope of IFRS 16 amount to EUR 11 million and have been recognised under the “External services” heading of the consolidated Income statement (EUR 14 million in 2019).

In addition, income from subleasing rights of use of assets in the year amounted to EUR 1 million in 2020 and have been recognised in the consolidated Income statement for the year (EUR 8 million in 2019).

Operating lessor

The IBERDROLA Group acts as lessor in certain operating leases consisting basically on the rental of investment property (Note 11) and the property, plant and equipment. The breakdown by type is as follows:

Millions of euros	31.12.2020	31.12.2019
Buildings	200	220
Land	94	113
Other	15	17
Total	**309**	**350**

The “Revenue” and “Other operating income” headings of the consolidated Income statement for 2020 include EUR 26 and 15 million, respectively (EUR 30 and 23 million, respectively, in 2019).

The estimate of non-deducted future minimum payments for contracts in force at 31 December 2020 and 2019 is as follows:

Millions of euros	31.12.2020
2021	27
2022	23
2023	20
2024	18
2025	17
From 2026 onwards	83
Total	**188**

Millions of euros	31.12.2019
2020	32
2021	28
2022	24
2023	23
2024	21
From 2025 onwards	76
Total	**204**

33. OTHER FINANCIAL LIABILITIES

Details of the “Other non-current financial assets” and “Other current financial assets” headings of the consolidated Statement of financial position are as follows:

Millions of euros	31.12.2020	31.12.2019
Non-current		
Long-term deposits and guarantees (Note 16.b.)	145	157
Concessional guarantee of the sufficiency tariff in Brazil (Note 14)	81	69
Financial lease suppliers	33	17
PIS/COFINS Brazil (Notes 17 and 36)	903	725
Other	348	267
Total	**1,510**	**1,235**
Current		
Short-term deposits and guarantees	174	189
Concessional guarantee of the sufficiency tariff in Brazil (Note 14)	24	–
Loans with equity-accounted investees	94	358
Financial lease suppliers	1,293	874
Staff pending remuneration	264	254
Other	295	308
Total	**2,144**	**1,983**

The IBERDROLA Group manages a series of loan arrangements for certain suppliers to enable the latter to settle their invoices early with a bank. This is a form of reverse factoring with the purpose of providing financing services through which suppliers can collect from a bank prior to the due date of the invoices issued to the IBERDROLA Group. Under these arrangements, the IBERDROLA Group has no economic interest in suppliers entering into reverse factoring or in a direct financial relationship with the bank. The IBERDROLA Group’s obligations to its suppliers, including the amounts owed and the agreed payment terms and conditions are not affected by the suppliers’ decision to choose to bring forward collection under these arrangements.

In 2020, the IBERDROLA Group managed the extension of payment periods with some suppliers; terms that are deemed to be commercially reasonable and within the payment periods required in each of the jurisdictions in which the IBERDROLA Group companies operate. The average payment period for these suppliers has been extended for approximately 60 days. These suppliers may choose to receive payment from a bank prior to the due date by virtue of the supplier financing arrangements described above.

The IBERDROLA Group has determined suppliers’ use of these financing arrangements have not discharged or substantially modified the original liabilities. Accordingly, the balances are still classified as “Other current financial liabilities - Suppliers of fixed assets” and “Trade payables” in the consolidated Statement of financial position. The cash flows associated with these payments are included in the Cash flows from investing and from operating activities, respectively, in the consolidated Statement of cash flows.

As at 31 December 2020, the amount under reverse *factoring* agreements amounts to EUR 544 and 55 million which are recognised under “Other current financial liabilities - Suppliers of fixed assets” and “Trade payables”, respectively, in the consolidated Statement of financial position.

34. OTHER LIABILITIES

Details of the “Other non-current financial liabilities” and “Other current financial liabilities” headings of the consolidated Statement of financial position are as follows:

Millions of euros	31.12.2020	31.12.2019
Non-current		
Contract liabilities:		
CFE (Note 38)	86	127
All others	162	161
Other liabilities	14	120
Total	**262**	**408**
Current		
CFE	15	13
All others	113	172
Other liabilities	350	489
Total	**478**	**674**

35. DEFERRED TAXES AND INCOME TAX

Income tax

Due to the multinational nature of the IBERDROLA Group, it is subject to the regulations in force in other tax jurisdictions.

Taxes in Spain

Iberdrola S.A. is the parent company of two tax consolidation groups in Spain: the 2/86 group in the so-called common tax system territory, and the 02415BSC group, in the Biscay tax system territory. Iberdrola was a part of the former of these groups until 2019, and it became a part of the latter in 2020 owing to the change in regulations individually applicable to the company.

The 2/86 group is formed by 82 companies, whereas the 02415BSC group is formed by 24 companies.

The other entities that are tax residents in Spain and which are not incorporated into these two groups pay income tax on an individual basis.

Companies taxed under the common tax system are subject to a 25% rate in 2020, while in the fiscally autonomous provinces of Biscay, Gipuzkoa, Álava and Navarra, it is 24%.

Taxation in other countries

Other group companies whose tax residence is outside Spain are taxed based on the tax rate in their resident jurisdiction. In the United States, corporate taxation is based on a consolidated tax system, where there is a federal tax group, and joint or consolidated taxation as a tax group also operating in certain states. In the United Kingdom the group relief mechanism is used. In France, Australia, Italy and Portugal, tax is paid in 2020 also under a regime of tax consolidation for entities that meet the requirements. In other tax jurisdictions, Group companies are subject to taxes under the individual tax regime.

Nominal tax rates applicable in the main jurisdictions in which the IBERDROLA Group operates are as follows (OECD figures, including the federal/general rate and, as applicable, the state/local rate):

Country	2020	2019
Australia	30.0	30.0
Brazil	34.0	34.0
Bulgaria	10.0	10.0
Canada	26.5	26.6
Costa Rica	30.0	30.0
Cyprus	12.5	12.5
France	32.0	32.0
Germany	29.8	29.8
Greece	24.0	24.0
Hungary	9.0	9.0
Ireland	12.5	12.5
Italy	27.9	27.9
Japan	33.6	33.6
Luxembourg	24.9	24.9
Mexico	30.0	30.0
Netherlands	25.0	25.0
Poland	19.0	19.0
Portugal	31.5	31.5
Qatar	10.0	10.0
Romania	16.0	16.0
South Africa	28.0	28.0
Spain	25-24	25-24
United Kingdom	19	19
United States	26	26

Income tax expense

The income tax expense for 2020 and 2019 is as follows:

Millions of euros	31.12.2020	31.12.2019
Profit for the year from continuing activities before tax	**5,053**	**4,794**
Profit for the year from discontinued operations before tax	**(25)**	**(57)**
Consolidated profit before tax	**5,028**	**4.737**
Non-deductible expenses and non-computable income [(a)]:		
- from individual companies	(576)	(11)
- from consolidation adjustments	(382)	(241)
Profit of equity-accounted investees	5	(7)
Adjusted accounting profit	**4.075**	**4.478**
Gross tax calculated at the tax rate in force in each country	**1,019**	**1,090**
Tax credit deductions due to reinvestment of extraordinary profits and other tax credits	(107)	(98)
Adjustment of prior years' income tax expense	(14)	–
Net movement in provisions for litigation, compensation payments, similar costs and other provisions	23	(8)
Adjustment of deferred tax assets and liabilities	146	43
Taxes related to non-distributed earnings and other withholdings paid abroad [(b)]	–	(108)
Other	9	4
Accrued income tax (Income) / Expense	**1,076**	**923**
Accrued income tax in the consolidated Income statement	1,083	914
Accrued income tax from discontinued operations (Income) / Expense	(7)	9

a) In 2020 this includes the impact of the exemption applied to the transfer of shares and the deductibility of impairment of equity instruments.

b) In 2019, this includes the amount from the reversal of deferred tax liabilities from previous years in the amount of EUR 123 million related to undistributed earnings from Avangrid Inc. subgroup, following the amendment of the Double Taxation Treaty between Spain and the United States which became effective on 27 November 2019.

The breakdown between current and deferred Income Tax is as follows:

Millions of euros	31.12.2020	31.12.2019
Current taxes	505	710
Deferred taxes	571	213
Expense/(income) from continuing and discontinued activities	**1,076**	**923**

Deferred taxes

Details of the “Deferred tax assets” and “Deferred tax liabilities” headings of the consolidated Statement of financial position are as follows:

Millions of euros	Balance at 01.01.2019	Translation differences	Credit (charge) to the consolidated Income statement	Credit (charge) to Valuation adjustments	Credit (charge) to "Other reserves"	Other	Balance at 31.12.2019	Modification of the consolidation scope (Note 8)	Translation differences	Credit (charge) to the consolidated Income statement	Credit (charge) to Valuation adjustments	Credit (charge) to "Other reserves"	Other	Balance at 31.12.2020
Deferred tax assets:														
Measurement of derivative financial instruments	273	30	–	70	–	–	373	7	2	–	54	–	–	436
Balance sheet revaluation 16/2012	1,334	–	(80)	–	–	–	1,254	–	–	(68)	–	–	–	1,186
Pensions and similar commitments	590	13	(2)	–	51	–	652	–	(26)	(84)	–	13	–	555
Allocation of non-deductible negative goodwill arising on consolidation	64	–	(2)	–	–	–	62	–	–	(2)	–	–	–	60
Provision for facility closure costs	83	1	22	–	–	–	106	1	(6)	13	–	–	–	114
Tax credits for losses and deductions	1,952	30	(17)	–	–	51	2,016	43	(158)	38	–	–	141	2,080
Other deferred tax assets	1,190	(67)	–	–	–	108	1,231	–	40	196	–	–	84	1,551
Total	**5,486**	**7**	**(79)**	**70**	**51**	**159**	**5,694**	**51**	**(148)**	**93**	**54**	**13**	**225**	**5,982**

Millions of euros	Balance at 01.01.2019	Translation differences	Credit (charge) to the consolidated Income statement	Credit (charge) to Valuation adjustments	Other	Balance at 31.12.2019	Modification of the consolidation scope	Translation differences	Credit (charge) to the consolidated Income statement	Credit (charge) to Valuation adjustments	Other	Balance at 31.12.2020
Deferred tax liabilities:												
Measurement of derivative financial instruments	287	10	5	(67)	–	235	2	(13)	–	115	4	343
Accelerated depreciation	4,520	116	292	–	40	4,968	39	(420)	435	–	(11)	5,011
Overpricing in business combinations	3,290	64	120	–	–	3,474	73	(304)	13	–	(19)	3,237
Other deferred tax liabilities	946	10	(283)	–	9	682	4	(82)	216	–	196	1,016
Total	**9,043**	**200**	**134**	**(67)**	**49**	**9,359**	**118**	**(819)**	**664**	**115**	**170**	**9,607**

Administrative actions

Ongoing tax inspections at the 2020 reporting date depend on the tax law applicable in each country, but no material impacts arising therefrom not included in these Financial statements are expected.

In Spain, in June 2020 the Spanish tax agency (AEAT) initiated a partial inspection (for the years 2012 to 2014) and an overall inspection (for the years 2015 to 2017) for the main corporate taxes applicable to Iberdrola Group companies 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 those countries where the Group has a significant presence, the main ongoing inspections are as follows:

- In the United States the most significant inspection is related to Income Tax in the State of New York. Additionally, given its nature of large taxpayer, both at federal level and state level, AVANGRID Group has a number of different ongoing tax inspection processes for other taxes.

- In the United Kingdom, HRMC has classified ScottishPower as a low risk taxpayer. The only significant matter under discussion affects the deductibility of certain payments made as required by the electric regulator (OFGEM), and which in 2020 has entered judicial proceedings, although it is currently in its initial phase.

- Lastly, Brazil is known for being a jurisdiction with a high risk of litigation and there are multiple ongoing investigation actions, given Brazil's tax and administrative structure and the usual procedure followed by the tax authorities. However, NEONERGIA’s directors do not expect any relevant impacts to arise from them and, overall, these procedures are rarely settled in favour of tax administrations.

Tax litigation

Among its principles, IBERDROLA seeks to build stronger ties with the tax authorities, based on the respect for the law, loyalty, trust, professionalism, collaboration, reciprocation and good faith, notwithstanding any legitimate disputes that may arise due to the interpretation of tax rules. When such disputes do arise, IBERDROLA strives to ensure cooperative dealings with the authorities, in accordance with the principles of transparency and mutual trust.

All IBERDROLA actions have been analysed by its internal and external advisers, both for this year and for preceding years, and these advisers have determined that these actions have been carried out in accordance with the Law and are based on the reasonable interpretation of tax law. The existence of contingent liabilities is also scrutinised. IBERDROLA’s general approach is to recognise provisions for tax litigation when it is likely that IBERDROLA will be handed an unfavourable decision or ruling, while no recognition is required when the risk is possible or remote.

IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to liabilities of significance for the IBERDROLA Group in addition to those already recognised at 31 December 2020.

Tax litigation in Spain

In June 2020, IBERDROLA was notified of the decisions of the Central Tax Appeals Board (TEAC) relating to claims lodged pursuant to contested tax inspection reports signed in 2016 in a general inspection process on the tax consolidation group of the common tax system (no 2/86) for the years 2008 to 2011.

In the decision in Value-Added Tax, the TEAC ruling was favourable to the interests of IBERDROLA - thus annulling the inspectorate's certifications and settlements - while the decisions on income tax were unfavourable. On 7 July 2020, IBERDROLA brought administrative appeals against the latter decisions before the National High Court.

The main disputes concern the settlement agreements resulting from contested tax investigation reports related to the quantification of goodwill that may be amortised for tax purposes, for the acquisition of SCOTTISHPOWER, the elimination of the exemption applicable to SCOTTISHPOWER's dividends received as the Tax Agency considers that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Article 15.1 of Spain's General Tax Act in a debtor-swap operation in a number of bond issues.

In December 2020, IBERDROLA was also notified of a decision from the Central Tax Appeals Board on the claims lodged in relation to the contested tax inspection reports as part of the limited inspection process for 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 and accepts its view with regard to the taxes declared unconstitutional. In due course, IBERDROLA will lodge the appropriate administrative appeal before the National High Court on the other matters under dispute.

Tax litigation in other countries

As a general rule, no significant tax litigation is currently undergoing in the other jurisdictions where the Group operates, except for Brazil, where a large number of litigation and administrative and judicial proceedings are ongoing. The Group considers it is probable the final rulings will be favourable.

Update of the financial goodwill (Article 12.5 of the consolidated text of the Income tax Act).

No significant changes have taken place during this period. In previous years, the Spanish authorities applied the aid and grants retrieval procedure envisioned in the General Tax Act, thus recovering from the Iberdrola Group, in accordance with Article 12.5 of the revised Corporate Income Tax Act, the sum of EUR 665 million (EUR 576 million in principal and EUR 89 million in late payment interest). Iberdrola settled the required amount by (i) netting part of it against the EUR 363 million received under the 2016 income tax rebate; and (ii) paying EUR 302 million in February 2018. In this case, the Spanish authorities believed that IBERDROLA was subject to Decision Three of the European Commission.

The amount paid has been recognised under the heading “Current tax assets” of the consolidated Statement of financial position at 31 December 2020 and 2019. The assets show the amount recoverable from the tax authorities for corporate income tax as IBERDROLA believes that the payments effectively made exceeded the current tax the recoverability of which is considered probable, subject to the final outcome of the appeals submitted against the three decisions of the European Commission.

Moreover, the application of the incentive provided in Article 12.5 of the Corporate Income Tax Act generated a taxable temporary difference, resulting in the subsequent recognition of the deferred tax liability recognised. Therefore, if the outcome is ultimately contrary to the Company’s interests (something we consider unlikely based on the information currently available), the impact on equity would by substantially mitigated.

36. TAX RECEIVABLES AND PAYABLES

The breakdown of the headings “Current tax assets/liabilities” and “Other tax receivables/payables” on the asset and liability sides, respectively, of the consolidated Statement of financial position is as follows:

Millions of euros	31.12.2020	31.12.2019
Taxes receivable		
Public Treasury, corporate income tax receivable	564	318
Public Treasury, VAT refundable	338	193
Tax withholdings and prepayments	8	3
Public Treasury, PIS/COFINS Brazil (Notes 17 and 33)	170	189
Public Treasury, other receivables	107	122
Total	**1,187**	**825**
Taxes payable		
Public Treasury, Corporate income tax payable	178	243
Public Treasury, VAT payable	235	141
Public Treasury, withholdings payable	62	53
Public Treasury, other payables	901	797
Social Security agencies, payables	28	29
Total	**1,404**	**1,263**

37. INFORMATION ON AVERAGE PAYMENT PERIOD TO SUPPLIERS. ADDITIONAL PROVISION THREE. "REPORTING REQUIREMENT" OF LAW 15/2010, OF 5 JULY

The breakdown of the required information for 2020 and 2019 is the following:

	Number of days	
	2020	2019
Average payment period to suppliers	14	13
Ratio of transactions settled	13	13
Outstanding payment transactions ratio	36	31

Millions of euros	2020	2019
Total payments made	11,015	12,882
Total payments due	232	241

The information in the table above has been prepared in accordance with Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures to combat late payments in commercial operations and in accordance with the Resolution of 29 January 2016, of the Instituto de Contabilidad y Auditoría de Cuentas (Spanish Institute of Accounting and Auditing), on the information to be included in the Notes to the Financial statements in relation to deferred payments to suppliers in commercial transactions operations. This information has been drawn up on the basis of the following specifications:

- Ratio of paid operations: amount in days of the ratio between the sum of the amount of each of the transactions paid and the number of payment days, and in the denominator, the total amount of payments made during the year.

- Ratio of outstanding payment operations: amount in days of the ratio between the sum of the amount of the outstanding payment transaction and the number of unpaid days, and the total amount of outstanding payments.

- Suppliers: trade payables included in current liabilities in the consolidated Statement of financial position generated from debts of goods or services with suppliers.

- Suppliers of fixed assets and payables on finance leases fall outside the scope of this information.

- Taxes, levies, indemnifications and certain other headings are likewise excluded from this information since they do not qualify as trade transactions.

- The table shows information corresponding to Spanish companies included in the consolidated group once the credits and debits between the subsidiary companies are eliminated.

38. REVENUE

The breakdown of this heading of the consolidated Income statement is as follows:

Year 2020	Liberalised							Renewable energy							Networks					Other business, Corporate and adjustments	Total
Millions of euros	Spain	United Kingdom	Mexico	Brazil	IEI	Eliminations	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total		
In regulated markets																					
Electricity	1,345	–	1,482	264	–	–	**3,091**	615	–	–	–	99	–	**714**	1,943	1,362	2,954	4,380	10,639	(789)	**13,655**
Gas	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	1,121	–	1,121	–	**1,121**
In liberalised markets																					
Electricity	7,872	3,026	1,103	108	1,128	(455)	**12,782**	665	712	858	92	72	391	**2,790**	–	–	–	–	–	(1,207)	**14,365**
Gas	819	1,148	–	–	98	(77)	**1,988**	–	–	–	–	–	–	**–**	–	–	–	–	–	5	**1,993**
Other	527	43	–	2	25	(1)	**596**	10	306	141	–	2	–	**459**	18	–	2	–	20	(251)	**624**
Income from construction contracts (Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**–**	**–**	**1,114**	**1,117**	**–**	**1,117**
Income from lease contracts	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**1**	**–**	**3**	**20**	**23**
Commodities derivatives trading and valuation	**(95)**	**(2)**	**(15)**	**–**	**–**	**(40)**	**(152)**	**–**	**–**	**116**	**29**	**–**	**53**	**198**	**–**	**–**	**–**	**–**	**–**	**1**	**47**
Total	**10,468**	**4,215**	**2,570**	**374**	**1,251**	**(573)**	**18,305**	**1,290**	**1,018**	**1,115**	**121**	**173**	**444**	**4,161**	**1,966**	**1,362**	**4,078**	**5,494**	**12,900**	**(2,221)**	**33,145**

Year 2019	Liberalised							Renewable energy							Networks					Other business, Corporate and adjustments	Total
Millions of euros	Spain	United Kingdom	Mexico	Brazil	IEI	Eliminations	Total	Spain	United Kingdom	United States	Mexico	Brazil	IEI	Total	Spain	United Kingdom	United States	Brazil	Total		
In regulated markets																					
Electricity	1,444	–	1,427	327	–	–	**3,198**	683	–	–	–	117	–	**800**	2,030	1,373	2,943	5,466	**11,812**	(990)	**14,820**
Gas	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	1,306	–	**1,306**	–	**1,306**
In liberalised markets																				–	
Electricity	8,894	3,202	935	263	1,098	(590)	**13,802**	628	403	923	87	91	346	**2,478**	–	–	21	–	**21**	(1,161)	**15,140**
Gas	1,784	1,282	–	–	37	(64)	**3,039**	–	–	–	–	–	–	**–**	–	–	–	–	**–**	4	**3,043**
Other	548	36	–	2	16	(1)	**601**	16	324	126	–	7	–	**473**	76	–	2	–	**78**	(217)	**935**
Income from construction contracts (Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**14**	**–**	**–**	**977**	**991**	**(4)**	**987**
Income from lease contracts	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**–**	**–**	**–**	**2**	**28**	**30**
Commodities derivatives trading and valuation	**130**	**7**	**(35)**	**–**	**–**	**16**	**86**	**–**	**–**	**15**	**29**	**–**	**39**	**83**	**–**	**–**	**–**	**–**	**–**	**8**	**177**
Total	**12,800**	**4,527**	**2,327**	**592**	**1,151**	**(671)**	**20,726**	**1,327**	**727**	**1,064**	**116**	**215**	**385**	**3,834**	**2,122**	**1,373**	**4,272**	**6,443**	**14,210**	**(2,332)**	**36,438**

Below are described the main activities from which the IBERDROLA Group generates revenue from customer contracts:

- Electricity and gas transmission and distribution

IBERDROLA Group's performance obligation is to make transmission and distribution facilities available to customers. This performance obligation is recognised in a linear manner over time, since the customer receives and simultaneously consumes the benefits from IBERDROLA Group's performance insofar the transmission or distribution network is available.

In the countries where IBERDROLA Group operates, the remuneration on transmission and distribution activities is basically determined by the regulated margin recognised by the corresponding regulator. For certain regulated activities carried out by the IBERDROLA Group, any discrepancies between costs estimated when setting the annual tariff and costs actually incurred are recognised as income or expense for the year in which they arise only if its collection or payment is certain, regardless of future sales (Note 16.b).

- Gas and electricity sales

The amount of electricity and gas sales is recognised as income at the time the energy is delivered to the customer based on the amounts supplied and includes an estimate of unbilled supplied energy (Note 5).

By countries:

- In Spain, income includes the amount of both sales in the gas regulated market at Tariff of Last Resort (TLR) and of electricity at Voluntary Price for the Small Consumer (VPSC) as well as the sales in the liberalised market.

- In the US and Brazil income from electricity and gas supply to end customers are based on tariffs rates subject to the corresponding state regulatory authorities, which determine the prices and other terms of service through the fixing of rates.

- In the United Kingdom, gas and electricity are traded on the liberalised market.

- In Mexico, electricity is supplied at liberalised conditions for consumers with a demand of 1 MW or above.

IBERDROLA Group's retail supply companies act as principal. Purchase and sale of energy between the Group's generation and retail supply companies are eliminated on consolidation.

- Assignment of electricity generation capacity

The electricity generation capacity assignment is an obligation independent from electricity supply whose income is recognised over the term of the contract.

IBERDROLA Group maintains electricity generation capacity assignment agreements for some of its plants that set predetermined collection schedules for assigning energy supply capacity. IBERDROLA Group has electricity generation capacity assignment agreements in Mexico for its combined cycle power plants with the Federal Electricity Commission (CFE – *Comisión Federal de la Energía*). The term of these agreements is 25 years from the date on which each combined cycle plant enters into commercial operation.

- Verification, connection and assignment of use of metering equipment

The registration of customers, income from connecting the electricity or gas reception installation to the grid, as well as income from the verification of installations, are recognised at the time the actions take place since the customer benefits from the service provided and there is no associated future fulfilment obligation. Income from the right of use of meters is recognised as income throughout the period of use.

- Sale of renewable energy certificates

In the sale of renewable energy certificates from the Renewables business associated with supplied energy (joint sale of energy and green certificates), income from the sale is recognised at the time the energy is delivered. When the sale of said certificates takes place separately from the energy produced, the income is recognised at the time the certificate is delivered to the customer.

- Construction contracts

Income from electricity transmission and distribution concession agreements which IBERDROLA Group has in Brazil include two compliance obligations: (1) construction services and (2) subsequent operation and maintenance of built facilities. The consideration for each compliance obligation is assigned once the independent sale price at the beginning of the contract is estimated, using IBERDROLA Group’s experience in the provision of similar services, tender terms and conditions, as well as any other internal or external information available.

Income from construction projects is recognised over the length of the construction process, since control of the asset is transferred to the customer on an ongoing basis.

When income related to construction contracts can be reliably estimated, it is recognised in an amount equivalent to the costs incurred to date as a proportion of the total estimated construction costs required until the termination of the contract. When the income from a contract cannot be reliably estimated, all such income is recognised for the costs incurred, provided that such costs are recoverable. Margin on the contract is only recognised when it is certain, based on budgeted costs and income.

Changes to construction work and any claims are included within contract revenue if amendments to the contract can be legally demanded.

- Real property sales

The IBERDROLA Group recognises income on sales of property when legal title is transferred to the purchaser, which is usually the date the respective contracts are notarised.

39. SUPPLIES

The breakdown of this heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2020	31.12.2019
Liberalised Business	**13,511**	**16,039**
Spain	7,552	9,870
United Kingdom	3,417	3,842
Mexico	1,657	1,392
Brazil	285	500
IEI	1,173	1,105
Eliminations	(573)	(670)
Renewable energy business	**402**	**389**
Spain	72	77
United Kingdom	61	49
United States	221	213
Mexico	4	3
Brazil	28	41
IEI	16	6
Networks business	**5,285**	**6,079**
Spain	1	5
United Kingdom	60	62
United States	1,303	1,396
Brazil	3,921	4,616
Other business, Corporation and adjustments	**(2,198)**	**(2,332)**
Total	**17,000**	**20,175**

40. PERSONNEL EXPENSES

The breakdown of this heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2020	31.12.2019
Wages and salaries	2,098	2,066
Social security payable by the company	305	313
Additional provisions for pensions and similar obligations and defined contributions to the external pension plan (Notes 3.p and 27)	203	240
Attendance allowances art. 48.1 (Note 49)	17	17
Attendance allowances art. 48.4	5	9
Other employee expenses	182	196
	2,810	**2,841**
Capitalised personnel expenses		
Intangible assets (Note 10)	(19)	(14)
Property, plant and equipment (Note 3.d)	(637)	(611)
Nuclear fuel and inventories	(5)	(70)
	(661)	**(695)**
Total	**2,149**	**2,146**

The average number of the IBERDROLA Group employees in 2020 and 2019 increased to 35,637 and 34,306 employees, of which 8,292 and 7,932 are women, respectively.

The average number of employees in the consolidated group corresponds to all the employees in fully consolidated companies, as well as the employees of the joint ventures determined based on the percentage ownership.

41. TAXES OTHER THAN INCOME TAX

The breakdown of this heading in the consolidated Income statement is as follows:

Millions of euros	31.12.2020	31.12.2019
Liberalised Business	**799**	**808**
Spain	685	687
United Kingdom	110	117
Mexico	3	3
IEI	1	1
Renewable Business	**371**	**341**
Spain	284	269
United Kingdom	22	23
United States	55	42
Mexico	1	1
Brazil	–	1
IEI	9	5
Networks business	**685**	**685**
Spain	88	90
United Kingdom	108	109
United States	486	482
Brazil	3	4
Other business, Corporation and adjustments	**34**	**(5)**
Total	**1,821**	**1,829**

Law 15/2012 was published in Spain on 28 December 2012, on tax measures to ensure the sustainability of the energy sector. It introduced the following tax figures, whose impact, except for the green cent measures, has been recognised under the “Taxes other than income tax” heading of the consolidated Income statement for 2020 and 2019:

- A tax on the value of electricity output, entailing payment of 7% of the total amount to be received by the taxpayer for the production of electricity and inclusion thereof in the Spanish electricity system, measured at power station busbars, during the tax period. This tax gave rise to an expense of EUR 174 million and EUR 161 million in 2020 and 2019, respectively.

- A tax on spent nuclear fuel, whose cost amounted to EUR 125 million and EUR 127 million in 2020 and 2019, respectively.

- A royalty on the use of inland water affecting production of electricity that is levied on the economic value of hydroelectric power produced. The corresponding expense in 2020 and 2019 amounted to EUR 96 million and EUR 85 million, respectively.

- A green cent tax levied against energy products used in electricity production, entailing a cost for the IBERDROLA Group of EUR 2 million and EUR 2 million in 2020 and 2019, respectively. This payment was recognised under the “Supplies” heading of the consolidated Income statement.

Additionally, the “Taxes other than income tax” heading of the 2020 and 2019 consolidated Income statement includes EUR 207 million and EUR 169 million, respectively, as the best estimate available of the accrued expenses originated by Royal Decree-Law 6/2009 (Note 3.x).

42. AMORTISATION, DEPRECIATION AND PROVISIONS

The breakdown of this heading in the consolidated Income statement is as follows:

Millions of euros	31.12.2020	31.12.2019
Depreciation charges for:		
Intangible assets (Note 10)	794	911
Investment property (Note 11)	7	8
Property, plant and equipment (Note 12)	3,034	2,815
Right-of-use assets (Note 13)	138	140
Allowances for impairments and write-offs of non-financial assets:		
Provision (reversal) of impairment of intangible assets (Notes 10 and 15)	31	(20)
Write-offs for property, plant and equipment (Notes 12 and 15)	31	–
Charge/(reversal) of impairment in PPE (Note 12)	(9)	–
Changes in provisions	67	75
Total	**4,093**	**3,929**

43. GAINS AND LOSSES ON DISPOSAL OF NON-CURRENT ASSETS

The breakdown of the "Gains on disposal of non-current assets" heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2020	31.12.2019
Gain on the disposal of intangible assets and PPE	13	152
Gain on the disposal of holdings in companies	504	54
Total	**517**	**206**

The breakdown of the "Losses due to disposal of non-current assets" heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2020	31.12.2019
Loss on the disposal of intangible assets and PPE	–	3
Loss on the disposal of holdings in companies	4	–
Total	**4**	**3**

The gains recognised under the "Gains on disposal of non-current assets" heading of the consolidated Income statement for 2020 corresponds to the sale of the interest in SIEMENS GAMESA (Note 16.a).

Surplus recognised under the "Gains on disposal of non-current assets" heading of the consolidated Income statement for 2019 mainly corresponded to the long-term assignment to Lyntia Networks of the right to use the excess capacity of the optic fibre network resulting in a credit of EUR 114 million (Note 8) and the sale of 50% of the interest in the companies Dry Lake II, LLC. and Cooper Crossing, LLC (subsidiaries of Avangrid Arizona Renewables, LLC), whose sale price amounted to approximately EUR 100 million, resulting in a gross gain of EUR 54 million.

44. FINANCE INCOME

The breakdown of the "Finance income" heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2020	31.12.2019
Income from equity investments	1	1
Finance income related to assets at amortised cost	140	131
Non-hedge derivatives and inefficiencies (Note 30)	300	78
Exchange gains in foreign currency for financing activities	264	328
Other exchange losses in foreign currency	183	103
Capitalised finance costs	149	223
Discount to present value of provisions for pensions and similar obligations (Note 27)	1	–
Total	**1,038**	**864**

The average capitalisation rates used in 2020 and 2019 for external financing of property, plant and equipment was 3.12% and 4.64%, respectively (Note 3.d).

45. FINANCE EXPENSE

The breakdown of the “Finance expense” heading of the consolidated Income statement is as follows:

Millions of euros	31.12.2020	31.12.2019
Finance expenses related to liabilities at amortised cost:		
Finance expenses and similar financing expenses	1,071	1,210
Other finance and similar expenses	47	87
Finance expenses from lease liabilities (Notes 2.a and 32)	61	57
Equity instruments having the substance of a financial liability (Note 24)	28	20
Non-hedge derivatives and inefficiencies (Note 30)	244	199
Valuation adjustments of financial assets	2	2
Exchange losses in foreign currency for financing activities	255	330
Other exchange losses in foreign currency	194	95
Discount to present value of other provisions (Note 28)	69	85
Discount to present value of provisions for pensions and similar obligations (Note 27)	58	79
Total	**2,029**	**2,164**

46. CONTINGENT ASSETS AND LIABILITIES

IBERDROLA Group companies are party to legal and out-of-court disputes arising as part of the ordinary course of their business (disputes with suppliers, clients, administrative or tax authorities, individuals, environmental activists or employees). The IBERDROLA Group's legal advisers believe that the outcome of these disputes will have no material impact on its equity or financial position.

In relation to said disputes, the IBERDROLA Group’s main contingent assets and liabilities not recognised in these consolidated Financial statements (as the pertinent accounting criteria are not met) are as follows:

Contingent liabilities

- On 16 June 2014, the National Commission on Markets and Competition (CNMC) initiated penalty proceedings against IBERDROLA GENERACIÓN ESPAÑA for purported fraudulent manipulation aimed at altering energy prices at the Duero, Tagus and Sil hydroelectric generation plants in December 2013. On 30 November 2015 the Company was notified of the EUR 25 million fine. IBERDROLA GENERACIÓN ESPAÑA lodged an appeal for a judicial review with the Judicial Review Chamber of the National High Court and was granted leave to proceed, whereupon enforcement of the penalty was stayed. The procedure is currently on hold pending separate rulings.

- Administrative appeals lodged on 7 July 2020 before the National High Court against dismissals by the Central Tax Appeals Board notified to IBERDROLA on contested tax inspection reports signed by the Group in 2016, pertaining to 2008-2011. The main disputes relate to the elimination of the tax exemption on dividends received because the tax office believes that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Article 15.1 of Spain's General Tax Act under a debtor-swap operation for a number of bond issues. In November 2020, a period was granted for lodging all claims. Such claim was submitted in due time and form in respect of the appeals whose period was elapsing. The other periods were suspended until completion of the proceedings.

- IBERDROLA INGENIERÍA's subsidiary company in the United States (Iberdrola Energy Projects - IEP) is in the midst of arbitration proceedings against one of its clients before the International Centre for Dispute Resolution (ICDR) of the American Arbitration Association (AAA) due to the undue termination of a contract and other claims. The client concerned is seeking certain amounts from IEP resulting from late performance penalties and other damages. Arbitration hearings are currently being held, and a decision is expected for either the second or third quarter of 2021.

  In February 2019 the client enforced the guarantee for 100% of its value (USD 141 million). The amount paid has been recognised under the heading “Trade and other non-current assets” of the consolidated Statement of financial position at 31 December 2020 because it is considered likely that the amount will be recovered from the counterparty in case the outcome is favourable or otherwise netted against the amount to be paid in the event of an unfavourable decision.

- IBERDROLA INGENIERÍA's partner in the supply of certain electrical services for the combined cycle project in Lichterfelde in Berlin filed a claim, updated in May 2019, for extension costs and direct costs incurred due to delays and interference attributable to IBERDROLA INGENIERÍA. This claim has been rejected by IBERDROLA INGENIERÍA as unfounded under the joint venture agreement and due to a lack of evidence.

- The ACE (an economic interest grouping in Portugal) consisting of the Acciona-Mota and Edivisa brought action for arbitration against Iberdrola Generación before the Central Arbitration Court of Lisbon (the arbitration body provided in the contract) with regard to the construction contract for the Alto Tâmega dam and hydroelectric plant, claiming EUR 30 million. The claim is grounded on the argument that they do not consider themselves liable for cost overruns that were incurred due to deviations in the work performed. They also claim that they are not liable for the delays occurring and that Iberdrola, consequently, does not have the right to impose on them any of the penalties envisaged in the contract. Further, they state that the termination of the works contract is groundless and should be deemed null and void, and they demand compensation for said termination. An arbitration proceeding of at least 18 months has been initiated. Iberdrola is considering the possibility of bringing a counter-claim at the appropriate time in the proceedings.

- Various labour, civil and tax claims are ongoing against several companies of the NEOENERGIA Group in Brazil in relation to their normal course of business. The IBERDROLA Group considers that the risk of potential losses at such companies has been assessed in line with the opinions of the authorities and external tax advisers, and the relevant provisions have been made based on the likelihood of loss as per the available evidence, the position of courts and the most recent case law precedent.

The labour complaints were filed by former NEOENERGIA Group companies and former subcontractors in relation to additional working hours, wage equivalence and other employment rights. The civil cases refer to commercial and tort actions initiated to claim material or moral damages, arbitration proceedings relating to engineering contracts and environmental suits.

The tax claims include violation findings due to the following:

- amortised gain/goodwill expense (*agio*) is not tax deductible for the purposes of calculating income tax (both income tax and employee contribution tax) applicable to the subsidiary companies Celpe, Coelba, Cosern, Itapebi and Termopernambuco;

- failure to make income tax withholdings on interest payment on capital between companies belonging to the same group; and

- questions concerning tax assets relating to the consumption tax (ICMS) at NC Energia, Celpe and Elektro;

- the tax authorities believe that payments for profit sharing, employee benefits, health insurance and life insurance should be recognised as social security expenses;

- offsetting by Neoenergia of receivables due to wrongly applying PIS/COFINS to finance income following a favourable ruling, which has been contested.

- questions concerning federal taxes - income tax and employee contribution tax - from dismissal of expenses with payment of regulatory compensation in Coelba.

- questions concerning the municipality of the contribution to the public lighting service (COSIP), which holds that Coelba paid a smaller amount in the period between January 2018 and December 2019.

Turning to regulatory proceedings, the distribution companies Coelba, Celpe, Cosern and Elektro are party to various suits and claims, notably: (i) proceedings to calculate individual and collective technical service continuity indicators; (ii) trade matters; (iii) financial compensation and recovery of global indicators; (iv) matters related to the collection or legality of tariff-related items and matters; and (v) matters related to the legality of the administrative action taken by ANEEL. Among said actions, the following stand out:

- Elektro's Energy Social Tariff (for low income consumers), for which the Consumers Association intends to increase the number of eligible customers from 2002 to 2010, imposing on ANEEL and Elektro the obligation to restore tariff differences, which should be met, eventually, by the CDE sector fund;

- The free or onerous use of right-of-way areas on roads for the electricity grid, the merits of which are being discussed in a leading case before the Supreme Court.

- Several matters regarding over- or under-subscription of energy, currently under administrative discussion; and

- The possibility of ANEEL including, in the tariff tax, income resulting from the favourable outcome of the legal dispute concerning the exclusion of the ICMS tax from the federal contribution calculation base for PIS/COFINS. Matter at the initial discussions stage at administrative level.

- Claim by the Public Utilities Commission: in 2002, the California Public Utilities Commission and the California Electricity Oversight Board (CPUC and CEOB, respectively) submitted a claim to the Federal Energy Regulatory Commission (FERC) against a number of electricity producers, alleging that these companies had manipulated the market and that the prices set in energy purchase contracts were “unfair and unreasonable”, and demanded modifications to the contracts.

  FERC dismissed the claim and, following a review by the Californian courts, the Supreme Court ordered FERC to review the case, which had remained dormant since 2008. In April 2016, following the reopening of the 2014 case, an initial ruling was issued that dismissed any market manipulation by Avangrid Renewables, but the initial ruling did conclude that the price of the power purchase agreements imposed an excessive burden on customers in the amount of USD 259 million. FERC staff have recommended that the case be closed without sanction. Following these proceedings, FERC is expected to issue a final ruling in 2021 and its decision may be appealed before the courts. The IBERDROLA Group expects that the case will eventually be closed without any penalty.

- On 20 November 2020, NYPSC issued an order with respect to alleged violations of the Statement of Policy of Adoption of the NYPSC Order of 2004 on the part of RG&E, Greenlight Networks Inc. (Greenlight) and Frontier Communications (Frontier). The alleged violations relate to the installation by Greenlight of unauthorised communications accessories of low quality in all the service territories of RG&E and Frontier, amounting to more than 11,000 alleged violations of the order. According to Article 25-a of the Public Service Law of New York, each alleged violations carry a potential sanction of up to USD 100,000 when it can be shown that the offender did not “reasonably comply” with an NYPSC statute or order. RG&E, Greenlight and Frontier presented their respective notifications to initiate settlement negotiations for the alleged violations and to extend the period for submitting a response. The NYPSC granted the extension requests in order to begin the settlement talks. We are unable to reliably predict the outcome.

- In Mexico, the Federal Electricity Commission (CFE) is making commissioning of the Topolobampo III electrical plant subject to the payment of contractual penalties amounting to USD 16 million for delay in the construction of the plant. Iberdrola Mexico has filed for arbitration requesting recognition of causes for governmental force majeure, the return of the USD 2 million paid for contractual penalties, impropriety of the contractual penalty amounting to USD 16 million, payment of the expenses incurred and capacity charges for the period of force majeure of at least USD 10 million and compensation for harm and loss caused by the delay in the commercial operating date of the plant. The CFE has lodged its opposition to Iberdrola’s claims and presented a counter-claim in the arbitration seeking payment of the contractual penalties.

- Iberdrola Mexico has challenged in court a resolution of the Energy Regulation Commission (CRE) issuing charges by the Electricity Transmission Service to be applied by CFE Intermediación de Contratos Legados, S.A. de C.V. to the holders of Legacy Interconnection Contracts with Electricity Generation Plants with Renewable or Efficient Cogeneration Sources. The resolution substantially increases the charges for this service and, in the judgement of Iberdrola Mexico, hinders and limits a constitutionally significant activity such as electricity generation and is contrary to a number of rights protected by the Mexican Constitution. After the granting of the injunctive measure sought by Iberdrola, consisting of the suspension of the contested resolution, the company had to post a bond in the amount of MXN 621 million with the court to secure the measure. The amount is the difference between what Iberdrola Mexico would have to pay under the contested resolution and what it actually will pay pursuant to the injunction granted for tariff charges for electricity transmission services for six months. In the event the trial produces an unfavourable outcome, Iberdrola would have to pay this amount.

Additionally, the following contingent liabilities have arisen as part of the ordinary business of the IBERDROLA Group:

- US gas companies own, or have owned, the land on which they operated the gas production plants. This land was polluted as a result of these activities. In some cases, the soil has been decontaminated, while in others the soil has been assessed and identified, but has yet to be decontaminated and in some other cases the extent of the pollution has yet to be determined. For the last group, at 31 December 2020 no provisions had been recognised because the cost cannot reasonably be estimated as the matter requires the regulators' intervention and approval. In the past, the gas companies have received authorisation to recover cleaning expenses from customers through tariffs and they expect to recover such expenses for the remaining soil.

Contingent assets

- AVANGRID initiated legal proceedings against the former owners of certain sites in order to recover the costs of environmental restoration work it was forced to pay.

- Iberdrola Mexico has lodged an appeal before the courts against the resolution of the CRE that approved the procedures for determining the economic variables required to calculate the charges for transmission services at voltages greater than or equal to 69 kV, to be applied by CFE Intermediación de Contratos Legados, S.A. de C.V. to the holders of legacy interconnection contracts with power generation plants with conventional energy sources. It has also appealed several official CFE notices and instructions to implement and apply that resolution. The disputed acts of the CRE significantly increase the transmission fees that the company has been paying up to now. In 2020, this increase was some USD 20 million. The Company is unable to reliably predict the outcome of the appeal, as it is up to the court to decide.

The IBERDROLA Group's appeals on regulatory matters were submitted in opposition to general provisions relating to indefinite amounts that affect the regulatory and remuneration framework of the companies. They therefore concern regulatory provisions that were in force at the time of appeal.

The IBERDROLA Group's assets are not at risk with respect to the appeals lodged against general energy stipulations because the economic effects of the stipulations challenged take effect from the time they enter into force. An estimate of the appeals submitted by third parties has a limited economic scope, as they would require amendments to the regulatory framework and possibly entail refunds.

As regards the legal proceedings filed by third parties that may affect the remuneration and equity of the IBERDROLA Group, no significant appeals have been lodged.

47. INTERESTS IN JOINT OPERATIONS

The most significant economic aggregates in 2020 and 2019 relating to the main joint operations involving the IBERDROLA Group are as follows:

Millions of euros	Joint ownership of nuclear and thermal power plants									
2020	Almaraz	Trillo	Vandellós	Ascó	Aceca	A.I.E. Almaraz-Trillo	A.I.E. Ascó-Valdellós	West of Duddon Sands	Wikinger OSS	Torre Iberdrola
Segment	Liberalised							Renewable energy		Other businesses
Intangible assets	–	–	–	–	–	5	–	–	–	–
Property, plant and equipment										
Technical installations	610	904	901	572	–	–	–	1,468	142	–
Other fixed assets	–	4	13	–	2	2	–	–	–	160
Non-current financial assets	23	11	43	10	2	2	149	–	–	14
Current assets	607	361	389	356	2	59	137	8	–	1
Total assets	**1,240**	**1,280**	**1,346**	**938**	**6**	**68**	**286**	**1,476**	**142**	**175**
Non-current liabilities	**383**	**492**	**562**	**260**	**–**	**47**	**180**	**–**	**–**	**2**
Current liabilities	**1,362**	**967**	**914**	**930**	**6**	**21**	**87**	**16**	**–**	**2**
Income	**553**	**273**	**305**	**246**	**–**	**173**	**278**	**2**	**–**	**15**
Expenses	**674**	**368**	**387**	**324**	**–**	**170**	**279**	**25**	**–**	**11**

Millions of euros	Joint ownership of nuclear and thermal power plants									
2019	Almaraz	Trillo	Vandellós	Ascó	Aceca	A.I.E. Almaraz-Trillo	A.I.E. Ascó-Valdellós	West of Duddon Sands	Wikinger OSS	Torre Iberdrola
Segment	Liberalised							Renewable energy		Other businesses
Intangible assets	–	–	–	–	–	5	–	–	–	–
Property, plant and equipment										
Technical installations	651	925	942	588	–	–	–	1,546	142	–
Other fixed assets	–	4	13	–	2	2	–	–	–	166
Non-current financial assets	23	11	43	10	2	2	180	–	–	14
Current assets	586	368	355	325	–	57	136	8	–	1
Total assets	**1,260**	**1,308**	**1,353**	**923**	**4**	**66**	**316**	**1,554**	**142**	**181**
Non-current liabilities	**388**	**484**	**556**	**267**	**–**	**46**	**198**	**–**	**–**	**2**
Current liabilities	**1,253**	**909**	**846**	**776**	**5**	**20**	**100**	**31**	**–**	**1**
Income	**790**	**379**	**361**	**359**	**–**	**175**	**306**	**1**	**–**	**15**
Expenses	**773**	**374**	**357**	**297**	**–**	**175**	**255**	**30**	**–**	**11**

48. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER CONTINGENT LIABILITIES

IBERDROLA and its subsidiaries are required to provide the bank or corporate guarantees associated with the normal management of the Group’s activities in the countries in which it operates.

The IBERDROLA Group guarantees the obligations assumed under power purchase agreements and grid access transactions in different energy markets and vis-à-vis the operators of different electricity systems (mainly MEFF, OMEL, OMI Clear, National Grid, CFE, REE and EDP Distribución).

With regard to generation from renewable sources, the IBERDROLA Group has posted guarantees to third parties to cover the construction, commissioning and dismantling of facilities, in addition to its long-term obligations to sell energy.

In 2016, tax inspection reports were signed on a contested basis for income tax for 2008 to 2011 and for value added tax for 2010 and 2011. IBERDROLA filed the corresponding claims against the tax findings before the Central Tax Appeals Board, requesting the automatic suspension of enforcement of the tax settlements by furnishing the necessary bank guarantees. In June 2020, IBERDROLA was notified of the court's decision to dismiss its claim. An appeal for judicial review has since been lodged against this ruling before the National High Court (Audiencia Nacional) (filed on 7 July 2020) to maintain the suspension of enforcement of the settlements and the guarantees posted for that purpose (Note 35).

In addition, at 31 December 2020 and 2019, there were outstanding obligations resulting from bond issues in the United States amounting to EUR 2,030 million and EUR 1,963 million, which were secured by items of property, plant and equipment of the AVANGRID subgroup.

IBERDROLA considers that any further liability at 31 December 2020 and 2019 arising from the guarantees posted at that date would not be significant.

Moreover, the IBERDROLA Group, in compliance with its contractual obligations associated with loans received from banks, had fully or partially pledged some of its subsidiaries' shares at 31 December 2020 and 2019. A breakdown of the shares pledged is as follows, by company:

Millions of euros	2020			2019		
Company	Carrying amount	Percentage of ownership of the IBERDROLA Group	Carrying amount multiplied by % of ownership	Carrying amount	Percentage of ownership of the IBERDROLA Group	Carrying amount multiplied by % of ownership
Renewables business – Spain						
Eólica 2000, S.L.	7	51.00%	3	6	51.00%	3
Eólica de Campollano, S.A. (1)	30	25.00%	8	27	25.00%	7
Iberdrola Renovables La Rioja, S.A (1)	87	63.55%	55	–	–	–
Renewables business - International						
Bodangora Wind Farm PTY Ltd	69	100.00%	69	–	–	–
Aerodis Herbitzheim, S.A.S.	(1)	100.00%	(1)	–	–	–
Aerodis les Chaumes, S.A.R.L	(1)	100.00%	(1)	–	–	–
Aerodis Pays de Boussac, S.A.R.L.	2	100.00%	2	–	–	–
D'Orvilliers, S.A.S.	(9)	100.00%	(9)	–	–	–
Energies du Champs des Sœurettes, S.A.S	–	100.00%	–	–	–	–
Eolien la Croix Didier, S.A.R.L.	(5)	100.00%	(5)	–	–	–
Eolien la Pièce du Roi, S.A.R.L.	(5)	100.00%	(5)	–	–	–
Eolien le Florembeau, S.A.R.L.	(7)	100.00%	(7)	–	–	–
Eolien le Fond d'Etre, S.A.R.L.	(5)	100.00%	(5)	–	–	–
Eolien les Neufs Champs, S.A.S.	(1)	100.00%	(1)	–	–	–
SEPE de Plemy, S.A.S.	–	100.00%	–	–	–	–
Renewables business - Brazil						
Arizona 1 Energia Renovável, S.A.	8	51.04%	4	10	51.04%	5
Baguari Geraçao de Energia Eléctrica, S.A.	24	50.99%	12	34	50.99%	17
Belo Monte Participaçoes, S.A.	207	51.04%	106	311	51.04%	159
Caetité 1 Energia Renovável, S.A.	12	51.04%	6	16	51.04%	8
Caetité 2 Energia Renovável, S.A.	14	51.04%	7	19	51.04%	10
Caetité 3 Energia Renovável, S.A.	11	51.04%	6	16	51.04%	8
Calango 1 Energia Renovável, S.A.	9	51.04%	5	12	51.04%	6
Calango 2 Energia Renovável, S.A.	8	51.04%	4	10	51.04%	5
Calango 3 Energia Renovável, S.A.	8	51.04%	4	11	51.04%	5
Calango 4 Energia Renovável, S.A.	7	51.04%	4	10	51.04%	5
Calango 5 Energia Renovável, S.A.	8	51.04%	4	10	51.04%	5
Calango 6 Energia Renovável, S.A.	39	51.04%	20	51	51.04%	26
Canoas 2 Energía Renovável, S.A.	7	51.04%	3	2	51.04%	1
Canoas 3 Energia Renovável, S.A.	3	51.04%	2	1	51.04%	1
Canoas 4 Energía Renovável, S.A.	5	51.04%	2	2	51.04%	1
Canoas Energia Renovável, S.A.	31	51.04%	16	43	51.04%	22
Chafariz 1 Energía Renovável, S.A.	8	51.04%	4	3	51.04%	2
Chafariz 2 Energía Renovável, S.A.	6	51.04%	3	2	51.04%	1
Chafariz 4 Energia Renovável, S.A.	3	51.04%	2	2	51.04%	1
Chafariz 5 Energia Renovável, S.A.	3	51.04%	2	2	51.04%	1
Companhia Hidreletrica Teles Pires, S.A. (1)	295	26.03%	77	425	26.03%	111
Energetica Aguas da Pedra, S.A. (1)	80	26.03%	21	105	26.03%	27
Energética Corumba III (1)	26	12.76%	3	38	12.76%	5
Força Eolica Participaçoes, S.A.	42	51.04%	21	55	51.04%	28
Geraçao Ceu Azul, S.A.	196	51.04%	100	271	51.04%	138
Geraçao CIII, S.A.	41	51.04%	21	58	51.03%	30
Lagoa 1 Energia renovavel , S.A.	40	51.04%	20	53	51.04%	27
Lagoa 2 Energia renovavel , S.A.	30	51.04%	15	43	51.04%	22
Lagoa 3 Energia Renovável, S.A.	4	51.04%	2	2	51.04%	1

Millions of euros	2020			2019		
Company	Carrying amount	Percentage of ownership of the IBERDROLA Group	Carrying amount multiplied by % of ownership	Carrying amount	Percentage of ownership of the IBERDROLA Group	Carrying amount multiplied by % of ownership
Lagoa 4 Energia Renovável, S.A.	2	51.04%	1	2	51.04%	1
Mel 2 Energia Renovável, S.A.	5	51.04%	3	8	51.04%	4
Norte Energía, S.A. (1)	2,069	5.10%	106	3,102	5.10%	158
Santana 1, Energia Renovável, S.A.	27	51.04%	14	38	51.04%	19
Santana 2, Energia Renovável, S.A.	21	51.04%	11	30	51.04%	15
Teles Pires Participaçoes, S.A. (1)	237	25.81%	61	337	25.81%	87
Ventos de Arapuá 1 Energía Renovável, S.A.	3	51.04%	1	2	51.04%	1
Ventos de Arapuá 2 Energía Renovável, S.A.	3	51.04%	2	2	51.04%	1
Ventos de Arapuá 3 Energia Renovável, S.A.	1	51.04%	1	1	51.04%	1
Liberalised – Mexico						–
Parque Industrial de Energia Renovable SA de CV	61	51.00%	31	67	51.00%	34
Parque Industrial de Energías Renovables II Quecholac Felipe Angeles, S.A. de C.V.	–	–	–	17	51.00%	9
Parque Industrial de Energías Renovables IV , S.A. de C.V.	–	–	–	–	51.00%	–
PIER II Quecholac Felipe Angeles, S.A. de C.V.	16	51.00%	8	–	–	–
Networks – Brazil						
Neoenergia Dourados Transmissão de Energía, S.A.	48	51.04%	24	47	51.04%	24
Neoenergia Jalapão Transmissão de Energía, S.A.	58	51.04%	30	31	51.04%	16
Potiguar Sul Transmissao de Energia, S.A.	43	51.04%	22	59	51.04%	30
Neoenergia Santa Luzia Transmissão de Energía, S.A.	28	51.04%	14	–	–	–
Total	**3,958**	**–**	**928**	**5,393**	**–**	**1,088**

(1) Companies recognised as equity-accounted investees.

49. REMUNERATION OF THE BOARD OF DIRECTORS

49.1 By-law stipulated remuneration in 2020

Article 48 of IBERDROLA's bylaws provides that the Company assign on an annual basis, as an expense, an amount equal to a maximum of 2% of the profit obtained in the year by the consolidated group for the following purposes:

On the recommendation of the Remuneration Committee, the Board of Directors has decided to propose to shareholders at the General Meeting to assign the bylaw-stipulated remuneration of EUR 17 million in 2020: the same amount as in the previous five years.

These amounts have been recognised under the heading "Personnel expenses" of the consolidated Income statement (Note 40).

a) Fixed remuneration and attendance fees

The fixed annual remuneration and attendance fees payable to board and committee members depends on the specific duties assigned to them on the Board of Directors and its committees in 2020 and 2019, as follows:

Millions of euros	Fixed remuneration	Attendance fees
Chair of the Board	0.567	0.004
Vice-chair of the Board and committee chairs	0.440	0.004
Committee members	0.253	0.002
Board members	0.165	0.002

b) Remuneration of executive directors for the performance of executive duties

The Board of Directors resolved to maintain the fixed remuneration for the chairman and chief executive officer in 2020 at EUR 2.25 million. It also decided to maintain the existing cap on variable annual remuneration, which may not exceed EUR 3.25 million and which will be paid as agreed upon in 2021.

The Board of Directors agreed to pay fixed remuneration of EUR 1 million in 2020 to the Business CEO and to set a cap of EUR 1 million on their variable annual remuneration, payable, as may be agreed upon, in 2021.

c) Director remuneration paid and accrued

The fixed remuneration accrued by the members of the Board of Directors, on an individual basis, was as follows in 2020 and 2019:

Millions of euros	Salaries	Fixed remuneration (1)	Remuneration for seats on committees (1)	Attendance fees	Short-term variable remuneration (3)	Remuneration in kind	Total 2020	Total 2019
Chair of the Board								
José Ignacio Sánchez Galán	2.250	0.567	–	0.100	3.250	0.075	6.242	6.231
Vice-chair of the Board and committee chairs								
Juan Manuel González Serna	–	0.165	0.275	0.094	–	0.002	0.536	0.486
María Helena Antolín Raybaud	–	0.165	0.275	0.050	–	0.006	0.496	0.499
Xabier Sagredo Ormaza	–	0.165	0.275	0.062	–	0.003	0.505	0.474
Sara de la Rica Goiricelaya	–	0.165	0.171	0.046	–	0.003	0.385	0.218
Committee members								
Iñigo Víctor de Oriol Ibarra	–	0.165	0.088	0.056	–	0.005	0.314	0.310
Samantha Barber	–	0.165	0.192	0.088	–	0.001	0.446	0.524
José Walfredo Fernández	–	0.165	0.088	0.040	–	0.001	0.294	0.294
Manuel Moreu Munaiz	–	0.165	0.088	0.070	–	0.002	0.325	0.315
Francisco Martínez Córcoles (2)	1.000	0.165	–	0.018	1.000	0.033	2.216	2.215
Anthony Luzzatto Gardner	–	0.165	0.088	0.034	–	0.001	0.288	0.284
Nicola Mary Brewer	–	0.123	0.066	0.022	–	0.001	0.212	–
Regina Helena Jorge Nunes	–	0.123	0.066	0.026	–	0.001	0.216	–
Angel Jesús Acebes Paniagua	–	0.032	0.018	0.010	–	0.001	0.061	0.073
Outgoing directors								
Inés Macho Stadler	–	0.042	0.070	0.028	–	0.001	0.141	0.519
Georgina Kessel Martínez	–	0.132	0.071	0.034	–	0.001	0.238	0.326
Denise Mary Holt	–	0.042	0.022	0.014	–	–	0.078	0.294
Total	**3.250**	**2.711**	**1.853**	**0.792**	**4.250**	**0.137**	**12.993**	**13.062**

(1) Remuneration accrued in 2020 for length of service in post. This amount will not be paid until the approval of 2020 bylaw-stipulated remuneration at the 2021 General Shareholders' Meeting.

(2) Only member of the Board of Directors to have no responsibilities on any of the five committees attached to the Board of Directors.

(3) Amount relates to variable remuneration received in 2020, based on attainment of targets and personal performance in 2019.

d) Civil Liability Insurance

The premium paid to cover directors' civil liability insurance amounted to EUR 0.319 million and EUR 0.094 million in 2020 and 2019, respectively.

e) Other items

The expenses of the Board of Directors in relation to external services and other items in 2020 and 2019 amounted to EUR 4.514 million and EUR 1.932 million, respectively.

In 2020 and 2019 a total of EUR 0.116 million and EUR 0.088 million, respectively, was received in premium refunds due to the annual adjustment of the pension insurance policies relating to former members of the Board of Directors.

In 2020, EUR 0.710 million were charged to bylaw-stipulated remuneration not allocated in prior years.

49.2 Remuneration through the delivery of Company shares

At the General Shareholders' Meeting held on 31 March 2017 the shareholders approved the 2017-2019 Strategic Bonus as a long-term incentive tied to the Company's performance in relation to certain key parameters (Note 23).

In the first half of 2020, the first of the three annual settlements was completed. The chairman & CEO received a total of 633,333 IBERDROLA shares, while the Business CEO received a total of 100,000 shares.

49.3 Remuneration for seats on other committees

Remuneration received by executive directors who in 2020 carried out director duties at companies that are not wholly owned, directly or indirectly, by IBERDROLA, amounted to EUR 0.307 million.

49.4 Law 11/2018: Non-financial information and diversity

The average remuneration received by directors in 2020 and 2019 (excluding remuneration in Company shares) was as follows, by type and by gender:

	2020		2019	
Millions of euros	Men	Women	Men	Women
Executive	4.383	–	4.374	–
Independent and other external	0.375	0.381	0.358	0.413

49.5 Termination benefit clauses

Termination benefit clauses for senior management are described in paragraph C.1.39 of the Annual Corporate Governance Report attached to the Management Report.

50. INFORMATION REGARDING COMPLIANCE WITH ARTICLE 229 OF THE SPANISH COMPANIES ACT

As established in Article 229 of the Spanish Companies Act (Ley de Sociedades de Capital), as introduced by Royal Decree-Law 1/2010 of 2 July 2010 and in Law 31/2014, of 3 December 2014, amending the Spanish Companies Act to improve corporate governance, directors may encounter the following conflicts of interests.

The chairman and CEO and the director-general manager left the meeting room during deliberations on all resolutions related to their system of remuneration and insurance.

Further, Mr Sagredo Ormaza left the meeting room during deliberations on the resolutions involving Kutxabank, S.A., specifically the resolution on the engagement of Norbolsa Sociedad de Valores, S.A. as agent for the Iberdrola Flexible Remuneration optional dividend system.

51. REMUNERATION TO SENIOR MANAGEMENT

Senior managers are those who answer directly to the Company's Board of Directors, chairman and chief executive officer and, in all cases, to the Internal audit director, as well as any other director recognised as being a senior manager.

At 31 December 2020, the Company had 9 senior managers.

Personnel expenses relating to members of senior management amounted to EUR 13.1 million and EUR 12.9 million in 2020 and 2019, respectively, and are recognised under “Personnel expenses” in the consolidated Income statements.

The remuneration and other benefits received by senior managers in 2020 and 2019 are as follows:

Millions of euros	2020	2019
Remuneration in cash	4.5	4.9
Variable remuneration	5.8	5.3
Remuneration in kind and payments on account not charged	0.4	0.4
Social Security	0.1	0.1
Employer's contribution to pension plan / employee welfare insurance	1.1	1.1
Risk policy (death and permanent disability)	1.2	1.1
Total	**13.1**	**12.9**

In 2020 and 2019 senior managers who sat on the boards of companies that were not wholly owned by IBERDROLA, whether directly or indirectly, received EUR 0.8 million and EUR 1.1 million, respectively, from those companies.

In the first half of 2019 the third of the three annual payments under the *2014-2016 Strategic Bonus* was made (Note 23), once it had been confirmed that the beneficiaries remained eligible for the remuneration. Under this scheme, members of senior management received a total of 418,340 shares.

In the first half of 2020 the first of the three annual payments under the *2017-2019 Strategic Bonus* was made (Note 23), once the degree of attainment of the relevant targets had been determined. Under this scheme, members of senior management received a total of 533,329 shares.

The General Shareholders' Meeting held on 2 April 2020 set the *2020-2022 Strategic Bonus* (Note 23), pegged to the Company's financial, business and sustainable development performance over the 2020-2022 horizon and targeting 300 beneficiaries. A total of 1,584,000 shares may be delivered to senior officers over a three-year period, based on the degree of attainment of the targets to which the scheme is pegged.

Compensation clauses for members of senior management and other executives are described in paragraph C.1.39 of the Annual Corporate Governance Report, which is part of the Management Report.

In 2020 and 2019, there were no related transactions with senior officers.

Fixed and variable remuneration paid to executives not included in the senior management of IBERDROLA (144 individuals) amounted to EUR 46.4 million in 2020 and EUR 48.5 million in 2019 (147 individuals), affected by the exchange rate.

52. RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions take place within the normal course of business and are carried out under normal market conditions.

Transactions carried out by IBERDROLA with significant shareholders (Note 22)

The most noteworthy transactions in 2020 and 2019 are as follows:

	Significant shareholders	
	2020	2019
Millions of euros	Qatar Investment Authority	Qatar Investment Authority
Other transactions		
Dividends and other distributed earnings (1)	224	3

(1) The amounts recognised as dividends and other distributed earnings in 2020 and 2019 pertain to the Iberdrola Flexible Remuneration system and the General Shareholders' Meeting attendance fee, if eligible.

Transactions carried out with significant shareholders (Note 22)

The most noteworthy transactions in 2020 and 2019 are as follows:

	Significant shareholders	
	2020	2019
Millions of euros	Qatar Investment Authority	Qatar Investment Authority
Other transactions		
Other receivables (1)	98	–
Total receivables	**98**	**–**

(1) Corresponds to cash placements made at Qatar National Bank by ScottishPower, Ltd. At 31 December 2019 there were no outstanding amounts.

Other investments in equity-accounted investees

The breakdown of transactions with equity-accounted investees that are related parties that were not eliminated on consolidation (Note 2.b) is as follows:

	2020						2019					
Millions of euros	Acquisition of assets	Accounts payable	Accounts receivable	Sales and services provided	Supplies	Services received	Acquisition of assets	Accounts payable	Accounts receivable	Sales and services provided	Supplies	Services received
SIEMENS-GAMESA (Note 53) [1]	–	–	–	–	–	–	698	324	2	1	2	43
Norte Energia, S.A. [2]	–	16	–	1	149	–	–	38	–	–	180	–
Companhia Hidrelétrica Teles Pires, S.A. [2]	–	5	–	1	57	–	–	8	–	2	82	–
Morecambe Wind, Ltd.	–	2	1	2	16	–	–	1	1	1	14	–
Energetica Aguas da Pedra, S.A. [2]	–	1	2	2	11	–	–	2	3	2	15	–
Vineyard Wind LLC	–	–	3	7	–	–	–	–	–	12	–	–
Fudepor, S.L. [3]	–	–	–	4	–	–	–	–	–	3	–	–
Intermalta Energía, S.A. [3]	–	–	–	3	–	–	–	–	–	1	–	–
Cogeneración Gequisa, S.A. [3]	–	–	–	1	–	–	–	–	–	11	–	–
NGET/SPT Upgrades Ltd. [4]	3	–	–	–	–	–	37	–	1	1	–	–
East Anglia Offshore Wind, Ltd.	1	1	3	–	–	–	–	–	3	–	–	–
Other companies	–	95	8	7	4	1	–	79	31	6	5	2
Total	**4**	**120**	**17**	**28**	**237**	**1**	**735**	**452**	**41**	**40**	**298**	**45**

[1] In 2019, asset acquisitions related mainly to the purchase from SIEMENS-GAMESA of replacement equipment, wind turbines and towers for the East Anglia (UK), Roaring Brook (USA) and Pradillo, Cavar and Chimiche II (Spain) wind farms. Aside from the purchases detailed in the table above, the following companies were acquired in 2019: Sistemas Energéticos Loma del Viento, S.A., Sistemas Energéticos Serra de Lourenza, S.A. and Sistemas Energéticos Jaralón, S.A., in exchange for EUR 45 million, such companies being the owners of the Puylobo, Casetonas and Ballestas (Spain) wind farms.

[2] Supplies relate mainly to purchases of electrical power.

[3] Sales and services rendered pertain mainly to the sale of gas to cogeneration companies.

[4] The acquisition of assets corresponds mainly to investments made by ScottishPower Transmission Limited for the construction of an underwater interconnection line in the Irish Sea to increase power transmission capacity between England and Scotland. For such purpose, ScottishPower Transmission Limited is working with the British operator National Grid in relation to the joint venture NGET/SPT Upgrades, Ltd.

Transactions with directors and senior managers

	Directors and senior managers			
	2020		2019	
Millions of euros	Directors	Senior managers	Directors	Senior managers
Other transactions				
Dividends and other distributed earnings [1]	1	–	–	–

(1) The amounts recognised as dividends and other distributed earnings in 2020 and 2019 pertain to the Iberdrola Flexible Remuneration system and the General Shareholders' Meeting attendance fee, if eligible.

53. SUBSEQUENT EVENTS TO 31 DECEMBER 2020

The main events following the close of the year (31 December 2020) were as follows:

Iberdrola Flexible Remuneration

On 8 January 2021, the following terms governing the second scrip issue (*Iberdrola Flexible Remuneration*) were approved by shareholders at the General Shareholders' Meeting of IBERDROLA held on 2 March 2020, under item nine of the agenda:

- The maximum number of shares to be issued under the capital increase is 90,715,157.
- The number of free-of-charge allocation rights required to receive one new share is 70.
- The maximum nominal value of the capital increase is EUR 68,036,368.
- The gross Interim Dividend per share amounts to EUR 0.168.

At the end of the trading period for the free allocation rights:

- During the period established for this purpose, the holders of 1,583,410,921 shares in the Company decided to receive the Interim Dividend. Thus, the gross amount paid out under the Interim Dividend was EUR 266 million. As a result, those shareholders have expressly waived 1,583,410,921 free-of-charge allocation rights and, therefore, the right to receive 22,620,156 new shares.
- Furthermore, the final number of new common shares with a par value of EUR 0.75 issued will be 68,095,000, yielding a nominal capital increase (under this issue) of EUR 51 million and adding 1.072% to IBERDROLA's pre-issue share capital.
- Following this share capital increase, IBERDROLA's share capital amounts to EUR 4,813,617,000, represented by 6,418,156,000 common shares, each with a par value of EUR 0.75 and all fully subscribed for and paid up.
- Following fulfilment of the pertinent legal requirements (especially verification of those requirements by the Spanish National Securities Market Commission), the new shares were admitted for trading on the continuous market of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Stock Exchange Interconnection System on 9 February 2021. The ordinary trading of the new shares commenced on 10 February 2021.

Banking market and bond issue in the Euromarket

The most significant financing arranged by the IBERDROLA Group after 31 December 2020 is as follows:

Borrower	Transaction	Amount (millions)	Currency	Interest rate	Maturity
Neoenergia [(2)]	Public bond	2,000	BRL	CDI+1.46%	August-22
Coelba [(1)]	Loan 4131	3,884	JPY		Jan-22
Iberdrola Financiación	Bilateral loan	50	EUR		Feb-28
Iberdrola Financiación [(2)] [(3)]	EIB loan	100	EUR		Jan-33

[(1)] Currency swap contracts for the company's functional currency.
[(2)] Financing expected to be drawn down in 2021.
[(3)] Up to 12 years if the redeemable option is chosen.

Subordinated perpetual bonds

Issue date	Millions of euros	Coupon	Early redemption option
09/02/2021	2,000	First tranche of EUR 1 billion Fixed annual rate of 1.45% from the issuance date until 9 February 2027. From the date of the first revision, five-year swap rate plus an annual margin of 1.832% during the following five years. Five-year swap rate plus a margin of 2.082% per year during each of the five-year revision periods starting on 9 February 2032, 2037 and 2042 and five-year swap rate plus a margin of 2.832% per year during the subsequent five-year revision periods.	During the three previous months until (including) 9 February 2027 and from that date each year.
		Second tranche of EUR 1 billion Fixed annual rate of 1.825% from the issuance date until 9 February 2030. From the date of the first revision, five-year swap rate plus an annual margin of 2.049% during the following five years. Five-year swap rate plus a margin of 2.299% per year during each of the five-year revision periods starting on 9 February 2035, 2040 and 2045 and five-year swap rate plus a margin of 3.049% per year during the subsequent five-year revision periods.	During the six previous months until (including) 9 February 2030 and from that date each year.

Other

On 29 January 2021, the Mexican government sent a "*Preferential Initiative*" to Congress. This Initiative, which is currently being processed, is aimed at modifying the current electricity market rules contained in the Electricity Industry Law (*Ley de la Industria Eléctrica, LIE*). One of the proposed changes is to modify the order in which electricity is dispatched to the system. It also contains a mandate for the Mexican administration to review the contracts signed with the Federal Electricity Commission (CFE) as an Independent Power Producer (IPP), to confirm that the State revenue requirement has been met, and that the self-supply regime has been complied with, in case there has been any legal fraud.

54. FEES FOR SERVICES PROVIDED BY THE STATUTORY AUDITORS

Fees paid for services provided in 2020 and 2019 by KPMG Auditores, S.L. and the other affiliates of KPMG International are as follows:

Year 2020	TO IBERDROLA	To the other Group companies	Total
Auditing services	3	21	**24**
Other audit-related services provided	2	2	**4**
Limited assurances of interim information	2	–	**2**
Comfort letters for debt issues	–	1	**1**
Reports on agreed-upon procedures (*)	–	1	**1**
Total	**5**	**23**	**28**

Year 2019	TO IBERDROLA	To the other Group companies	Total
Auditing services	3	20	**23**
Other audit-related services provided	1	2	**3**
Limited assurances of interim information	1	–	**1**
Comfort letters for debt issues	–	1	**1**
Reports on agreed-upon procedures (*)	–	1	**1**
Total	**4**	**22**	**26**

(*) Mainly agreed-upon procedures reports required by the regulator in each country, as well as reports additional to the audit report required by current legislation in certain countries where the Group operates.

In 2020, the fees for the services provided by KPMG Auditores, S.L. and other audit-related services rendered amounted to EUR 6 million and EUR 2 million, respectively (EUR 6 million and EUR 2 million in 2019, respectively). Other audit-related services relate mainly to the release of limited assurance reports, comfort letters and agreed-upon procedures.

55. EARNINGS PER SHARE

The weighted average number of common shares used to calculate basic and diluted earnings per share at 31 December 2020 and 2019 (Note 3.y) is as follows:

	2020		2019	
	Basic	Diluted	Basic	Diluted
Average number of shares during the year	6,525,535,585	6,536,639,837	6,762,371,809	6,779,929,703
Average number of treasury shares held	(88,431,214)	(88,431,214)	(88,205,548)	(88,205,548)
Number of shares outstanding	**6,437,104,371**	**6,448,208,623**	**6,674,166,261**	**6,691,724,155**

Basic and diluted earnings per share for 2020 and 2019 are as follows:

	2020		2019 Restated (Note 2.c)	
	Basic	Diluted	Basic	Diluted
Net profit from continuing operations at the Parent (*) (millions of euros)	3,629	3,629	3,532	3,532
Accrued interest on subordinated perpetual bonds (millions of euros)	(74)	(74)	(60)	(60)
Adjusted net profit from continuing operations (millions of euros)	**3.555**	**3.555**	**3.472**	**3.472**
Net profit from discontinued operations (millions of euros)	**(18)**	**(18)**	**(66)**	**(66)**
Number of shares outstanding	**6,437,104,371**	**6,448,208,623**	**6,674,166,261**	**6,691,724,155**
Earnings per share (euros) from continuing operations	**0.552**	**0.551**	**0.520**	**0.519**
Earnings per share (euros) from discontinued operations	**(0.003)**	**(0.003)**	**(0.010)**	**(0.010)**

(*) Profit for the year from discontinued operations net of non-controlling interests.

56. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended on 31 December 2020 were authorised for issue by the directors of IBERDROLA on 23 February 2021.

57. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated Financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to IFRS may not conform to other generally accepted accounting principles in other countries.

APPENDIX I

ADDITIONAL INFORMATION FOR 2020 IN RELATION TO GROUP COMPANIES, JOINT ARRANGEMENTS AND ASSOCIATES OF THE IBERDROLA GROUP

The percentages of direct or indirect stakes that Iberdrola, S.A. holds in its investees across its different businesses are shown below. The percentage of votes on the decision-making bodies of those investees, which are controlled by IBERDROLA, essentially corresponds to the percentage of ownership.

(*) The consolidation method for each company is as follows:

FC: Full consolidation

EM: Accounted for using the equity method

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
LIBERALISED BUSINESS					
Spain					
Cogeneración Gequisa, S.A.	Spain	Energy	50.00	50.00	EM:
Enercrisa, S.A.	Spain	Energy	50.00	50.00	EM:
Energía Portátil Cogeneración, S.A.	Spain	Energy	50.00	50.00	EM:
Energyworks Aranda, S.L.	Spain	Energy	99.00	99.00	FC:
Energyworks Carballo, S.L.	Spain	Energy	99.00	99.00	FC:
Energyworks Cartagena, S.L.	Spain	Energy	99.00	99.00	FC:
Energyworks Fonz, S.L.	Spain	Energy	100.00	100.00	FC:
Energyworks Milagros, S.L.	Spain	Energy	100.00	100.00	FC:
Energyworks Monzón, S.L.	Spain	Energy	100.00	100.00	FC:
Energyworks San Millán, S.L.	Spain	Energy	100.00	100.00	FC:
Energyworks Villarrobledo, S.L.	Spain	Energy	99.00	99.00	FC:
Energyworks Vit-Vall, S.L.	Spain	Energy	99.00	99.00	FC:
Fudepor, S.L.	Spain	Energy	50.00	50.00	EM:
Iberdrola Clientes, S.A.U.	Spain	Retail	100.00	100.00	FC:
Iberdrola Clientes Internacional, S.A.U.	Spain	Holding company	100.00	100.00	FC:
Iberdrola Cogeneración, S.L.U.	Spain	Holding company	100.00	100.00	FC:
Curenergía Comercializador de Último Recurso, S.A.U.	Spain	Retail	100.00	100.00	FC:
Iberdrola Generación España, S.A.U.	Spain	Energy	100.00	100.00	FC:
Iberdrola Generación Nuclear, S.A.U.	Spain	Energy	100.00	100.00	FC:
Iberdrola Generación Térmica, S.L.U.	Spain	Energy	100.00	100.00	FC:
Iberdrola Operación y Mantenimiento, S.A.U.	Spain	Services	100.00	100.00	FC:
Iberdrola Servicios Energéticos, S.A.U.	Spain	Retail	100.00	100.00	FC:
Iberduero, S.L.U.	Spain	Energy	100.00	100.00	FC:
Intermalta Energía, S.A.	Spain	Energy	50.00	50.00	EM:
Nuclenor, S.A.	Spain	Energy	50.00	50.00	EM:
Peninsular Cogeneración, S.A.	Spain	Energy	50.00	50.00	EM:
Productos y Servicios de Confort, S.A.	Spain	Services	100.00	100.00	FC:
Tarragona Power, S.L.U.	Spain	Energy	100.00	100.00	FC:
Tecnatom, S.A. (5)	Spain	Other	30.00	30.00	-
United Kingdom					
ScottishPower Retail Holdings Ltd.	United Kingdom	Holding company	100.00	100.00	FC:
ScottishPower (DCL), Ltd.	United Kingdom	Energy	100.00	100.00	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
ScottishPower (SCPL), Ltd.	United Kingdom	Energy	100.00	100.00	FC:
ScottishPower Energy Management (Agency), Ltd.	United Kingdom	Energy	100.00	100.00	FC:
ScottishPower Energy Management, Ltd.	United Kingdom	Energy	100.00	100.00	FC:
ScottishPower Energy Retail, Ltd.	United	Retail	100.00	100.00	FC:
ScottishPower Generation (Assets), Ltd	United	Energy	100.00	100.00	FC:
SP Dataserve, Ltd.	United	Debt management	100.00	100.00	FC:
SP Gas Transportation Cockenzie, Ltd.	United	Inactive	100.00	100.00	FC:
SP Gas Transportation Hatfield, Ltd.	United	Inactive	100.00	100.00	FC:
SP Smart Meter Assets, Ltd.	United	Other	100.00	100.00	FC:
Mexico					
Hidrola I, S.L.U.	Spain	Holding company	100.00	100.00	FC:
Cinergy, S.A. de C.V. (formerly Cinergy,	Mexico	Services	100.00	100.00	FC:
Iberdrola Soporte a Proyectos Liberalizados, S.A. de C.V.	Mexico	Services	100.00	100.00	FC:
Enertek, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC:
Iberdrola Clientes, S.A. de C.V.	Mexico	Retail	100.00	100.00	FC:
Iberdrola Cogeneración Altamira, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Cogeneración Bajío, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Cogeneración Ramos, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Energía Altamira de Servicios, S.A. de C.V.	Mexico	Services	100.00	100.00	FC:
Iberdrola Energía Altamira, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Energía Baja California, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Energía del Golfo, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Energía Escobedo, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Energía La Laguna, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC:
Iberdrola Energía Monterrey, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC:
Iberdrola Energía Noroeste, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Energía Tamazunchale, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC:
Iberdrola Energía Topolobampo, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Generación, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Generación México, S.A. de C.V.	Mexico	Holding company	100.00	100.00	FC:
Iberdrola México, S.A. de C.V.	Mexico	Holding company	100.00	100.00	FC:
Iberdrola Servicios Corporativos, S.A. de C.V.	Mexico	Services	100.00	100.00	FC:
Servicios Administrativos Tamazunchale, S.A. de C.V.	Mexico	Services	100.00	100.00	FC:
Servicios de Operación La Laguna, S.A. de C.V.	Mexico	Services	100.00	100.00	FC:
Servicios Industriales y Administrativos del Noreste, S.R.L. de C.V.	Mexico	Services	51.12	51.12	FC:
Brazil					
Elektro Comercializadora de Energia Ltda.	Brazil	Retail	51.04	51.04	FC:
NC Energia, S.A.	Brazil	Retail	51.04	51.04	FC:
Neoenergia Operaçao e Manuitençao, S.A.	Brazil	Services	51.04	51.04	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
Neoenergia Servicios, Ltd.	Brazil	Services	51.04	51.04	FC:
Termopernambuco, S.A.	Brazil	Energy	51.04	51.04	FC:
Rest of the World					
Iberdrola Energy Deutschland, GmbH.	Germany	Retail	100.00	100.00	FC:
Iberdrola Canadá Energy Services, Ltd.	Canada	Gas	100.00	100.00	FC:
Iberdrola Solutions, LLC	USA	Retail	100.00	100.00	FC:
Iberdrola Energie France, S.A.S.	France	Retail	100.00	100.00	FC:
Iberdrola Clienti Italia, S.R.L.	Italy	Retail	100.00	100.00	FC:
Iberdrola Ireland, Ltd	Ireland	RetaiL	100.00	100.00	FC:
Iberdrola Clientes Portugal, Unipessoal	Portugal	Retail	100.00	100.00	FC:
RENEWABLES					
Spain					
Aixeindar, S.A.	Spain	Energy	60.00	60.00	FC:
Anselmo León Hidráulica, S.L. (1)	Spain	Energy	100.00	100.00	EM:
Biocantaber, S.L.	Spain	Energy	50.00	50.00	EM:
Bionor Eólica, S.A.	Spain	Energy	57.00	57.00	FC:
Biovent Energía, S.A.	Spain	Energy	95.00	95.00	FC:
Cantaber Generación Eólica, S.L.	Spain	Energy	69.01	69.01	FC:
Ciener, S.A.U.	Spain	Energy	100.00	100.00	FC:
Dehesa Solar Sur, S.L.	Spain	Energy	100.00	-	FC:
Desarrollo de Energías Renovables de La Rioja, S.A. (2)	Spain	Energy	63.55	63.55	EM:
Ecobarcial, S.A. (2)	Spain	Energy	43.78	43.78	EM:
Ekienea, S.L.	Spain	Energy	75.00	-	FC:
Electra de Malvana, S.A. (2)	Spain	Energy	48.00	48.00	EM:
Electra Sierra de los Castillos, S.L.	Spain	Energy	97.00	97.00	FC:
Electra Sierra de San Pedro, S.A.	Spain	Energy	80.00	80.00	FC:
Eléctricas de la Alcarria, S.L.	Spain	Energy	90.00	90.00	FC:
Eme Hueneja Cuatro, S.L.	Spain	Energy	100.00	100.00	FC:
Energía de Castilla y León, S.A.	Spain	Energy	85.50	85.50	FC:
Energías Ecológicas de Tenerife, S.A. (3)	Spain	Energy	50.00	50.00	FC:
Energías Eólicas de Cuenca, S.A.U.	Spain	Energy	100.00	100.00	FC:
Energías Fotovoltaicas de Puertollano,	Spain	Energy	100.00	100.00	FC:
Energías Renovables de Belona, S.L.	Spain	Energy	100.00	100.00	FC:
Energías Renovables de Circe, S.L.	Spain	Energy	100.00	100.00	FC:
Energías Renovables de Febe, S.L.	Spain	Energy	100.00	100.00	FC:
Energías Renovables de Hermes, S.L.	Spain	Energy	100.00	100.00	FC:
Energías Renovables de Tione, S.L.	Spain	Energy	100.00	100.00	FC:
Energías Renovables de la Región de Murcia, S.A.U.	Spain	Energy	100.00	100.00	FC:
Energías Verdes de Tenerífe, S.L. (3)	Spain	Energy	50.00	-	FC:
Eólica Campollano, S.A. (2)	Spain	Energy	25.00	25.00	EM:
Eólica 2000, S.L.	Spain	Energy	51.00	51.00	FC:
Eólicas de Euskadi, S.A.U.	Spain	Energy	100.00	100.00	FC:
Gestión de Evacuación de la Serna, S.L.	Spain	Energy	16.54	16.52	EM:
Iberdrola Generación, S.A.U.	Spain	Energy	100.00	100.00	FC:
Fincalia Agropecuaria, S.A.	Spain	Energy	100.00	100.00	FC:
Fincalia Agropecuaria siglo XXI, S.A.	Spain	Energy	100.00	100.00	FC:
Iberdrola Renovables Galicia, S.A.U.	Spain	Energy	100.00	100.00	FC:
Iberdrola Renovables Andalucía, S.A.U.	Spain	Energy	100.00	100.00	FC:
Iberdrola Renovables Aragón, S.A.U.	Spain	Energy	100.00	100.00	FC:
Iberdrola Renovables Canarias, S.A.U.	Spain	Energy	100.00	100.00	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
Iberdrola Renovables Castilla – La Mancha, S.A.U.	Spain	Energy	100.00	100.00	FC:
Iberdrola Renovables Castilla y León, S.A.	Spain	Energy	95.00	95.00	FC:
Iberdrola Renovables Energía, S.A.U.	Spain	Holding company	100.00	100.00	FC:
Iberdrola Renovables Internacional, S.A.U.	Spain	Holding company	100.00	100.00	FC:
Iberdrola Renovables La Rioja, S.A. (2)	Spain	Energy	63.55	63.55	EM:
Iberdrola Renovables La Rioja 2, S.A.	Spain	Energy	63.55	63.55	FC:
Iberenova Promociones, S.A.U.	Spain	Energy	100.00	100.00	FC:
Iberjalón, S.A.	Spain	Energy	80.00	80.00	FC:
ICARO Renovables,S.A.	Spain	Energy	100.00	100.00	FC:
Minicentrales del Tajo, S.A.	Spain	Energy	80.00	80.00	FC:
Molinos de La Rioja, S.A. (2)	Spain	Energy	63.55	63.55	EM:
Molinos del Cidacos, S.A.	Spain	Energy	63.55	63.55	FC:
Parque Eólico Capiechamartin, S.L.	Spain	Energy	100.00	-	FC:
Parque Eólico Cordel y Vidural, S.L.	Spain	Energy	100.00	-	FC:
Parque Eólico Cruz del Carrutero, S.L.	Spain	Energy	76.00	76.00	FC:
Parque Eólico Encinillas, S.L.	Spain	Energy	100.00	49.00	FC:
Parque Eólico Panondres, S.L.	Spain	Energy	100.00	100.00	FC:
Parque Eólico Verdigueiro, S.L.	Spain	Energy	100.00	-	FC:
Parque Solar Cáceres, S.L.	Spain	Energy	100.00	-	FC:
Peache Energías Renovables, S.A.	Spain	Energy	95.00	95.00	FC:
Producciones Energéticas Asturianas, S.L.	Spain	Energy	80.00	80.00	FC:
Producciones Energéticas de Castilla y León, S.A. (2)	Spain	Energy	85.50	85.50	EM:
Proyecto Nuñez de Balboa, S.L.	Spain	Energy	100.00	100.00	FC:
Proyecto Solar Francisco Pizarro, S.L.	Spain	Energy	100.00	-	FC:
PV I Ataulfo, S.L.	Spain	Energy	100.00	-	FC:
Renovables de Buniel, S.L.	Spain	Energy	75.00	75.00	FC:
Renovables de la Ribera, S.L.	Spain	Energy	50.00	50.00	FC:
Sistemas Energéticos Altamira, S.A.U.	Spain	Energy	100.00	100.00	FC:
Sistemas Energéticos Chandrexa, S.A.	Spain	Energy	96.07	96.07	FC:
Sistemas Energéticos del Moncayo, S.A.	Spain	Energy	75.00	75.00	FC:
Sistemas Energéticos La Gomera, S.A.U.	Spain	Energy	100.00	100.00	FC:
Sistemas Energéticos La Higuera, S.A.	Spain	Energy	55.00	55.00	FC:
Sistemas Energéticos Jaralón, S.A.	Spain	Energy	100.00	100.00	FC:
Sistemas Energéticos de la Linera, S.A.U.	Spain	Energy	100.00	100.00	FC:
Sistemas Energéticos Loma del Viento, S.A.	Spain	Energy	100.00	100.00	FC:
Sistemas Energéticos La Muela, S.A.	Spain	Energy	80.00	80.00	FC:
Sistemas Energéticos Mas Garullo, S.A.	Spain	Energy	78.00	78.00	FC:
Sistemas Energéticos Nacimiento, S.A.U.	Spain	Energy	100.00	100.00	FC:
Sistemas Energéticos Serra de Lourenza, S.A.	Spain	Energy	100.00	100.00	FC:
Sistemas Energéticos Tacica de Plata, S.A.U.	Spain	Energy	100.00	100.00	FC:
Sistemas Energéticos Torralba, S.A.	Spain	Energy	60.00	60.00	FC:
Sistemas Eólicos de Muñó, S.L.	Spain	Energy	75.00	-	FC:
Sistemes Energetics Savalla del Comtat, S.A.U.	Spain	Energy	100.00	100.00	FC:
Sociedad Gestora de Parques Eólicos de Andalucía, S.A.	Spain	Energy	63.91	63.91	FC:
Sotavento Galicia, S.A. (4)	Spain	Energy	8.00	8.00	EM:
Ibertâmega – Sistema Electroprodutor Do Tâmega, S.A.	Portugal	Energy	100.00	100.00	FC:
Iberdrola Suporte Projecto Tâmega, Unipessoal Lda.	Portugal	Energy	100.00	100.00	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
United Kingdom					
Celtpower, Ltd.	United Kingdom	Energy	50.00	50.00	EM:
Coldham Windfarm, Ltd.	United Kingdom	Energy	80.00	80.00	FC:
Cumberhead West Wind Farm, Ltd.	United Kingdom	Energy	72.00	-	FC:
Douglas West Extension, Ltd.	United Kingdom	Energy	72.00	72.00	FC:
East Anglia Offshore Wind, Ltd.	United Kingdom	Energy	50.00	50.00	EM:
East Anglia One, Ltd.	United Kingdom	Energy	60.00	60.00	FC:
East Anglia Three, Ltd.	United Kingdom	Energy	100.00	100.00	FC:
East Anglia One North Ltd.	United Kingdom	Energy	100.00	100.00	FC:
East Anglia Two Ltd.	United Kingdom	Energy	100.00	100.00	FC:
Hagshaw Hill Repowering, Ltd.	United Kingdom	Energy	100.00	-	FC:
Morecambe Wind, Ltd.	United Kingdom	Energy	50.00	50.00	EM:
ScottishPower Renewable Energy, Ltd.	United Kingdom	Holding company	100.00	100.00	FC:
ScottishPower Renewables (WODS), Ltd.	United Kingdom	Energy	100.00	100.00	FC:
ScottishPower Renewables UK, Ltd.	United Kingdom	Energy	100.00	100.00	FC:
ScottishPower Renewables (UK Assets), Ltd	United Kingdom	Energy	100.00	100.00	FC:
United States					
Aeolus Wind Power VII, LLC	USA	Energy	81.50	81.50	FC:
Atlantic Renewable Energy Corporation	USA	Holding company	81.50	81.50	FC:
Atlantic Renewable Projects II, LLC	USA	Holding company	81.50	81.50	FC:
Atlantic Renewable Projects, LLC	USA	Energy	81.50	81.50	FC:
Atlantic Wind, LLC	USA	Holding company	81.50	81.50	FC:
Aurora Solar, LLC	USA	Holding company	81.50	81.50	FC:
Avangrid Arizona Renewables, LLC	USA	Energy	81.50	81.50	FC:
Avangrid Logistic Services, LLC	USA	Energy	81.50	81.50	FC:
Avangrid Renewables Holdings, Inc.	USA	Holding company	81.50	81.50	FC:
Avangrid Renewables, LLC	USA	Holding company	81.50	81.50	FC:
Avangrid Texas Renewables, LLC	USA	Energy	81.50	81.50	FC:
Avangrid Vineyard Wind, LLC	USA	Holding company	81.50	81.50	FC:
Bakeoven Solar, LLC	USA	Energy	81.50	81.50	FC:
Barton Windpower, LLC	USA	Energy	81.50	81.50	FC:
Big Horn II Wind Project, LLC	USA	Energy	81.50	81.50	FC:
Big Horn Wind Project, LLC	USA	Energy	81.50	81.50	FC:
Blue Creek Wind Farm, LLC	USA	Energy	81.50	81.50	FC:
Buffalo Ridge I, LLC	USA	Energy	81.50	81.50	FC:
Buffalo Ridge II, LLC	USA	Energy	81.50	81.50	FC:
Camino Solar, LLC	USA	Energy	81.50	81.50	FC:
Casselman Wind Power, LLC	USA	Energy	81.50	81.50	FC:
Colorado Green Holdings, LLC	USA	Holding company	81.50	81.50	FC:
Colorado Wind Ventures, LLC	USA	Holding company	81.50	81.50	FC:
Coyote Ridge Wind, LLC	USA	Energy	16.30	16.30	EM:
Deerfield Wind, LLC	USA	Energy	81.50	81.50	FC:
Deer River Wind, LLC	USA	Energy	81.50	-	FC:
Desert Wind Farm, LLC	USA	Energy	81.50	81.50	FC:
Dillon Wind, LLC	USA	Energy	81.50	81.50	FC:
El Cabo Wind, LLC	USA	Energy	81.50	81.50	FC:
El Cabo Wind Holdings	USA	Holding company	81.50	81.50	FC:
El Cabo Partners, LLC	USA	Energy	81.50	81.50	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
Elk River Wind Farm, LLC	USA	Energy	81.50	81.50	FC:
Elm Creek Wind II, LLC	USA	Energy	81.50	81.50	FC:
Elm Creek Wind, LLC	USA	Energy	81.50	81.50	FC:
Farmers City Wind, LLC	USA	Energy	81.50	81.50	FC:
Flat Rock Windpower II, LLC	USA	Energy	40.75	40.75	EM:
Flat Rock Windpower, LLC	USA	Energy	40.75	40.75	EM:
Flying Cloud Power Partners, LLC	USA	Energy	81.50	81.50	FC:
Flying Cow Wind, LLC	USA	Energy	81.50	81.50	FC:
Fountain Wind, LLC	USA	Energy	81.50	81.50	FC:
Golden Hills Wind Farm, LLC	USA	Energy	81.50	81.50	FC:
Goodland Wind, LLC	USA	Energy	81.50	81.50	FC:
Great Bear Wind, LLC	USA	Energy	81.50	-	FC:
Groton Wind, LLC	USA	Energy	81.50	81.50	FC:
Hardscrabble Wind Power, LLC	USA	Energy	81.50	81.50	FC:
Hay Canyon Wind, LLC	USA	Energy	81.50	81.50	FC:
Heartland Wind, LLC	USA	Energy	81.50	81.50	FC:
Helix Wind Power Facility, LLC	USA	Energy	81.50	81.50	FC:
Imperial Wind, LLC	USA	Energy	81.50	81.50	FC:
Juniper Canyon Wind Power II, LLC	USA	Energy	81.50	81.50	FC:
Juniper Canyon Wind Power, LLC	USA	Energy	81.50	81.50	FC:
Karankawa Wind, LLC	USA	Energy	81.50	81.50	FC:
Kitty Hawk Wind, LLC	USA	Energy	81.50	81.50	FC:
Klamath Energy, LLC	USA	Energy	81.50	81.50	FC:
Klamath Generation, LLC	USA	Energy	81.50	81.50	FC:
Klondike Wind Power II, LLC	USA	Energy	81.50	81.50	FC:
Klondike Wind Power III, LLC	USA	Energy	81.50	81.50	FC:
Klondike Wind Power, LLC	USA	Energy	81.50	81.50	FC:
La Joya Bond, LLC	USA	Energy	81.50	-	FC:
La Joya Wind, LLC	USA	Energy	81.50	81.50	FC:
Lakeview Cogeneration, LLC	USA	Energy	81.50	81.50	FC:
Leaning Juniper Wind Power II, LLC	USA	Energy	81.50	81.50	FC:
Leipsic Wind, LLC	USA	Energy	81.50	81.50	FC:
Lempster Wind, LLC	USA	Energy	81.50	81.50	FC:
Locust Ridge II, LLC	USA	Energy	81.50	81.50	FC:
Locust Ridge Wind Farms, LLC	USA	Energy	81.50	37.74	FC:
Loma Vista, LLC	USA	Energy	81.50	81.50	FC:
Loowit Battery Storage, LLC	USA	Energy	81.50	81.50	FC:
Lund Hill Solar, LLC	USA	Energy	81.50	81.50	FC:
Manzana Power Services, Inc.	USA	Services	81.50	81.50	FC:
Manzana Wind, LLC	USA	Energy	81.50	81.50	FC:
Maupin Solar, LLC	USA	Energy	81.50	-	FC:
Midland Wind, LLC	USA	Energy	81.50	81.50	FC:
Minndakota Wind, LLC	USA	Energy	81.50	81.50	FC:
Mohawk Solar, LLC	USA	Energy	81.50	81.50	FC:
Montague Solar, LLC	USA	Energy	81.50	81.50	FC:
Montague Wind Power Facility, LLC	USA	Energy	81.50	81.50	FC:
Moraine Wind II, LLC	USA	Energy	81.50	81.50	FC:
Moraine Wind, LLC	USA	Energy	81.50	81.50	FC:
Mount Pleasant Wind, LLC	USA	Energy	81.50	81.50	FC:
Mountain View Power Partners III, LLC	USA	Energy	81.50	81.50	FC:
New England Wind, LLC	USA	Energy	81.50	81.50	FC:
New Harvest Wind Project, LLC	USA	Energy	81.50	81.50	FC:
Northern Iowa WindPower II, LLC	USA	Energy	81.50	81.50	FC:
Oregon Trail Solar, LLC	USA	Energy	81.50	-	FC:
OSC-A 0522, LLC	USA	Energy	40.75	-	EM:
Otter Creek Wind Farm, LLC	USA	Energy	81.50	81.50	FC:
Pacific Harbor Capital, Inc.	USA	Other	81.50	81.50	FC:
Pacific Wind Development, LLC	USA	Holding company	81.50	81.50	FC:
Park City Wind, LLC	USA	Energy	40.75	-	EM:
Patriot Wind Farm, LLC	USA	Energy	81.50	81.50	FC:
Patriot Wind Holdings, LLC	USA	Holding company	81.50	81.50	FC:
Patriot Wind TE Holdco, LLC	USA	Holding company	81.50	81.50	FC:
Pebble Springs Wind, LLC	USA	Energy	81.50	81.50	FC:
Phoenix Wind Power, LLC	USA	Energy	81.50	81.50	FC:
Poseidon Solar, LLC	USA	Energy	40.75	40.75	EM:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	Percentage of direct or indirect stake 31.12.2019	Method (*)
Poseidon Wind, LLC	USA	Energy	40.75	40.75	EM:
Powell Creek Solar, LLC	USA	Energy	81.50	-	FC:
PPM Colorado Wind Ventures, Inc.	USA	Holding company	81.50	81.50	FC:
PPM Roaring Brook, LLC	USA	Energy	81.50	81.50	FC:
PPM Technical Services, Inc.	USA	Services	81.50	81.50	FC:
PPM Wind Energy, LLC	USA	Energy	81.50	81.50	FC:
Providence Heights Wind, LLC	USA	Energy	81.50	81.50	FC:
Rugby Wind, LLC	USA	Energy	81.50	81.50	FC:
San Luis Solar, LLC	USA	Energy	81.50	81.50	FC:
ScottishPower Financial Services, Inc.	USA	Other	81.50	81.50	FC:
ScottishPower Group Holdings Company	USA	Holding company	81.50	81.50	FC:
Shiloh I Wind Project, LLC	USA	Energy	81.50	81.50	FC:
Solar Star Oregon II, LLC	USA	Energy	81.50	81.50	FC:
South Chestnut, LLC	USA	Energy	81.50	81.50	FC:
Start Point Wind Project, LLC	USA	Energy	81.50	81.50	FC:
Streator Cayuga Ridge Wind Power, LLC	USA	Energy	81.50	81.50	FC:
Tatanka Ridge Wind. LLC	USA	Energy	12.23	81.50	EM:
Trimont Wind I, LLC	USA	Energy	81.50	81.50	FC:
Tule Wind, LLC	USA	Energy	81.50	81.50	FC:
Twin Buttes Wind, LLC	USA	Energy	81.50	81.50	FC:
Twin Buttes Wind II, LLC	USA	Energy	81.50	81.50	FC:
Vineyard Wind, LLC	USA	Energy	40.75	40.75	EM:
Vineyard Wind 1, LLC	USA	Energy	40.75	-	EM:
West Valley Leasing Company, LLC	USA	Gas	81.50	81.50	-
Winnebago Windpower II, LLC	USA	Energy	81.50	81.50	FC:
Winnebago Windpower, LLC	USA	Energy	81.50	81.50	FC:
Wyeast Solar, LLC	USA	Energy	81.50	81.50	FC:
Mexico					
BII NEE Stipa Energía Eólica, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC:
Corporativo Iberdrola Renovables México, S.A. de C.V.	Mexico	Services	100.00	100.00	FC:
Energías Renovables Venta III, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Eólica Dos Arbolitos S.A. de C.V. (formerly Eólica Dos Arbolitos S.A.P.I. de C.V.)	Mexico	Energy	100.00	100.00	FC:
Iberdrola Soporte a Proyectos Renewables, S.A. DE C.V.	Mexico	Services	100.00	100.00	FC:
Iberdrola Renovables Centro, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Renovables del Bajío, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Iberdrola Renovables México, S.A. de C.V.	Mexico	Holding company	100.00	100.00	FC:
Iberdrola Renovables Noroeste, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Parque de Generación Renovable, S.A. de C.V.	Mexico	Energy	100.00	100.00	FC:
Parque Industrial de Energía Renovables, S.A. de C.V.	Mexico	Energy	51.00	51.00	FC:
Parques Ecológicos de México, S.A. de C.V.	Mexico	Energy	99.99	99.99	FC:
Pier II Quecholac Felipe Ángeles, S.A. de C.V.	Mexico	Energy	51.00	51.00	FC:
Servicios de Operación Eoloeléctrica de México, S.A. de C.V.	Mexico	Services	100.00	100.00	FC:
Brazil					
Arizona 1 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Baguari Geraçao de Energia Eléctrica,	Brazil	Energy	51.04	51.04	FC:
Bahia PCH II, S.A. Bahía Pequeña C.	Brazil	Energy	51.04	51.04	FC:
Bahia PCH III, S.A. Bahía Geraçao de	Brazil	Energy	51.04	51.04	FC:
Belo Monte Participaçoes, S.A.	Brazil	Holding company	51.04	51.04	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
Bonito 1 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	51.04	-
Bonito 2 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	51.04	-
Bonito 3 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Bonito 4 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Bonito 5 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Bonito 6 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Bonito 7 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Bonito 8 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Bonito 9 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Bonito 10 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Bonito 11 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Caetité 1 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Caetité 2 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Caetité 3 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Calango 1 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Calango 2 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Calango 3 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Calango 4 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Calango 5 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Calango 6 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Calango Solar 1 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	51.04	-
Calango Solar 2 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	51.04	-
Canoas Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Canoas 2 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Canoas 3 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Canoas 4 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Chafariz 1 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Chafariz 2 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Chafariz 3 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Chafariz 4 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Chafariz 5 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Chafariz 6 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Chafariz 7 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Companhia Hidrelétrica Teles Pires, S.A.	Brazil	Energy	26.03	26.03	EM:
Elektro Renováveis do Brasil, S.A.	Brazil	Energy	51.04	51.04	FC:
Energética Aguas da Pedra, S.A.	Brazil	Energy	26.03	26.03	EM:
Energética Corumbá III, S.A. (4)	Brazil	Energy	12.76	12.76	EM:
Energias Renováveis do Brasil, S.A.	Brazil	Energy	51.04	51.04	FC:
FE Participaçoes, S.A.	Brazil	Energy	51.04	51.04	FC:
Força Eolica do Brasil 1, S.A.	Brazil	Energy	51.04	51.04	FC:
Força Eolica do Brasil 2, S.A.	Brazil	Energy	51.04	51.04	FC:
Geraçao Ceu Azul, S.A.	Brazil	Energy	51.04	51.04	FC:
Geraçao CIII, S.A.	Brazil	Holding company	51.04	51.04	FC:
Itapebí Geraçao de Energia, S.A.	Brazil	Energy	51.04	51.04	FC:
Lagoa 1 Energia renovavel , S.A.	Brazil	Energy	51.04	51.04	FC:
Lagoa 2 Energia renovavel , S.A.	Brazil	Energy	51.04	51.04	FC:
Lagoa 3 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Lagoa 4 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Luzia 1 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	51.04	-
Luzia 2 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	51.04	-
Mel 2 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Renováveis, S.A. (formerly Força Eolica do Brasil, S.A.)	Brazil	Holding company	51.04	51.04	FC:
Norte Energia, S.A. (4)	Brazil	Energy	5.10	5.10	EM:
Oitis 1 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 2 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 3 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 4 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 5 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 6 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 7 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 8 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
Oitis 9 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 10 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 21 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 22 Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Oitis 24 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 25 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 26 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Oitis 27 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	51.04	-
Oitis 28 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	51.04	-
Riachão 1 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 2 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 3 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 4 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 5 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 6 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 7 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 8 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 9 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 10 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 11 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 12 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 13 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 14 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Riachão 15 Energia Renovável, S.A. (5)	Brazil	Energy	51.04	-	-
Santana 1, Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Santana 2, Energia Renovável, S.A.	Brazil	Energy	51.04	51.04	FC:
Teles Pires Participaçoes, S.A.	Brazil	Holding company	25.81	25.81	EM:
Ventos de Arapuá 1 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Ventos de Arapuá 2 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Ventos de Arapuá 3 Energia renovavel, S.A.	Brazil	Energy	51.04	51.04	FC:
Rest of the World					
Aalto Power, GmbH.	Germany	Energy	100.00	-	FC:
Baltic Eagle, GmbH.	Germany	Energy	100.00	100.00	FC:
Iberdrola Renovables Offshore Deutschland, GmbH.	Germany	Energy	100.00	100.00	FC:
Iberdrola Renovables Deutschland, GmbH.	Germany	Energy	100.00	100.00	FC:
Batchelor Solar PTY, Ltd.	Australia	Energy	100.00	-	FC:
Bluff Solar Farm PTY, Ltd.	Australia	Energy	100.00	-	FC:
Bodangora Wind Farm PTY, Ltd.	Australia	Energy	100.00	-	FC:
Bogan River Solar Farm PTY, Ltd.	Australia	Energy	100.00	-	FC:
Bowen Solar Farm PTY, Ltd.	Australia	Energy	100.00	-	FC:
BWF Finance PTY, Ltd.	Australia	Financial	100.00	-	FC:
BWF Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Capital East Solar PTY, Ltd.	Australia	Energy	100.00	-	FC:
Capital Solar Farm PTY, Ltd.	Australia	Energy	100.00	-	FC:
Capital Wind Farm (BB), Trust	Australia	Inactive	100.00	-	FC:
Capital Wind Farm 2 PTY, Ltd.	Australia	Energy	100.00	-	FC:
Capital Wind Farm Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
CREP Land Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
CS CWF, Trust	Australia	Inactive	100.00	-	FC:
CS Walkaway, Trust	Australia	Inactive	100.00	-	FC:
Flyers Creek Wind Farm PTY, Ltd.	Australia	Energy	100.00	-	FC:
Forsayth Wind Farm, PTY, Ltd.	Australia	Energy	50.00	-	EM:
Iberdrola Renewables Australia PTY, Ltd.	Australia	Energy	100.00	100.00	FC:
Infigen Energy (NSW) Power Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Infigen Energy (SA) Power Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Infigen Energy (US) 2 PTY, Ltd.	Australia	Inactive	100.00	-	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
Infigen Energy (US) PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Infigen Energy Custodian Services PTY, Ltd.	Australia	Services	100.00	-	FC:
Infigen Energy Development Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Infigen Energy Development PTY, Ltd.	Australia	Energy	100.00	-	FC:
Infigen Energy Europe 2 PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Infigen Energy Europe 3 PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Infigen Energy Europe 4 PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Infigen Energy Europe 5 PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Infigen Energy Finance (Australia) PTY, Ltd.	Australia	Financial	100.00	-	FC:
Infigen Energy Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Infigen Energy Investments PTY, Ltd.	Australia	Services	100.00	-	FC:
Infigen Energy Markets PTY, Ltd.	Australia	Retail supplier	100.00	-	FC:
Infigen Energy NT Solar Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Infigen Energy NT Solar PTY, Ltd.	Australia	Energy	100.00	-	FC:
Infigen Energy RE, Ltd.	Australia	Services	100.00	-	FC:
Infigen Energy SAGT PTY, Ltd.	Australia	Gas	100.00	-	FC:
Infigen Energy Services Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Infigen Energy Services PTY, Ltd.	Australia	Services	100.00	-	FC:
Infigen Energy Smithfield Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Infigen Energy T Services PTY, Ltd.	Australia	Services	100.00	-	FC:
Infigen Energy US Holdings PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Infigen Energy Wallgrove Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Infigen Energy Wallgrove PTY, Ltd.	Australia	Other	100.00	-	FC:
Infygen Energy, Trust	Australia	Energy	100.00	-	FC:
Infigen Suntech Australia PTY, Ltd.	Australia	Energy	50.00	-	EM:
Infigen Energy, Ltd.	Australia	Holding company	100.00	-	FC:
Lake Bonney 2 Holdings PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Lake Bonney BESS PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Lake Bonney Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Lake Bonney Wind Power 2 PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Lake Bonney Wind Power PTY, Ltd.	Australia	Energy	100.00	-	FC:
Manton Solar PTY, Ltd.	Australia	Energy	100.00	-	FC:
NPP Walkaway PTY, Ltd.	Australia	Inactive	100.00	-	FC:
NPP Walkaway, Trust	Australia	Inactive	100.00	-	FC:
Parep 1 PTY, Ltd.	Australia	Energy	100.00	-	FC:
Renewable Energy Constructions PTY, Ltd.	Australia	Energy	100.00	-	FC:
Renewable Power Ventures PTY, Ltd.	Australia	Energy	100.00	-	FC:
RPV Developments PTY, Ltd.	Australia	Energy	32.00	-	EM:
RPV Investment, Trust	Australia	Inactive	100.00	-	FC:
Smithfield Land Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Smithfield Power Generation PTY, Ltd.	Australia	Gas	100.00	-	FC:
Walkaway (BB) PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Walkaway (BB), Trust	Australia	Inactive	100.00	-	FC:
Walkaway (CS) PTY, Ltd.	Australia	Inactive	100.00	-	FC:
Walkaway Wind Power PTY, Ltd.	Australia	Energy	100.00	-	FC:
Woakwine Wind Farm PTY, Ltd.	Australia	Energy	100.00	-	FC:
Woodlawn Wind PTY, Ltd.	Australia	Energy	100.00	-	FC:
WWCS Finance PTY, Ltd.	Australia	Financial	100.00	-	FC:
WWCS Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
WWP Holdings PTY, Ltd.	Australia	Holding company	100.00	-	FC:
Iberdrola Renewables Bulgaria, EOOD.	Bulgaria	Energy	100.00	100.00	FC:
Rokas Aeoliki Cyprus, Ltd.	Cyprus	Energy	74.82	74.82	FC:
Infigen Energy US Corporation	USA	Inactive	100.00	-	FC:
Infigen Energy US Development Corporation	USA	Inactive	100.00	-	FC:
Infigen Energy US Holdings, LLC	USA	Inactive	100.00	-	FC:
Infigen Energy US Partnership	USA	Inactive	100.00	-	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
NPP LB2, LLC	USA	Inactive	100.00	-	FC:
NPP Projects I, LLC	USA	Inactive	100.00	-	FC:
NPP Projects V, LLC	USA	Inactive	100.00	-	FC:
Aalto Power, S.A.S.	France	Energy	100.00	-	FC:
Aalto Power GmbH France, S.A.R.L.	France	Energy	100.00	-	FC:
Aerodis Bussière, S.A.S.	France	Energy	100.00	-	FC:
Aerodis Herbitzheim, S.A.S.	France	Energy	100.00	-	FC:
Aerodis les Chaumes, S.A.R.L.	France	Energy	100.00	-	FC:
Aerodis Pays de Boussac, S.A.R.L.	France	Energy	100.00	-	FC:
Ailes Marine, S.A.S.	France	Energy	100.00	70.00	FC:
D'Orvilliers, S.A.S.	France	Energy	100.00	-	FC:
Energies du Champs des Sœurettes, S.A.S.	France	Energy	100.00	-	FC:
Eolien la Croix Didier, S.A.R.L.	France	Energy	100.00	-	FC:
Eolien le Florembeau, S.A.R.L.	France	Energy	100.00	-	FC:
Eolien le Fond d'Etre, S.A.R.L.	France	Energy	100.00	-	FC:
Eolien les Neufs Champs, S.A.S.	France	Energy	100.00	-	FC:
Eolien la Pièce du Roi, S.A.R.L.	France	Energy	100.00	-	FC:
Heurtebise, S.A.R.L.	France	Energy	100.00	-	FC:
Rocher de Mementu, S.A.S.	France	Energy	100.00	-	FC:
SEPE Aerodis Chambonchard, S.A.S.	France	Energy	100.00	-	FC:
SEPE les Coutures, S.A.S.	France	Energy	100.00	-	FC:
SEPE de Beauchamps, S.A.S.	France	Energy	100.00	-	FC:
SEPE de Bougueneuf, S.A.S..	France	Energy	100.00	-	FC:
SEPE de Plemy, S.A.S.	France	Energy	100.00	-	FC:
SEPE de Plouguenast Langast, S.A.S.	France	Energy	100.00	-	FC:
SEPE de Sevigny, S.A.S.	France	Energy	100.00	-	FC:
SEPE de Waleppe, S.A.S	France	Energy	100.00	-	FC:
Iberdrola Renovables France, S.A.S.	France	Energy	100.00	100.00	FC:
C. Rokas Industrial Commercial Company, S.A.	Greece	Holding company	99.76	99.76	FC:
PPC Renewables Rokas, S.A.	Greece	Energy	50.88	50.88	FC:
Rokas Aeoliki Thraki III, S.A.	Greece	Energy	99.61	99.61	FC:
Rokas Construction, S.A.	Greece	Energy	99.76	99.76	FC:
Rokas Hydroelectric, S.A.	Greece	Energy	99.76	99.76	FC:
Thaleia Energeiaki Monoprosopi Ikei	Greece	Energy	100.00	-	FC:
Iberdrola Renovables Magyarorszag, KFT.	Hungary	Energy	100.00	100.00	FC:
Green Frogs Montalto, S.R.L.	Italy	Energy	100.00	-	FC:
Iberdrola Renovables Italia, S.p.A.	Italy	Holding company	100.00	100.00	FC:
Societá Energie Rinnovabili 2, S.p.A. (2)	Italy	Energy	50.00	50.00	EM:
Iberdrola Renewables Ireland, Ltd.	Ireland	Energy	100.00	-	FC:
Acacia Renewables, K.K.	Japan	Energy	100.00	-	FC:
Saga, SPV	Japan	Energy	50.00	-	EM:
Satsuma Project, SPV	Japan	Energy	50.00	-	EM:
Kioi, SPV	Japan	Energy	50.00	-	EM:
Infigen Energy Finance (Lux), SARL	Luxembourg	Inactive	100.00	-	FC:
Infigen Energy Holdings, SARL	Luxembourg	Inactive	100.00	-	FC:
Infigen Energy (Malta), Ltd.	Malta	Inactive	100.00	-	FC:
Sea Wind Spinaker. SP Z.O.O.	Poland	Energy	50.00	-	EM:
Sea Wind Genaker, SP Z.O.O.	Poland	Energy	50.00	-	EM:
Sea Wind Kliwer, SP Z.O.O.	Poland	Energy	50.00	-	EM:
Eoenergi Energia Eolica, S.A.	Portugal	Energy	100.00	100.00	FC:
Iberdrola Renewables Portugal, S.A.	Portugal	Holding company	100.00	100.00	FC:
Parque Eólico da Serra do Alvao, S.A.	Portugal	Energy	100.00	100.00	FC:
Eolica Dobrogea One, S.R.L.	Romania	Energy	100.00	100.00	FC:
Iberdrola Renewables Romania, S.R.L.	Romania	Holding company	100.00	100.00	FC:
Iberdrola Renewables South Africa (PTY), Ltd.	South Africa	Energy	100.00	100.00	FC:
NETWORKS BUSINESS					
Spain					
Anselmo León Distribución, S.L. (1)	Spain	Energy	100.00	100.00	EM:
Anselmo León, S.A.U. (1)	Spain	Energy	100.00	100.00	EM:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
Distribuidora de Energía Eléctrica Enrique García Serrano, S.L. (1)	Spain	Energy	100.00	100.00	EM:
Distribuidora Eléctrica Navasfrías, S.L. (1)	Spain	Energy	100.00	100.00	EM:
Eléctrica Conquense Distribución, S.A.	Spain	Energy	53.59	53.59	FC:
Eléctrica Conquense, S.A.	Spain	Holding company	53.59	53.59	FC:
Electro-Distribuidora Castellano-Leonesa, S.A. (1)	Spain	Energy	100.00	100.00	EM:
Empresa Eléctrica del Cabriel, S.L. (1)	Spain	Energy	100.00	100.00	EM:
Herederos María Alonso Calzada – Venta de Baños, S.L. (1)	Spain	Energy	100.00	100.00	EM:
San Cipriano de Rueda Distribución, S.L. (1)	Spain	Energy	100.00	100.00	EM:
I-DE Redes Eléctricas Inteligentes, S.A.U.	Spain	Energy	100.00	100.00	FC:
Iberdrola Infraestructuras y Servicios de Redes, S.A.	Spain	Services	100.00	100.00	FC:
Iberdrola Redes España, S.A.U.	Spain	Holding company	100.00	100.00	FC:
Sociedad Distribuidora de Electricidad de Elorrio, S.A. (1)	Spain	Energy	97.95	97.95	EM:
United Kingdom					
Manweb Services, Ltd.	United Kingdom	Energy	100.00	100.00	FC:
NGET/SPT Upgrades, Ltd.	United Kingdom	Energy	50.00	50.00	EM:
ScottishPower Energy Networks Holdings, Ltd.	United Kingdom	Holding company	100.00	100.00	FC:
SP Distribution, Plc.	United Kingdom	Energy	100.00	100.00	FC:
SP Manweb, Plc.	United Kingdom	Energy	100.00	100.00	FC:
SP Network Connections, Ltd.	United Kingdom	General-use connections	100.00	100.00	FC:
SP Power Systems, Ltd.	United Kingdom	Asset management services	100.00	100.00	FC:
SP Manweb, Plc.	United Kingdom	Energy	100.00	100.00	FC:
United States					
Avangrid, Inc.	USA	Holding company	81.50	81.50	FC:
Avangrid Enterprises, Inc.	USA	Holding company	81.50	81.50	FC:
Avangrid Management Company, LLC	USA	Holding company	81.50	81.50	FC:
Avangrid Service Company	USA	Services	81.50	81.50	FC:
Avangrid New York TransCo, LLC	USA	Holding company	81.50	81.50	FC:
Avangrid Networks. Inc.	USA	Holding company	81.50	81.50	FC:
Avangrid Solutions, Inc.	USA	Other	81.50	81.50	FC:
Berkshire Energy Resources	USA	Holding company	81.50	81.50	FC:
Cayuga Energy, Inc.	USA	Holding company	81.50	81.50	FC:
Central Maine Power Company	USA	Energy	81.50	81.50	FC:
Chester SVC Partnership (3)	USA	Energy	40.75	40.75	FC:
CMP Group, Inc.	USA	Holding company	81.50	81.50	FC:
CNE Energy Services Group, LLC	USA	Services	81.50	81.50	FC:
CNE Peaking, LLC	USA	Services	81.50	81.50	FC:
Connecticut Energy Corporation	USA	Holding company	81.50	81.50	FC:
Connecticut Natural Gas Corporation	USA	Gas	81.50	81.50	FC:
CTG Resources, Inc.	USA	Holding company	81.50	81.50	FC:
GCE Holding, LLC	USA	Holding company	40.75	40.75	-
GenConn Devon, LLC	USA	Energy	40.75	40.75	-
GenConn Energy, LLC	USA	Energy	40.75	40.75	-
GenConn Middletown, LLC	USA	Energy	40.75	40.75	-
Maine Electric Power Company, Inc.	USA	Energy	63.80	63.80	FC:
Maine Natural Gas Corporation	USA	Gas	81.50	81.50	FC:
Maine Yankee Atomic Power Company (5)	USA	Other	30.97	30.97	-
MaineCom Services	USA	Telecommunications	81.50	81.50	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
NECEC Transmission, LLC	USA	Holding company	81.50	81.50	FC:
New York State Electric & Gas Corporation	USA	Electricity and Gas	81.50	81.50	FC:
NM Green Holdings, Inc	USA	Holding company	81.50	-	FC:
NORVARCO	USA	Holding company	81.50	81.50	FC:
Nth Power Technologies Fund I, LP. (5)	USA	Other	21.92	21.92	-
RGS Energy Group, Inc.	USA	Holding company	81.50	81.50	FC:
Rochester Gas and Electric Corporation	USA	Electricity and Gas	81.50	81.50	FC:
South Glens Falls Energy, LLC (5)	USA	Energy	69.28	69.28	-
TEN Transmission Company	USA	Holding company	81.50	81.50	FC:
The Berkshire Gas Company	USA	Gas	81.50	81.50	FC:
The Southern Connecticut Gas Company (SCG)	USA	Gas	81.50	81.50	FC:
The Union Water Power Company	USA	Services	81.50	81.50	FC:
The United Illuminating Company	USA	Energy	81.50	81.50	FC:
Thermal Energies, Inc. (5)	USA	Dormant	81.50	81.50	-
Total Peaking Services, LLC	USA	Services	81.50	81.50	FC:
UIL Distributed Resources	USA	Services	81.50	81.50	FC:
UIL Group, LLC	USA	Holding company	81.50	81.50	FC:
UIL Holdings Corporation	USA	Holding company	81.50	81.50	FC:
United Capital Investments	USA	Dormant	81.50	81.50	FC:
United Resources, Inc.	USA	Holding company	81.50	81.50	FC:
WGP Acquisition, LLC (5)	USA	Dormant	81.50	81.50	-
Xcelcom Inc.	USA	Dormant	81.50	81.50	FC:
Xcel Services, Inc. (5)	USA	Dormant	81.50	81.50	-
Brazil					
Afluente Transmissao de Energia Elétrica, S.A.	Brazil	Energy	53.33	53.33	FC:
Companhia de Eletricidade do Estado do Bahia, S.A.	Brazil	Energy	49.33	49.33	FC:
Companhia Energética de Pernambuco, S.A.	Brazil	Energy	45.76	45.76	FC:
Companhia Energetica do Rio Grande do Norte, S.A.	Brazil	Energy	46.70	46.70	FC:
Neoenergia Jalapão Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Santa Luzia Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Guanabara Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Itabapoana Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Lagoa dos Patos Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
EKTT 6 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	51.04	FC:
EKTT 7 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	51.04	FC:
EKTT 8 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	51.04	FC:
EKTT 9 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	51.04	FC:
EKTT 10 Serviços de Transmissão de Energia Elétrica SPE S/A	Brazil	Energy	51.04	51.04	FC:
Neoenergia Vale do Itajaí Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Dourados Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Atibaia Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Biguaçu Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Neoenergia Sobral Transmissão de Energía, S.A.	Brazil	Energy	51.04	51.04	FC:
Elektro Operaçao e Manutençao, Ltda.	Brazil	Services	51.04	51.04	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
Elektro Redes, S.A.	Brazil	Energy	50.88	50.88	FC:
Lanmóvil Amara Celular da Bahia Ltd. (Lanmara) (1)	Brazil	Other	65.00	65.00	-
Neoenergia Investimentos, S.A.	Brazil	Holding company	51.04	51.04	FC:
Neoenergia, S.A.	Brazil	Holding company	51.04	51.04	FC:
Potiguar Sul Transmissao de Energia, S.A.	Brazil	Energy	51.04	51.04	FC:
S.E. Narandiba, S.A.	Brazil	Energy	51.04	51.04	FC:
OTHER BUSINESSES					
Engineering					
Adicora Servicios de Intermediación de Ingeniería, S.L.U.	Spain	Engineering	100.00	100.00	FC:
Iberdrola Ingeniería de Explotación, S.A.U.	Spain	Engineering	100.00	100.00	FC:
Iberdrola Ingeniería y Construcción, S.A.U.	Spain	Engineering	100.00	100.00	FC:
Ingeniería, Estudios y Construcciones, S.A.	Spain	Engineering	100.00	100.00	FC:
Iberdrola Construçao e Serviços, Ltd.	Brazil	Engineering	100.00	100.00	FC:
Iberdrola Energy Projects Canada Corporation	Canada	Engineering	100.00	100.00	FC:
Iberdrola Ingenieria y Construcción Costa Rica, S.A.	Costa Rica	Engineering	100.00	100.00	FC:
Iberdrola Energy Project, Inc.	USA	Engineering	100.00	100.00	FC:
Iberdrola Ingeniería y Construcción México, S.A. de C.V.	Mexico	Engineering	100.00	100.00	FC:
Iberdrola Engineering and Construction Networks, Ltd.	United Kingdom	Engineering	100.00	100.00	FC:
Iberdrola Engineering and Construction UK, Ltd.	United Kingdom	Engineering	100.00	100.00	FC:
Iberdrola Engineering and Construction Ro, SRL.	Romania	Engineering	100.00	100.00	FC:
Iberdrola Engineering and Construction South Africa	South Africa	Engineering	100.00	100.00	FC:
Real estate					
Arrendamiento de Viviendas Protegidas Siglo XXI, S.L.	Spain	Real estate	100.00	100.00	FC:
Camarate Golf, S.A. (2)	Spain	Real estate	26.00	26.00	EM:
Iberdrola Inmobiliaria Patrimonio, S.A.U.	Spain	Real estate	100.00	100.00	FC:
Iberdrola Inmobiliaria, S.A.	Spain	Real estate	100.00	100.00	FC:
Iberdrola Inmobiliaria Real Estate Investment, EOOD	Bulgaria	Real estate	100.00	100.00	FC:
Desarrollos Inmobiliarias Laguna del Mar, S.A. de C.V.	Mexico	Real estate	100.00	100.00	FC:
Promociones La Malinche, S.A. de C.V.	Mexico	Real estate	50.00	50.00	EM:
Innovation					
Atten2 Advanced Monitoring Technologies, S.L. (2)	Spain	Other	23.27	23.27	EM:
Balantia Consultores, S.L. (2)	Spain	Services	20.64	-	EM:
Iberdrola Servicios de Innovación, S.L.	Spain	Other	100.00	100.00	FC:
Inversiones Financieras Perseo, S.L.	Spain	Holding company	100.00	100.00	FC:
Iberdrola QSTP, LLC	Qatar	Services	100.00	100.00	FC:
Other businesses					
Subgrupo Corporación IBV Participaciones Empresariales	Spain	Holding company	50.00	50.00	EM:
Iberdrola Inversiones 2010, S.A.U.	Spain	Holding company	100.00	100.00	FC:
Iberdrola Participaciones, S.A.U.	Spain	Holding company	100.00	100.00	FC:

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019	Method (*)
CORPORATE CENTRE					
Energy, Innovation – Research, S.A.U. (formerly CarteraPark, S.A.U.) (5)	Spain	Dormant	100.00	100.00	-
Iberdrola Corporación, S.A. (5)	Spain	Dormant	100.00	100.00	-
Iberdrola España, S.A.U.	Spain	Holding company	100.00	100.00	FC:
Iberdrola Energía, S.A.U.	Spain	Holding company	100.00	100.00	FC:
Iberdrola Financiación, S.A.U.	Spain	Financial	100.00	100.00	FC:
Iberdrola Finanzas, S.A.U.	Spain	Financial	100.00	100.00	FC:
Iberdrola International, B.V.	The Netherlands	Financial	100.00	100.00	FC:
Iberdrola Finance Ireland, DAC	Ireland	Financial	100.00	100.00	FC:
Iberdrola Re, S.A.	Luxembourg	Insurance	100.00	100.00	FC:
Iberdrola Energía Internacional, S.A.U.	Spain	Holding company	100.00	100.00	FC:
ScottishPower UK, Plc	United Kingdom	Holding company	100.00	100.00	FC:
ScottishPower, Ltd.	United Kingdom	Holding company	100.00	100.00	FC:
ScottishPower Investments, Ltd.	United Kingdom	Holding company	100.00	100.00	FC:
ScottishPower Overseas Holdings, Ltd.	United Kingdom	Holding company	100.00	100.00	FC:
SPW Investments Ltd.	United Kingdom	Holding company	100.00	100.00	FC:

JOINT OPERATIONS OF THE IBERDROLA GROUP STRUCTURED THROUGH AN INDEPENDENT VEHICLE FOR THE YEARS 2020 AND 2019

			Percentage of direct or indirect stake	
Company	**Address**	**Activity**	**31.12.2020**	**31.12.2019**
LIBERALISED BUSINESS				
Asociación Nuclear Ascó – Vandellós, A.I.E.	Spain	Energy	14.59	14.59
Centrales Nucleares Almaraz – Trillo, A.I.E.	Spain	Energy	51.44	51.44
RENEWABLES BUSINESS				
Infraestructuras de Medinaceli, S.L.	Spain	Energy	39.69	39.69
Sistema Eléctrico de Conexión Hueneja, S.L.	Spain	Energy	47.36	47.36
OTHER BUSINESSES				
Torre Iberdrola, A.I.E.	Spain	Real estate	68.10	68.10

Additionally, the IBERDROLA Group takes part in joint operations through joint ownership and other joint agreements described in Note 47.

GROUP COMPANIES AT 31 DECEMBER 2019 THAT LEFT THE CONSOLIDATED GROUP IN 2020 DUE TO DISPOSAL, MERGER OR LIQUIDATION

Company	Address	Activity	Percentage of direct or indirect stake 31.12.2020	31.12.2019
LIBERALISED BUSINESS				
Tamazunchale Energía, S.A.P.I. de C.V.	Mexico	Energy	-	100.00
RENEWABLES				
Iberdrola Eólica Marina, S.A.U.	Spain	Energy	-	100.00
Sistema Fotovoltaico de Levante, S.A.	Spain	Energy	-	100.00
Iberdrola Renewables Canadá, Ltd.	Canada	Holding company	-	100.00
Aeolus Wind Power II, LLC	USA	Holding company	-	81.50
Aeolus Wind Power III, LLC	USA	Holding company	-	81.50
Aeolus Wind Power IV, LLC	USA	Holding company	-	81.50
El Corazon Wind, LLC	USA	Energy	-	81.50
NETWORKS BUSINESS				
SP Gas, Ltd.	United	Inactive	-	100.00
OTHER BUSINESSES				
EA Servicios Explotación Nuclear GNIT, S.L.	Spain	Engineering	-	25.46
Empresarios Agrupados Internacional, S.A.	Spain	Engineering	-	25.46
Ghesa Ingeniería y Tecnología, S.A.	Spain	Engineering	-	42.15
Enermón S.A. de C.V.	Mexico	Engineering	-	100.00
Iberservicios, S.A. de C.V.	Mexico	Engineering	-	100.00
Algaenergy, S.A.	Spain	Innovation	-	15.54
GDES Tecnology for services, S.L.	Spain	Innovation	-	40.00
Arborea Intellbird, S.L.	Spain	Other	-	18.89
Siemens Gamesa Renewable Energy, S.A.	Spain	Holding company	-	8.07

(1) Companies that are controlled by the Group but due to their immateriality have been accounted for using the equity method. At 31 December 2020, the total asset value and earnings for the period corresponding to these companies amounted to EUR 28 million and EUR 4 million, respectively. At 31 December 2019, the total asset value and earnings for the period corresponding to those companies amounted to EUR 27 million and EUR 4 million, respectively.

(2) Companies considered joint ventures, accounted for using the equity method, where shareholders' agreements only grant the right to the net assets of the business.

(3) Companies at which the Group exercises control through shareholders' agreements, despite holding a percentage of voting rights of below 51%.

(4) Companies in which the Group has significant influence despite holding a percentage of voting rights of less than 20%, by virtue of seats held on those companies' boards of directors.

(5) Companies in which the Group exercises control, joint control or significant influence, but which, given their immateriality, have not been included in the consolidation scope.

APPENDIX II

SECTOR REGULATIONS: MOST SIGNIFICANT REGULATORY DEVELOPMENTS IN THE YEAR

A raft of new rules and regulations affecting the energy sector were enacted in 2020. This Appendix addresses the most significant developments.

1. European Union

***Draft* "*Climate Law*":** on 4 March 2020, the European Commission (EC) presented the draft Climate Law, one of the cornerstones of the European Green Deal. The law is currently making its way through the Council and the Parliament. Key aspects of this new law include:

- 2050 target: the law sets a legally binding target of the European Union (EU) achieving net-zero emissions by 2050.
- 2030 target: The EC plans to raise it to 50-55% (from the current 40%) once it has confirmed its effect on the Impact Study released in September 2020. By 30 June 2021 the Commission will consider which legislation needs to be amended to achieve this more ambitious target.
- Trajectory of interim reduction targets: The Commission may propose a 2030-2050 trajectory to reach the neutrality target via Delegated Act (Commission-led legislative procedure).
- Adaptation: Member States will develop adaptation strategies and plans that include robust analysis and risk management frameworks.
- Reviewing progress: Starting September 2023 and every five years thereafter, the Commission will review the joint progress made towards the 2050 climate neutrality objective, as well as the consistency of climate policy frameworks with this goal, both at European and national level (appraising the measures contained in the Integrated National Energy and Climate Plans – INECP).
- The law will take the legal form of a Regulation (binding on all Member States and directly applicable) and the monitoring of its goals will be integrated into the Governance Regulation.

On 10-11 December, the **Heads of State or Government of the European Council** ratified a 55% emissions reduction target by 2030, with a view to achieving climate neutrality by 2050, in line with the Paris Agreement.

- This resolution will be passed on for scrutiny by the European Council and Parliament in the Climate Law, which is currently in the process of becoming law.
- The objective will be achieved on a collective basis, since the Member States are starting from different points.

Taxonomy Regulation: on 18 June 2020 the European Parliament passed Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (published in the Official Journal of the European Union – OJEU on 22 June 2020). This new law is part of the Sustainable Finance Package and aims to define those activities that can be considered sustainable in order to attract capital for the energy transition.

- An activity shall qualify as sustainable if it contributes substantially to one or more of the objectives and does not harm the others.

- It covers the six EU environmental objectives: “climate change mitigation”, “climate change adaptation”, “air quality”, “aquatic and marine environment”, “circular economy and waste” and “ecosystem quality”.

- This contribution should be established on the basis of objective criteria to be set by detailed regulations (Commission Delegated Acts with the input of the Member States and stakeholders).

- The Regulation will take effect from December 2021 for the “climate change mitigation” and “adaptation” objectives, and from December 2022 for the other objectives.

In any case, the Regulation considers that the following activities contribute to climate change mitigation: renewable energy, electricity transmission and distribution, clean or carbon-neutral mobility, production of fuels from renewable or carbon-neutral sources and the construction or use of CCS (Carbon Capture and Storage).

The use of coal is expressly excluded from the taxonomy. Nuclear power production is not explicitly excluded (an issue to be resolved by subsequent regulation) and the Regulation also considers what are known as “other transitional economic activities” (compatible with a carbon-neutral scenario by 2050, using state-of-the-art technologies, avoiding the use of coal and not having a lock-in effect on emissions).

At the start of 2021, the Delegated Act proposed by the Commission in November 2020 for the development of mitigation and adaptation taxonomies remained under discussion. Meanwhile, the Sustainable Finance Platform, an advisory body appointed by the Commission from among sectoral experts and stakeholders, is currently discussing its initial proposals to the Commission on the other taxonomies.

Multiannual Financial Framework*:* the EC proposal of 27 May 2020 on the *Multiannual Financial Framework 2021-2027* (MFF) culminated on 16-17 December following approval of the EU budget by the Parliament and the Council. The Heads of State or Government of the EC had to reach an agreement to break the deadlock in the negotiations.

- The MFF amounts to EUR 1.824 trillion over the 2021-2027 horizon, including EUR 750 billion for the COVID-19 Crisis Recovery Plan (called *Next Generation EU*), of which EUR 140 billion is intended for Spain.

- Of the total budget, 37% will be channelled into investments in assets or innovation related to climate targets.

Recovery Plan – Next Generation EU*:* the Commission has drawn up Europe’s response to the COVID-19 crisis through various instruments. Temporary instruments were finalised in April 2020, most notably the European Central Bank's debt purchase programme (EUR 750 million extended to EUR 1.3 billion in June) and credit facilities via Member States for social spending, health and business liquidity (EUR 540 million). However, the most ambitious instrument is surely *Next Generation EU*, with a financial envelope proposed by the EC in May 2020 of EUR 750 billion.

- The funds associated with the recovery plan would be part of the EU’s budget structure, but would be earmarked for investments and expenditures to be made before 2025.

- They would be financed through bonds for the repayment of which new taxes are on the table. Of that figure, the most important item is the so-called Recovery and Resilience Facility

(EUR 672.5 billion), of which EUR 312.5 billion would take the form of transfers while EUR 360 billion would be loans (subject to repayment). The aim of the package is to provide funds for the energy and digital transitions and, to a lesser extent, to allow for spending on health, innovation, social matters and rebuilding. It reaffirms the Green Deal targets for climate neutrality by 2050.

The plan envisions the use of new financial vehicles (bonds) and will seek to reform certain existing vehicles, along with proposals for the EC's own fiscal instruments (maritime transport/aviation emission allowances, corporate transaction taxes that rely on European market unity, digital tax, etc.).

On 17 September 2020, the Commission released Communication COM(2020) 575 on sustainable growth for 2021, containing guidelines and recommendations for the submission by states of plans to access Recovery Plan funds earmarked for loans and grants through the States (EUR 672.5 billion from the Recovery and Resilience Facility), subject to state aid rules.

The plans should focus their programmes on economic transitions (especially energy and digital) and in particular on achieving the objectives of the PNIECs.

- The objectives should be based on the 2030 targets envisioned in the Green Deal, but relating to the 2021-2025 period.
- The Member States sent their drafts to the EC in October 2020, and the plans are due to the approved in April 2021. The funds will start flowing from June 2021.
- The Recovery Plan follow-up report will be drafted when reviewing compliance with the INECPs and will coincide with the “European Semester” at the end of the first half of each year. The process will also include an analysis of the imbalances present in each member State.

Compensation to industry companies for the indirect costs arising from the EU ETS: The Commission has published Communication 2020/C 317/04 in the OJEU of 25 September 2020, State aid measures for offsetting the indirect costs of emission allowance trading activity (electricity) of the industrial sectors.

The list of industries includes sectors at risk of carbon leakage but is not exhaustive. Notably, this Communication reduces the number of sectors from 14 to 10 (including hydrogen production for the first time) and lowers the share of eligible costs from 85% to 75%. These Guidelines will take effect as of 1 January 2021.

EU Renewable Energy Financing Mechanism: The European Commission published Implementing Regulation (EU) 2020/1294 in the OJEU of 15 September 2020, approving the EU Renewable Energy Financing Mechanism (URFM). This mechanism is envisioned in the Clean Energy Package. The Regulation defines its functions, objectives and basic design.

- The Governance Regulation states that if a Member State fails to meet a certain minimum renewable energy pathway committed to in its PNIEC, it must take corrective action. One such measure would be to make a voluntary financial contribution to the URFM which, managed by the EC, would then be used to finance the construction of renewable energy facilities in other Member States that voluntarily agree to do so, with the resulting energy being shared between the State providing the funds (80%) and the State receiving them (20%).

- It also sets out the conditions for the staging of auctions by the EC for other renewable, storage and infrastructure projects, depending on their technologies or location, and to be awarded on the basis of economic conditions and/or innovation criteria. The URFM funding for these projects will come from the EU and/or voluntary contributions from Member States and investors.

European strategies: The Commission has published a number of strategies to flesh out the regulatory priorities of the Green Deal. These strategies include:

- New Industrial Strategy for Europe (COM(2020) 102), published in March 2020, which proposes State aid reform guidelines, defines important projects of European interest and envisages the creation of a carbon price border adjustment mechanism.

- *Renovation Wave* (COM(2020) 662), published in October 2020, which sets a target of doubling the "comprehensive renovation" of EU buildings between 2020 and 2030 (to reach 2% per year) and recommends actions to promote the electrification of heat and electric vehicle charging in buildings.

- Hydrogen Strategy and Energy Integration of Sectors (COM(2020) 301 and 299), published in July 2020, which sets out priorities for the efficient development of clean hydrogen, initially aimed at complex electrification niches, preventing unnecessary investment and inefficient solutions, such as blending hydrogen with natural gas in the pipeline network.

- Offshore Wind Strategy (COM(2020) 741), published in November 2020, on new specific lines for planning infrastructure associated with large projects, often linked to international interconnections, and on the model for their integration into the market.

Trade and Cooperation Agreement with the United Kingdom: negotiations between the EU and the UK culminated in an agreement on 24 December 2020 on the text (published in the OJEU of 31 December 2020) that will govern their trade relations from 1 January 2021, once Brexit becomes effective. In the field of energy, the following aspects are particularly noteworthy:

- The *market coupling* in electricity trading through interconnections between the UK and the EU will disappear for now.

- The United Kingdom will leave ENTSOE (European Network of Transmission System Operators for Electricity), ENTSOG (European Network of Transmission System Operators for Gas) and ACER (Agency for the Cooperation of Energy Regulators), as well as the EU's climate targets (it has pledged to maintain its Paris Agreement commitments).

- It is no longer part of the EU Emissions Trading Systems (EU UTS). Instead, the United Kingdom will set up its own emissions allowances trading system that can be linked to the European system down the line.

- A new cooperation platform will be created for the development of offshore wind operations in the North Sea.

2. Spain

- **Spanish electricity sector**

Electricity tolls methodology*:* Circular 3/2020 of the National Markets and Competition Commission (CNMC) sets out the methodology for the annual calculation of transmission and distribution tolls, based on the annual remuneration of those activities.

The Circular modifies the hourly periods, establishing a single 3-period option for low voltage equal to or less than 15 kW (domestic consumers) and a single 6-period calendar for all other customers.

It also provides incentives for charging electric vehicles, establishes an explicit allocation of costs to the fixed and variable terms of the tolls, and eliminates the generation tariff (EUR 0.5 per MWh), with explicit exemption for energy in pumped storage (EUR 0.65 per MWh) or in batteries. Lastly, power distributed for own consumption is exempted from payment of tolls.

CNMC Circular 7/2020 puts back the upgrading of metering equipment, billing systems and contracts by distribution and retail supply companies to 1 April 2021 (previously 1 November).

Own consumption*:* CNMC Resolution of 16 December 2020 establishes a procedure for billing the new transmission and distribution tolls on own consumption at power generation plants, resolving situations where those facilities have more than one grid connection point, even at different voltages, though without this taking retroactive effect on the billing of the current access tolls.

Ministerial Order on electricity tariffs for 2021: Order TED/1271/2020, currently in force, extends the current electricity access tolls for 2021 until the new tolls established by the CNMC and the new charges established by the Ministry are applied.

Remuneration for renewables, cogeneration and waste*:* Order TED/171/2020 revises the remuneration parameters used to estimate the regulated remuneration payable for renewable energy and cogeneration over the 2020-2022 regulatory period, maintaining the 7.39% remuneration rate for facilities prior to 2013.

Operating remuneration (OR) for the first half of 2019*:* Order TED/668/2020 revises OR for the first half of 2019, based on the performance of fuel prices and gas tolls, of the remuneration parameters for the period spanning 1 October 2018 to 30 June 2019 as a result of Royal Decree-Law 15/2018 (elimination of the “green cent” and suspension of the 7% tax on generation). It also updates OR for cogeneration plants that have exceeded their regulatory useful life but can continue to receive it under Royal Decree-Law 20/2018.

According to the economic report supporting the Proposal for a Ministerial Order that was submitted for public consultation in June 2019, the economic impact on the system would be a minor cost overrun of EUR 216 million in 2018 and EUR 168 million in 2019.

Renewable auctions*:* Royal Decree 960/2020 regulates the remuneration framework for renewable electricity generation, known as the Renewable Energy Economic Regime (*Régimen Económico de Energías Renovables*, or REER), based on the long-term recognition of a price for energy as a result of a competitive process. Meanwhile, Order TED/1161/2020 regulates the first auction mechanism for granting the REER and provides an indicative timetable for the 2020-2025 period. Lastly, the Resolution of 10 December 2020 announced the first auction under this regime, which subsequently took place on 26 January 2021.

Energy Efficiency*:* Order TED/287/2020 sets out the financial contributions to the National Energy Efficiency Fund for 2020. These contributions stem from the transposition of the Energy Efficiency Directive 2012/27/EU, which requires each Member State to justify a cumulative savings amount for the 2014-2020 period. Spain, for one, has opted to create a National Fund, managed by the IDAE (Instituto para la Diversificación y el Ahorro de la Energía).

The share calculated for IBERDROLA is 7.7%, for sales of 63.9 TWh (electricity and gas sales of Iberdrola Clientes, S.A.U and Curenergía Comercializador de Último Recurso, S.A.U in 2018) and the payment obligation is around EUR 15.9 million, up EUR 0.4 million on the previous year, due to higher growth in our energy sales compared to the system total.

COVID-19 measures: Numerous regulations have been rolled out to combat the impact of COVID-19. The main measures are as follows:

- *Royal Decree 463/2020*: (i) declares a state of alarm; (ii) guarantees the supply of electricity, petroleum products and natural gas; (iii) ensures the provision of critical and essential services; and (iv) suspends procedural and administrative deadlines.

- *Royal Decree-Law 8/202*: establishes economic measures to counter the effects of the health crisis. More precisely, (i) it prohibits the suspension of electricity and gas supply to vulnerable consumers for one month from the entry into force of the Royal Decree-Law; (ii) it extends the discounted rate (*bono social*) until 15 September for beneficiaries whose entitlement was to expire before that date; and (iv) it suspends the liberalisation regime for foreign investment in Spain in critical infrastructure or energy supply, which will now require government authorisation.

- *Royal Decree-Law 10/2020*: extends the restrictions contained in Royal Decree 463/2020, curtailing industrial and service activity from 30 March to 9 April, but exempting the energy sector and its essential suppliers.

- *Royal Decree-Law 11/2020:* adopts further measures to be applied throughout the state of alarm in relation to: (i) broadening the group of potential beneficiaries of the discounted rate (*bono social*); (ii) prohibition on suspending supply to domestic consumers in their main home; (iii) the possibility of temporary suspension or modification of supply contracts, including a reduction of power, for the self-employed and companies without incurring any penalty, with this reduction in revenue for the electricity sector (tolls) to be financed out of the State budget; (iv) the possibility also to temporarily suspend payment of utility bills at no charge for that segment, with the retail supplier being under no obligation to pay tolls, VAT or electricity tax; (vi) allowing distributors and retail suppliers to secure loans with State collateral to cover the amounts by which their revenues have dropped; and (vii) extending grid access permissions granted prior to the Electricity Sector Law.

- *Order SND/260/2020*: prevents the activation of the interruptibility demand-side management service based on economic criteria while the state of alarm remains in force, with immediate effect.

As a general rule, these measures remain in force for a further one month once the end of the state of alarm has been announced, except where the measure comes with some other specific term.

Measures to protect the vulnerable*:* Royal Decree-Law 26/2020, on measures to reactivate the economy, includes two provisions that affect the electricity sector:

- Extension of the discounted rate (*bono social*) until 30 September 2020 for beneficiaries whose entitlement was to expire before that date (two-week extension).

- Domestic consumers may not be cut off at their usual place of residence for reasons other than security of supply, persons and installations until 30 September 2020 (previously 20 June).

Meanwhile, Royal Decree Law 30/2020, on social measures to protect employment, which came into force on 30 September, extends the discounted rate to certain segments through to 30 June 2021. The right to receive the discounted rate is extended to those consumers who are unemployed, on furlough, or who have had their working hours reduced on account of caregiving responsibilities, in the case of a business owner or employer, or some other similar circumstance that entails a substantial loss of income to below a set of minimum income thresholds referenced to the IPREM (Public Indicator of Multiple Effect Income), equal to those of the current bono social. These thresholds are raised for cases of disability, gender violence, victims of terrorism, or those dependent on others, much in the same way as the existing *bono social*.

Royal Decree-Law 37/2020, on social and economic vulnerability in the realm of housing, guarantees the supply of electricity and natural gas, prohibiting cuts while the current state of alarm is in force (until 9 May 2021), for: i) current recipients of the discounted rate; and ii) those who are not holders of the supply point contract but are entitled to the bono social as shown on a certification issued by the social services.

Ministerial Order on Bono Social financing for 2020: Order TED/788/2020 on the distribution percentages of financing for the 2020 *bono social* sets a financing share for IBERDROLA of 34.402402%, down 0.22% on the percentage for 2019.

Energy and economic reactivation measures*:* Royal Decree-Law 23/2020, now in force, recognises the role of electrification and the need to maintain financial balance within the sector, thus establishing a broad package of measures. In relation to renewable energy, it: (i) adopts measures against the bubble of access applications; (ii) streamlines administrative procedures; (iii) allows for a review of transmission planning for the connection of facilities considered critical for the energy transition; (iv) enables the hybridisation of technologies; and (v) creates a new regulated remuneration model for renewable energy auctions.

When it comes to grid investment, the Decree raises the annual limit for the 2020-2022 period from 0.13% to 0.14% of GDP in the case of distribution.

To make the sector economically sustainable, it enables the application of the historical surplus in the 2019 and 2020 settlements, ensuring that it is used to cover the sector's costs.

***Access and connection**:* Royal Decree 1183/2020, now in force, sets out the relevant criteria and procedures for requesting and obtaining access and connection permits for generation, transmission, distribution, consumption and storage. These requirements must be met to ensure compliance with energy policy objectives and the penetration of renewable energies. The priority criterion for granting access will generally be the date on which access was requested. The Royal Decree also envisions the possibility of staging capacity tenders for new facilities at specific nodes of the transmission grid and of regulating hybridisation.

The Royal Decree has since been supplemented by CNMC Circular 1/2021, which explains the information that requests, permits and contracts must contain and describes the economic and capacity assessment criteria, the grounds for refusing permits, the terms and conditions of contracts, and the obligation of publicity and transparency of information, among other matters.

***Transport planning**:* the Resolution of 22 November 2020, now in force, extends the existing 2015-2020 Transport Network Development Plan until the plan for the following period, 2021-2026 (which has been delayed due to the pandemic) is approved.

***Distribution remuneration review**:* two Orders have been published (TED/865/2020 and TED/866/2020) that modify the remuneration of certain distribution companies for 2016, following the review of the *lambda* parameter, recognising an additional EUR 50.4 million (EUR 43.8 million for Endesa, and EUR 6.6 million for small distributors), plus late-payment interest (approximately EUR 4 million), and also for the years 2013 to 2015, following the review of the *alpha* parameter, thus recognising an additional EUR 21.3 million plus late-payment interest (approximately EUR 2 million) for small distributors that had lodged appeals against the way in which the remuneration has been calculated.

Extension of CO_2 auction limit for 2020: Royal Decree-Law 34/2020, on urgent measures to improve business solvency and support the energy sector, raises the limit for CO_2 auction transfers to the electricity sector to EUR 1,000 million for 2020.

***General State Budget 2021**:* the General State Budget Law for 2021 has been published, which provides EUR 3,566 million in transfers to the electricity sector to cover charges in the settlements.

***Ecotasa Cataluña (Catalonia Eco-Tax)**:* a new tax on the production, storage and transport of energy has been approved in Catalonia that taxes the impact on the environment. The general tax rate to be applied is EUR 5 per MWh of gross annual production for generation and storage facilities, and EUR 1 per MWh for combined cycle plants. In the case of electricity network facilities, it is EUR 400 per km in length for voltages between 30 and 110 kV, EUR 700 per km between 110 and 220 kV, and EUR 1,200 per km for voltages above 220 kV.

***Unconstitutionality of the Law modifying the environmental tax in Castilla y León**:* the ruling of the Constitutional Court (CC) on the unconstitutionality lawsuit brought by the Government against the Law modifying the environmental tax payable in Castilla y León has now been published. The CC has declared the regional tax on the temporary storage of radioactive waste as unconstitutional on the grounds that the system entails double taxation.

***Electric vehicle**:* Order TMA/178/2020 regulates the requirements to be met when installing recharging points at existing facilities in the vicinity of roads, with authorisation from the Ministry of Transport, Mobility and Urban Agenda now being mandatory.

Recharging points may be located within the bounds of existing building rights (less than 50 m from motorways or 25 m from conventional roads) and it will not be necessary to adapt road access routes when they are installed at existing and duly authorised service stations that are already operating. It is also worth noting that authorisation may be granted to the operator of the main installation or to the operator of the recharging installation, although certain provisions are made to improve the degree of legal certainty.

Closure of thermal power plants: authorisation has been published for the closure of the Velilla, Teruel, Compostilla II, Lada 4, Meirama, Puente Nuevo and La Robla power plants, granting a period of three years for the total decommissioning of the Velilla plant and four years for all the other plants.

National Integrated Energy and Climate Plan*:* the Spanish government has sent Brussels the updated national plan that sets out the targets for greenhouse gas emission reductions, renewable energy penetration and energy efficiency to meet the European targets set for 2030. The plan has been well received by the European Commission.

Second National Climate Change Adaptation Plan (NCCAP) 2021-2030*:* its main objective is to build a country that is less vulnerable, safer and more resilient to the impacts and risks of climate change. This new plan has been adapted to post-COVID recovery policies.

Long-term Decarbonisation Strategy*:* a roadmap for Spain to reach climate neutrality by 2050, in line with the European target and based on the National Integrated Energy and Climate Plan through to 2030. It also plots intermediate milestones to be reached by 2030 and 2040 to send positive signals to investors. Electrification stands out as being the main vector of the decarbonisation drive, accounting for 52% of the energy ultimately produced.

Hydrogen Roadmap*:* the strategy approved by the Government envisions renewable hydrogen as being key to the full decarbonisation of the economy by powering niche sectors that are difficult to electrify. It will entail an investment of EUR 8,900 million.

- **Spanish gas sector**

State of alarm*:* Royal Decree-Law 11/2020 adopts urgent complementary measures in the social and economic sphere to protect the vulnerable, the self-employed and businesses, effective throughout the state of alarm. The price of butane and the Tariff of Last Resort (TLR) for gas may be lowered by following the methodology in place.

Remuneration for gas distribution*:* CNMC Circular 4/2020 on the gas distribution remuneration methodology has been published and will apply over the 2021-2026 period. It introduces an average remuneration adjustment of EUR 137 million euros (-9.6%). While maintaining the current parametric model, it applies a progressive adjustment and seeks to implement a regulatory accounting system to determine whether distribution companies are receiving an adequate return for their natural gas distribution activity, with the possibility of developing other methodologies going forward.

Allocation of gas system capacity*:* CNMC Resolution 3 April 2020, now in force, establishes the market procedure for the allocation of capacity in the gas system. It is one of the regulatory items envisaged in the Access Circular published in December 2019, which implemented the single virtual tank, and establishes an auction-based procedure for the allocation of capacity utilisation in different gas structures.

In particular, it applies to regasification plants, gas supply pipelines from Algeria, domestic production wells and underground storage (the part not pertaining to strategic reserves). It does not apply to interconnections with Portugal and France, which are subject to European harmonisation and where a similar auction system already operates.

Annual, quarterly and monthly capacity will be allocated through ascending clock auctions, while daily or intraday capacity will be allocated through sealed-bid and uniform price auctions. In all cases, the reserve price of the auctions will be equivalent to the regulated tariff.

When allocating slots for vessel unloading, there is a prior application and allocation process that could be arranged without auctions, provided there is sufficient capacity.

This procedure will apply from 1 October 2020. Until then, capacity will continue to be assigned on a transitional basis through procedures established by ENAGAS.

3. United Kingdom

Tariff cap: as required under the Domestic Gas and Electricity (Tariff Cap) Act 2018, Ofgem (Office of Gas and Electricity Markets) implemented a new price cap for default tariffs, including Standard Variable Tariffs (SVTs), on 1 January. The tariff cap is adjusted on 1 April and 1 October each year and will remain in force until the end of 2020. In October the Secretary of State extended its application until the end of 2021 and this could be extended annually a further two times, i.e. until the end of 2023.

In addition, the tariff cap for prepaid customers imposed by the CMA expired at the end of 2020. Therefore, prepaid customers will also be covered by this Ofgem tariff cap from that point forward.

Meanwhile, in August Ofgem published several decisions on aspects related to the tariff cap methodology that will affect the price level for cap period 5 (October 2020 to March 2021). This includes an adjustment to correct an error in estimating the wholesale cost of the tariff cap for the first quarter of 2019, as well as a review of the amount allocated to cover the cost of rolling out smart meters.

In September, Ofgem launched a consultation process on a possible adjustment to reflect additional debt-related costs due to COVID-19. If approved, this adjustment will take effect from April 2021.

RIIO-T2: in December 2019 ScottishPower Energy Networks (SPEN) submitted its final GBP 1.4 billion RIIO-T2 Business Plan to Ofgem, which will apply from 1 April 2021 to 31 March 2026. Ofgem published its final decision in December 2020, proposing a permitted total expenditure (totex) of GBP 1.3 billion (a significant improvement on its preliminary proposal in July) and a cost of capital of 4.02% CPIH (Consumer Price Index including housing costs) (net of the 0.23% excellent performance adjustment). Public opinion has been critical of the proposed cost of capital, and companies will have the opportunity to appeal Ofgem's decision to the Competition and Markets Authority (CMA) in March 2021.

Capacity Market: the operator of the capacity mechanism (Electricity Market Reform Delivery Body) has restored the mechanism and in the first quarter a T-1 auction was held (delivery in 2020/2021), closing at a price of GBP 1 per kW per year and a quantity of 1 GW; a T-3 auction (replacing the T-4 auction cancelled in 2019, delivery in 2022/2023), closing at a price of GBP 6.44 per kW per year and a quantity of 45.1 GW; and also a T-4 auction (delivery in 2023/2024), closing at a price of GBP 15.97 per kW per year and a quantity of 43.8 GW. Before these auctions were held, the Secretary of State for Business, Energy and Industrial Strategy (BEIS) implemented changes in the rules governing participation in the upcoming auctions so that unsubsidised renewable energies, such as onshore wind, could bid (subject to appropriate correction or de-rating factors). SCOTTISHPOWER was awarded a 15-year contract with two new onshore wind farms, namely BaT (50 MW) and Halsary (30 MW), under the T-3 capacity auction, with delivery year 2022/2023 and at a price of GBP 6.44 per kWh.

Carbon pricing: in the UK Government's budget it was announced that the current value of the Carbon Price Support Tax (GBP 18 per tCO_2) would be extended until 2021/2022. In addition, the UK Government has established an Emissions Trading Mechanism effective from 1 January 2021, with the option to link it to the EU ETS in the future, if an agreement can be reached between the EU and the UK.

Contracts for Difference*:* as part of the Ten Point Plan for a Green Industrial Revolution and the Energy White Paper, the UK Government formalised its commitment to develop 40 GW of offshore wind by 2030, including a target to deploy 1 GW of innovative floating offshore wind power by that date. The Government also announced plans to hold the next Contracts for Difference auction at the end of 2021 to support renewable generation, including offshore and onshore wind power and solar photovoltaics. The Government has indicated that the target of this upcoming auction is to support up to double the renewable generation capacity secured in the last Contracts for Difference auction held in 2019, i.e. around 12 GW of renewable generation. Meanwhile, to support the growth of the UK offshore wind sector, the Government is also planning to invest GBP 160 million in the development of offshore wind ports and manufacturing infrastructure, with the launch of a competitive process in December 2020.

Deployment of smart meters: in June the Government published its decision on the obligations associated with the roll-out of smart meters for the period after 2020. The obligation to take "all reasonable steps" that should have applied only until 31 December 2020 will now be extended until 30 June 2021. Thereafter, annual installation targets will be set for each retail supplier for a period of four years, subject to annual tolerance levels. Consumers will continue to be able to refuse the installation of smart meters unless they have a history of fraud.

4. US law and regulations

Measures associated with COVID-19*:* in March, President Trump declared a State of National Emergency due to the coronavirus outbreak. President Trump approved three COVID-19 relief bills, including a USD 2 trillion stimulus package that provides emergency funding for the US states, along with paid sick and unemployment leave, direct payments to US citizens, plus a further USD 900 million for the Low Income Home Energy Assistance Program (LIHEAP). It also amends certain sections related to the corporate tax burden, including interest expenses. On 27 May 2020, the Treasury Department and the Internal Revenue Service (IRS) announced a one-year extension of the Production Tax Credit (PTC) and the Investment Tax Credit (ITC) for wind projects that started construction in 2016 and 2017. The requirement to start construction was also relaxed due to the supply chain delays caused by COVID-19. Many of the initial measures passed by the federal government in response to COVID-19, such as the Coronavirus Assistance, Relief and Economic Security Act, expired at the end of July. In particular, the extension of unemployment insurance benefits expired on 31 July. Congress and the US Government continue to try to pass new legislation to resume the aid measures.

Tariffs: President Trump's tariffs on solar panels, steel, aluminium and Chinese goods remain in place.

In August the US International Trade Commission made public its final determination of its antidumping investigation into wind towers. The proposed rates range from 5% to 65% for towers from Canada, Vietnam, Indonesia and South Korea. In September another antidumping suit was filed, this time on wind towers imported from India, Malaysia and Spain. In the case of Spain, a final decision is expected in the summer of 2021.

In October, President Trump issued a proclamation tightening existing tariffs on imported solar equipment, including an increase in the solar tariff to 18% (from 15%). In December SEIA, NextEra and Invenergy filed a lawsuit seeking an injunction prohibiting the application of the proclamation, which removes a tariff exemption on bifacial panels.

In May, the Department of Commerce initiated a Section 232 investigation into imports of certain transformer components used in the electricity system to determine whether the imports constitute a risk to national security. If the investigation finds that there is a threat to national security, the President will have 90 days in which to impose tariffs, which could increase the cost of parts by up to 25%.

FERC (Federal Energy Regulatory Commission)*:* on 18 March FERC and NERC announced new regulatory relief to provide added flexibility for electricity system operators amid the coronavirus crisis. The guidance allows the effects of coronavirus to be an acceptable justification for non-compliance with certain requirements between 1 March and 31 July 2020.

In March 2020 FERC issued a Notice of Proposed Rulemaking (NPRM) updating its transportation incentive policy. The new policy states that incentives could reach up to 250bp based on three factors: economic benefits of the projects (100bp), reliability (50bp) and owner participation in the RTO/ISO (Regional Transmission Organization / Independent System Operator) (100bp). A public hearing will be held prior to final approval. No deadline has been set for the final decision.

On 21 May FERC issued an order further revising its framework for calculating the return on equity for owners of transmission facilities. In its revision, FERC introduces the risk premium model, to be used together with the discounted cash flow model and the asset pricing model. The order applies specifically to transmission owners in the Midcontinent Independent System Operator region.

FERC has undergone two leadership changes. On 5 November, President Trump appointed James Danly to the position of chairman, replacing Neil Chatterjee. Chairman Danly, a Republican, was nominated by President Trump and joined FERC as a commissioner on 31 March 2020. On 8 December, Allison Clements, a Democrat, was sworn in as commissioner. At the end of December, FERC comprised two Republican and two Democratic commissioners. This equitable division may impair its ability to make decisions on controversial issues, such as major policy changes or natural gas infrastructure certificates.

CMP Rate Case: in February 2020, MPUC (Maine Public Utilities Commission) made public CMP's new remuneration framework, with an ROE of 9.25% and an effective period running from 1 March 2020 through to 28 February 2021. The bill increase for an average residential customer will be roughly 3%. It makes adjustments to the regulatory assets generated by the accounting change for pensions and other benefits in 2018 and 2019, but confirms that they will be recognised from this point forward. Vegetation management costs are approved and storm management funds are raised.

Grid security*:* On 1 May, President Trump issued an executive order aimed at strengthening grid security. It instructs the Department of Energy to establish the regulations that prohibit the purchase of energy system equipment from a foreign adversary or an entity controlled by a foreign adversary, identify grid infrastructure that poses a critical threat to national security, and form a working group to update equipment procurement policies.

On 17 December, the Department of Energy (DOE) issued an order banning energy system equipment transactions that have any relationship with any foreign adversary of the United States. It prohibits utilities that provide critical defence facilities from procuring certain power system electrical equipment, including hardware and software, that poses a risk to the system, the safety or resilience of critical infrastructure, the economy, national security, or the safety and security of US citizens. Although the Presidential Order underlying this order names five countries, the prohibition is exclusive to equipment from China. It came into force on 16 January 2021 and will apply to voltages of 69 kV or higher.

Permitting: on 4 June, President Trump issued an executive order directing agencies to expedite environmental review processes in response to the economic impacts of COVID-19. The order targets projects within the purview of the Army Corps and the Department of the Interior, among others, and focuses on developments subject to NEPA (National Environmental Policy Act) and ESA (Endangered Species Act). The agencies have 30 days to determine the competent authority and submit a list of projects they plan to fast-track.

On 1 June, the EPA (Environmental Protection Agency) finalised Clean Water Act Section 401 Certification Rule, which clarifies the scope of reviews, timelines and procedures for state certification. The final rule limits the ability of the US States to block federal permits and veto certain infrastructure projects, such as the construction of a new gas pipeline.

Bandwidth: on 23 April the Federal Communications Commission (FCC) unanimously approved an order to open up the 6 GHz bandwidth to unlicensed users. The order allows unlicensed use of the full band for low power devices indoors, and partial use of the band for standard power devices outdoors, subject to the requirement that there be automated frequency control (AFC) to prevent interference.

New York electric vehicle programme: the New York Public Service Commission (NYPSC) published an Order approving a make-ready programme for the development of charging infrastructure with the goal of reaching a volume of 850,000 electric vehicles by 2025 across New York State. This order marks the end of a regulatory process that began with the publication back in 2018 of the *EV Proceeding*, followed by NYSEG&RGE's proposed *EV Program* in the New York rate case in 2019 and the publication of the *EV Program Whitepape*r by the Department of Public Service Staff in January 2020.

Approved CMP-T annual revenue formula update filing: in December 2020 the Maine Public Utilities Commission (MPUC) finally approved the filing that recognises CMP-T's outstanding revenues to be recovered due to lower energy demand in New England in 2019 and 2020. Additional income of USD 21 million is estimated from July 2021.

Investigation of CMP Revenue Decoupling Mechanism: the MPUC voted unanimously in December to accept the Staff recommendation to maintain CMP's Revenue Decoupling Mechanism which in the future should be simplified by merging the two customer classes (household and small and medium enterprises) into one, so that volumes offset one another and reduce the volatility of cash flows. This brings the Revenue Decoupling Mechanism investigation at CMP to a satisfactory conclusion, with no adverse consequences for the company.

Rate Case approval, New York: on 19 November the NYPSC approved the rate case for NYSEG and RG&E electricity and gas. The approval takes retroactive effect back to 17 April 2020 and will remain effective until 30 April 2023.

- ROE is set at 8.8%, with an Equity factor of 48%.
- Annual investment of approximately USD 1 billion has been recognised for the 2020-2023 period; twice the figure from the previous period.
- Annual expenditure on Vegetation Management is virtually doubled.
- The rate case incorporates novel elements such as the Customer Relief Program to mitigate the impact of COVID-19 on vulnerable families and small businesses and also includes concrete actions to advance the goals of the New York Climate Change Act.

Extension of disconnection moratorium in New York: the moratorium on the disconnection of residential customers due to the pandemic has been extended until 31 March 2021 (it was scheduled to end on 29 January 2021). The winter moratorium, which allows for disconnections with prior notice only when it is above 32 degrees Fahrenheit, will remain in effect in any event from 1 November 2020 through to 15 April 2021.

New York expands the scope of the Clean Energy Standard*:* NYPSC released the Climate Leadership and Community Protection Act (CLCPA) on 15 October, which seeks to align state standards with new climate change legislation by setting more ambitious targets. The new order aims to achieve 70% renewable energy by 2030 and a net-zero emission electricity sector by 2040. Specific targets include the deployment of 6 GW of solar power by 2025, 3 GW of storage by 2030 and 9 GW of offshore wind power by 2035.

Tax credits*:* in December Congress passed a funding package that included: 1) an extension of the production tax credit (PTC) and investment tax credit (ITC) for onshore wind projects the construction of which starts before the end of 2021; 2) a two-year extension of the ITC for commercial and residential solar projects at 26%, which is phased down to 22% in 2023 before becoming a permanent 10% in 2024; and 3) a new ITC of 30% for offshore wind projects the construction of which starts between 2017 and 2025. In addition, the Treasury Department issued guidance approving a 10-year extension of the Safe Harbour for offshore wind renewable projects or those built on federal land.

5. Mexico

Transition Strategy to promote the use of cleaner technologies and fuels within the context of the Energy Transition Law (Ley de Transición Energética)*:* the Mexican Ministry of Energy published the Strategy on 7 February 2020 in the Official Journal of the Federation. It contains the medium- and long-term measures to achieve the clean energy goals envisioned in the Energy Transition Law. The Strategy updates the 35.1% intermediate clean generation targets for 2024, thus setting a target of 39.9% by 2033 and confirming, by 2050, a total clean generation target of 50% of total electricity generation. Iberdrola Mexico has taken the necessary steps to meet its clean energy targets.

Criteria for calculating Renewable Energy Certificates (RECs) available to cover obligations and implicit price of the RECs: on 4 March 2020 the Energy Regulatory Commission (CRE) published a resolution containing the criteria for calculating the total number of clean energy certificates available and the methodology for calculating the implicit price. The new regulation sets out the criteria for calculating the total number of RECs registered in the Clean Energy Obligation Compliance and Certificate Management System (S-REC) to ensure compliance with obligations. It also defines the methodology for the implicit price of the RECs, determining the assumptions needed for the flexibility mechanism (FM) to take effect and allowing participants to defer up to 50% of their obligations for two years at an annual interest rate of 5%, though without incurring any penalty.

The resolution containing the criteria for allocating available RECs in the CRE's account was then published in October. The regulation aims to establish the criteria for allocating RECs that were neither issued nor granted, although though they could have been. These RECs are allocated in proportion to the energy consumed. On 4 December, the CRE assigned Iberdrola Mexico its share of RECs in accordance with its obligation and on a non-onerous basis.

Measures associated with COVID-19*:* on 30 March 2020, the Federal Government, acting through the General Health Council, published the *Resolution declaring the epidemic caused by the SARS-CoV2 virus (COVID-19) a health emergency due to force majeure* in the Official Gazette of the Federation. Subsequently, the Ministry of Health ordered the suspension of all non-essential activities in order to combat the spread and transmission of COVID-19. Since 31 May, the Ministry of Health has been implementing a strategy of gradually resuming economic activity based on a traffic light system of red, amber, yellow and finally green.

At present, most entities are at a red light and the various governmental bodies have declared a suspension of work. The Ministry of Energy (SENER), the Energy Regulatory Commission (CRE) and the Ministry of Environment and Natural Resources (SEMARNAT), among other bodies, have decreed a suspension of work until the health authority determines that there is no epidemiological risk.

Iberdrola Mexico has complied with all measures deployed by the General Health Council, on the understanding that electricity generation constitutes an essential activity.

Resolution to guarantee the efficiency, quality, reliability, continuity and security of the National Electricity System following confirmation of the epidemic caused by the SARS-CoV2 virus (COVID-19)*:* after observing a reduction in electricity consumption due to the COVID-19 epidemic, on 1 May the National Energy Control Centre (CENACE) published a *Resolution to guarantee the efficiency, quality, reliability, continuity and security of the National Electricity System*. The resolution contained strategies and measures to be implemented during the pandemic that affected Iberdrola Mexico, as it prohibited pre-operational testing of wind and photovoltaic power plants. For several weeks this measure effectively halted the pre-operational testing that had been going on at the PIER and Santiago wind farms. The resolution will remain in force until the end of the epidemic. Iberdrola Mexico filed an injunction against the measure and secured a definitive suspension in June 2020. At the date of authorisation for issue of these consolidated Financial statements, the judge's decision on whether to grant the injunction remains pending.

Policy on the Reliability, Security, Continuity and Quality of the National Electricity System*:* on 15 May 2020 the Ministry of Energy published in the Official Gazette of the Federation a *Resolution issuing the Policy on the Reliability, Security, Continuity and Quality of the National Electricity System* (Reliability Policy). Implementation of the Policy would adversely affect IBERDROLA with respect to its hedging contracts, existing permits and new applications. It would also impose new interconnection requirements to the detriment of both IBERDROLA and all private generators, unjustifiably benefiting the CFE. Of particular importance here is the constitutional claim that the Federal Economic Competition Commission (COFECE) lodged before the Supreme Court of Justice of the Nation (SCJN) on 22 June. The court found that the Reliability Policy violates principles of competition and free competition for participants in the electricity industry. On 29 June the SCJN upheld the petition filed by COFECE to suspend SENER's policy.

IBERDROLA, together with other companies, has filed appeals (seeking injunctions) against the policy. In IBERDROLA's case, the company has been granted a definitive suspension pending the judge's final decision. If the injunction is eventually granted, Iberdrola Mexico would be protected against any possible attempt to implement that policy.

Charges for transmitting electricity with renewable energy sources or efficient cogeneration, as well as the procedure for calculating conventional transmission charges*:* in May 2020, the CRE issued two resolutions to approve an increase in green power transmission tariffs, as well as in transmission tariffs for conventional technologies. In response to these resolutions, Iberdrola Mexico and various other companies from the industry have filed an injunction against the measures.

The CRE's measures will affect Iberdrola Mexico by pushing down profits at the wind farms currently in operation and at the two farms currently under construction. They will also have a further economic impact on the plants operating under the self-supply scheme.

For renewable energies, Iberdrola Mexico was granted a definitive suspension, while for conventional transmission the injunctive relief (suspension) was denied. An appeal for review has since been lodged and is currently awaiting a decision hopefully in favour of IBERDROLA.

Final Tariffs for Basic Supply: the Final Tariff for Basic Supply (known as the *Tarifa Final de Suministro Básico*) has been updated monthly as per the methodology for calculating and adjusting the Final Tariffs for Basic Supply published by the CRE on 18 December 2019. This methodology will remain in effect until modified. The updated electricity tariffs effective as of 2021 were approved on 17 December 2020. The resolution setting the transmission and distribution tariffs was also approved on 17 December. The industrial basic supply tariff (GDMTH and DIST) has remained stable despite the drop in demand stemming from the COVID-19 pandemic. No changes in the tariff are envisaged for 2021, as the CFE has pledged not to raise it above inflation.

Publication of the T-MEC*:* on 29 June, the Ministry of Foreign Affairs published the Decree Promulgating the Protocol to replace the North American Free Trade Agreement (NAFTA) with the Treaty between the United Mexican States, the United States of America and Canada (T-MEC), effective 1 July 2020.

The T-MEC is made up of 34 chapters, with notable changes on issues such as the supply chain, anti-corruption measures, environment, good regulatory practices and sectoral annexes, such as the *Energy Efficiency Standards*, which will seek to harmonise procedures and standards between the three signatory countries.

The Agreement on Environmental Cooperation between Mexico, the United States and Canada, an instrument derived from the T-MEC, was subsequently published on 15 July. The Agreement aims to harmonise and promote trade policies, legislation and regulation that conserves, protects and enhances the environment. The T-MEC is seen as a key element to accelerate the national economy, in the wake of the economic crisis triggered by COVID-19.

Energy Sector Programme 2020-2024*:* the Energy Sector Programme 2020-2024 (PROSENER) was published on 8 July 2020 as part of the wider National Development Plan 2019-2024. The programme seeks to bail out the energy sector by strengthening State Productive Enterprises (SPEs) PEMEX and CFE. This programme is now the governing document when it comes to energy planning. It features six objectives, 27 strategies and 151 priority actions to be led by the Ministry of Energy as the head of the sector, which claims that this instrument aims to achieve “Sustainable energy self-sufficiency to meet demand through domestic production”, as well as “Strengthening the SPEs as guarantors of energy security and sovereignty”.

The organisation Greenpeace filed an injunction in a bid to suspend the implementation of this programme on the grounds that it will have a negative impact on the environment. Therefore, the measures affecting the environment and renewable energy are no longer in effect since Greenpeace was handed a favourable ruling with general effects.

CFE Thermal Power Plant Tenders*:* between 2019 and 2020 the Federal Electricity Commission (CFE) staged the first tendering process for combined cycle projects through a financing scheme known as *Productive Infrastructure Investment Projects with Deferred Registration in Public Expenditure* (Pidiregas) and the Financed Public Works (FPW) tendering model. However, on 15 July 2020 the CFE cancelled the tenders in progress on the grounds of the impact that the SARS-CoV2 (COVID-19) epidemic has had on the economy and public finances.

Subsequently, on 21 July 2020 the CFE announced the creation of a Master Investment Trust for: 1) the construction of five strategic power plants; and 2) the acquisition of strategic power plants. IBERDROLA will not take part in these tenders, as they are intended for EPC (Engineering, Procurement and Construction) companies, a business in which Iberdrola Mexico no longer operates.

Memorandum from the Presidency of the Republic to Regulators*:* on 22 July, a Memorandum issued by President Andrés Manuel López Obrador was released to the press and media, apparently instructing the various regulatory bodies to act accordingly to strengthen PEMEX and CFE.

Following implementation of the Memorandum, a meeting was held on 22 September between members of the Energy Regulatory Commission (CRE), the National Hydrocarbons Commission (CNH) and the National Natural Gas Control Centre (CENAGAS) to follow up on the 17 priority points aimed at strengthening PEMEX and CFE that the President had set out in the Memorandum.

In the electricity sector, it was revealed that the aim is to drive the development of hydroelectric plants, give priority to CFE plants in relation to the distribution of electrical power, and suspend the granting of permits, concessions and subsidies to individuals, among other actions the regulators believe can be implemented without carrying out an Energy Reform.

The implementation of this Memorandum may affect the business of Iberdrola Mexico. Therefore, regulatory and legal action may be pursued to protect the Group's interests.

Modification to General Administrative Provisions setting out the terms for requesting the modification or transfer of permits for electricity generation or electricity supply under the self-supply regime: in October 2020, the CRE published a modification to the rules for self-supply and cogeneration companies engaged in the generation of electrical power, through RES/1094/2020. The resolution prohibits the registration of load centres that have entered into a basic supply contract under the Electricity Industry Law so as to prevent new persons other than those authorised under the permit from becoming offtakers of electricity or associated establishments. It also restricts the right of permit holders to return to the previous regime, once they have migrated to the Wholesale Electricity Market.

This resolution violates the principle of legality by failing to respect the terms of the Legacy Contracts. It also alters existing legislation to favour the CFE by limiting customers' freedom to arrange the most competitive supply of electricity for them. IBERDROLA has filed an appeal against this resolution and is now waiting for the First District Judge to uphold the appeal and grant the injunction.

Agreement Amending Legacy Contracts*:* on 13 November 2020 the CRE approved the resolutions on the agreements amending the legacy contracts for basic supply, as entered into between CFE Generación I, II, III, IV and VI, as vendor, and CFE Suministrador de Servicios Básicos (CFE SSB) as purchaser. These amending agreements seek to allow CFE's generation companies to extend the duration of their hedging contracts with CFE SSB, thus guaranteeing their income in the long run. It potentially eliminates the need for CFE SSB to take part in Long-Term Auctions to purchase the products (power, energy and CEL) upon reaching the end of the legacy contracts. CFE SSB's tariff is expected to continue to reflect the higher fixed and variable costs of CFE's generation plants, which will be passed on to it through the legacy contracts.

National Infrastructure Agreement: the National Agreement on Investment in Private Sector Infrastructure (*Acuerdo Nacional de Inversión en Infraestructura del Sector Privado*) was announced in November 2019, entailing an investment of MXN 859,022 million in a total of 147 projects over the six-year period, not including energy projects.

On 5 October 2020, the Federal Government made a second announcement with 39 projects from the communication, transportation, energy and water and environment sectors worth MXN 297,344 million. A total of five projects were announced in the realm of energy, all to be implemented by PEMEX and CFE in the fields of petrochemicals and natural gas.

A third announcement was made on 30 November 2020 with a further 29 additional projects, of which eight are energy projects to be developed by CFE. In electricity, there are a total of five combined cycle plants and one internal combustion plant, together with two natural gas projects. One project was awarded to a private natural gas developer. The projects to be undertaken by CFE are as follows: Combined cycle power plants at Tuxpan Phase I, González Ortega, Mérida IV, San Luis Río Colorado and Valladolid, and an internal combustion plant in Baja California Sur, with the investment totalling MXN 59,077 million. There were no private projects in the electricity sector and no renewable energy projects.

Imbalance in the National Interconnected System (NIS) on 28 December*:* on 28 December 2020 there was an imbalance in the NIS that interrupted the supply for some 10.5 million users in the country for roughly two hours. The measures implemented by CENACE led to the decommissioning of 9,262 MW of generating capacity at conventional and renewable power plants and the disconnection of loads affecting 8,696 MW.

The imbalance was caused by a fire on the property where the two 400 kV transmission lines between the Güémez and Laja substations cross. At the time of the event, demand was at 31,789 MW, representing 26% of total demand. According to CENACE, that particular day saw the highest integration of renewable energy, which accounted for 28% of total generation. Despite acknowledging that an act of God had caused the imbalance, it was noted that because of the Energy Reform, CFE ceded the planning of the System, as well as the granting of permits by the CRE.

6. Brazil

Measures associated with COVID-19*:* the following regulations have been released in a bid to minimise the impact of the coronavirus pandemic (COVID-19) on the electricity sector:

- Decree 10282 (20 March): (i) defines essential services, including energy; (ii) ensures the free movement of equipment working in the electricity sector; and (iii) calls on the regulatory body to limit or restrict essential services.

- Regulatory Resolution No 878 (25 March): measures in force until 31 July to ensure the continuity of the electricity distribution service and guarantee the safety of consumers and employees of distribution companies during the pandemic. The main changes to the normal rules of operation are as follows:

    - *Metering and billing:* Physical bills replaced by electronic bills, relaxation of metering intervals, or use of average consumption over the last 12 months.

    - *Customer service*: discontinuation of face-to-face customer service, focusing instead on digital and telephone channels and prioritising health services.

    - *Operation*: maintaining those shutdowns that are strictly necessary, while developing a specific contingency plan to guarantee the continued provision of health services.

    - *Supply cuts*: ban on cutting the supply due to non-payment by residential consumers in both urban and rural areas, and on cutting the supply to essential services.

- Order no. 134 (30 March): the Ministry of Mines and Energy indefinitely postpones the auctions planned for this year: Existing Energy Auctions "A-4" and "A-5"; New Energy Auctions "A-4" and "A-6"; auctions for the concession of the public electricity transmission service; and the auctions for arranging supply solutions for Isolated Systems.

- Authorisation to transfer funds: ANEEL has authorised CCEE (*Câmara de Comercialização de Energia Eletrica*) to distribute the BRL 2.2 billion available in the reserve fund to strengthen the liquidity of distributors and free consumers. Neoenergia's distributors received a total of BRL 220 million.

- Emergency financial measures: Provisional Measure (PM) no. 950/20 approves: (i) the legal framework for restructuring the financial operation to support the cash flows of power distributors; and (ii) the 100% discount for consumers benefiting from the discounted social tariff up to a consumption of 220 kWh per month for three months, which will be met by the government through a contribution of BRL 900 million into the *Energy Development Account* (CDE).

- Guidelines for the COVID Account: following on from Provisional Measure (OM) No. 950, Decree No. 10,350 authorises the creation of the COVID Account and provides guidelines on how it should be managed. The Account will receive funds through a loan from a group of banks led by the National Bank for Economic and Social Development (BNDES) and arranged by the CCEE (*Câmara de Comercialização de Energia Eletrica)*, and will be transferred to the distribution companies. The aim of the operation is to cushion the financial impact of the loss of revenues due to reduced demand and increased defaults and delinquency caused by the pandemic.

- Maximum loan values: based on the guidelines set out in Decree no. 10,350, ANEEL enacted Resolution 885/20 to establish the terms whereby distributors may obtain the loan and to set the maximum global value of the operation at BRL 16.1 billion. Neoenergia must define its participation, subject to a cap of BRL 1.664 billion, to be shared between the distributors CELPE (BRL 455 million), ELEKTRO (BRL 614 million), COELBA (BRL 500 million) and COSERN (BRL 95 million).

Approval of the new WACC calculation methodology*:* on 10 March 2020 ANEEL approved a new methodology for calculating the WACC (weighted average cost of capital). The main changes are: (i) the use, wherever possible, of local financial parameters, such as the Brazilian Treasury Bonds for risk-free rate (NTN-B), the average of electricity sector obligations for Third-Party Capital and the Theoretical Optimal Capital Structure; and (ii) the annual updating of the WACC based on the average of the last five years for the Cost of Equity Capital and the most recent indicators for the Cost of Third-Party Capital and the Capital Structure. The values effective in 2020 for tariff reviews are 7.32% for distribution and 6.98% for generation and transmission.

Change in the methodology for calculating the productivity component (Pd) of Factor X*:* on 17 March a new methodology was approved for calculating the Productivity Component (Pd) of Factor X, which represents the productivity increase in distribution activity. The new methodology takes into account the effects of productivity increases and market changes over the six years prior to the current tariff review. Applying this methodology, it is estimated that the "Pd" could decrease for all Group distributors in the next tariff reviews (RTP 2021 Celpe and RTP 2023 other distributors), which would have a positive impact for them.

Tariff re-adjustments: in April ANEEL approved the tariff adjustment values for the distributors COELBA (average effect of 5%), COSERN (average effect of 3.4%) and CELPE (average effect of 5.2%), but postponed their effect on the tariffs until the end of June. This measure has no economic effect, as an equivalent payment to the Energy Development Account (EDC) was deferred in the same period. The distributors will return these amounts to the CDE account during the last five months of 2020 (August to December) and will be compensated through the creation of a regulatory asset that will be added to the 2021 tariff re-adjustments and amortised over the following 12 months.

COVID account loan*:* following authorisation by ANEEL, CCEE (*Câmara de Comercializaçao de Energia Eléctrica*) transferred BRL 1,664 million to Neoenergia in relation to the COVID account loan. The Group companies received: a) ELEKTRO – BRL 614 million; b) COELBA – BRL 500 million; (c) CELPE – BRL 455 million; and (d) COSERN – BRL 95 million.

ELEKTRO tariff re-adjustment*:* in August ANEEL approved the tariff re-adjustment of the distributor ELEKTRO, effective from 27 August and with an average effect of 5.36% for consumers. The loan proceeds from the COVID account reduced this effect by more than 9% through a reduction of financial assets and receivables under the CVA mechanism.

Hydrological risk*:* Law no. 14052 was published in September, establishing, among other matters, the conditions for ending the judicialisation of BRL 8.7 billion from the spot market in relation to hydrological risk (Generation Scaling Factor – GSF). The Law envisions compensation for hydropower generators by extending their concessions, provided they agree to withdraw their lawsuits. On 3 December ANEEL published a resolution regulating the terms for adhering to the GSF agreement for hydropower generators with a contract in the free market. The generators will receive compensation in the form of a 7-year extension to their concession, based on the non-hydrological costs incurred by the hydropower generators in the last few years, including: delay of the Physical Guarantee for structural projects and thermoelectric generation outside the merit order.

Interim Measure No 998/2020: in September the government published Provisional Measure (PM) no. 998 in a bid to redirect tariff funds to lower tariffs, especially in the Northern region and modernise the sector by changing the incentive mechanism for renewable resources, allowing all consumers to arrange system capacity. The short-term measures are already in place, while the long-term measures are likely to be approved in 2021.

ANEEL Resolution on quality of supply and economic and financial management (DEC, FEC): ANEEL Resolution No. 896/2020, now in force, regulates the indicators and procedures for monitoring quality of supply and efficiency of the economic and financial management of electricity distribution concessions, as well as the relevant procedures in response to non-compliances, which may even trigger termination of the concession. This regulation also applies to companies with original (non-renewed) concession contracts.

CEB: the NEOENERGIA group won the auction to acquire Compañía Energética de Brasilia (CEB) with a successful bid of BRL 2,515 billion on the São Paulo Stock Exchange, thus earning a further three million new customers in the market with the highest GDP per capita in the country.

Tariff flags*:* in November ANEEL decided to reactivate the tariff flag system following a drop in storage levels at hydroelectric dams and the reactivation of energy consumption. Following the existing methodology, in December the flag was at red level 2, which implies an additional charge to the tariff of BRL 6.243 per 100 kWh per month.

Calendar of energy auctions: in December, the Ministry of Mines and Energy published the calendar for New Energy (LEN) and Existing Energy (LEE) auctions, as shown below:

Auction	Proposed date
New Energy Auction A-3 and A-4 (HYDRO, WIND, SUN, BIO)	June 2021
Existing Energy Auction A-4 and A-5 (Coal and Natural Gas Thermal Power Plants)	June 2021
New Energy Auction A-5 and A-6 (HYDRO, WIND, SUN, BIO and THERMAL POWER)	September 2021
Existing Energy Auction A-1 and A-2	December 2021
New Energy Auction A-4	April 2022
New Energy Auction A-6	September 2022
Existing Energy Auction A-1 and A-2	December 2022
New Energy Auction A-4	April 2023
New Energy Auction A-6	September 2023
Existing Energy Auction A-1 and A-2	December 2023

***Transmission auction**:* transmission auction 1/2021 took place on 17 December 2020. NEOENERGIA was awarded lot 2, which entails the construction of 1,091 km of transmission lines (three 500 kV lines and one 230 kV line) and 300 MVA of transformation capacity, with an investment estimated by ANEEL at BRL 2 billion and Permitted Annual Revenue (RAP) of some BRL 160 million, with a discount of 42.6%. A total of 11 lots were negotiated, with a total planned investment of BRL 7.3 billion, to build a total of 1,959 km of new transmission lines and new transformer capacity of 6,540 MVA, all arranged at an average discount of 55.2%.

CONSOLIDATED MANAGEMENT REPORT FOR FINANCIAL YEAR 2020

This Management report has been prepared taking into consideration the "Guide of recommendations for the preparation of Management reports of listed companies", published by the CNMV in July 2013.

1. THE COMPANY'S SITUATION

I. IBERDROLA's identity and its triple dimension: business, corporate and institutional

IBERDROLA heads a leading global group in the energy sector. Its activities are focused on the production, transmission, distribution and supply of electricity, which is essential for millions of users and customers. IBERDROLA relies on environmentally friendly and innovative sources of energy and technologies to remain at the forefront of digital transformation.

IBERDROLA pursues its corporate interests by observing best corporate governance practices and taking into consideration all stakeholders affected by its business activities and related to its institutional reality. It therefore seeks to build a framework of relationships based on continuous dialogue and active listening, as well as on the principles of transparency and equal treatment, thus enabling stakeholders to become part of its successful business enterprise and allowing for the creation of strong ties with them that foster trust and nurture a sense of belonging to a great company. In particular, IBERDROLA has been a pioneer in enhancing the effective engagement of shareholders in the life of the company. It considers this to be of paramount importance to remain a leader in this area.

Acutely aware of the clear economic, social and environmental impacts of all of its activities, IBERDROLA maintains a constant two-way dialogue with its stakeholders and has accepted the mandate of its shareholders, by implementing several amendments to its by-laws, to protect the communities in which it operates and help them prosper, including the most fragile or vulnerable groups.

IBERDROLA therefore views this mandate as an opportunity to work together in building a healthier, more accessible energy model increasingly based on electricity, while respecting human rights and championing initiatives that help achieve a more just, egalitarian and healthy society. In doing so, it focuses on attaining the Sustainable Development Goals (SDGs) approved by the United Nations, most notably those relating to universal access to electricity and the fight against climate change, but also others such as promoting innovation, improving levels of education, protecting biodiversity, gender equality and, in particular, the empowerment of women, as well as the protection of disadvantaged groups. Ultimately, it seeks to make all stakeholders part of the social dividend, or shared value, generated by its activities, meaning the sum of all the economic, social and environmental values that a company generates through its activities across the communities in which it operates.

II. The IBERDROLA Group

IBERDROLA is the parent and holding company of a group of companies present in Spain, Portugal, the United Kingdom, the United States, Mexico and Brazil, among other countries. The group is structured into three levels to segregate the functions of strategy, supervision and control of the overall group (entrusted to the holding company); those of organisation and coordination of the businesses of each country (entrusted to the country subholding companies); and those involving the day-to-day administration and effective management of each of those businesses (the purview of the head of business companies).

The corporate and governance structure of the IBERDROLA Group works in conjunction with the Business Model, which allows the businesses to be globally integrated, seeks to achieve the maximum operating efficiency of the various units and ensures the dissemination, implementation and monitoring of the general strategy, the basic management guidelines established for each business and best practices.

The Business Model combines a decentralised decision-making structure, inspired by the principle of "subsidiarity", with robust coordination mechanisms to ensure that all of the Group's businesses are globally integrated, all on the basis of an effective system of checks and balances to prevent management power from becoming centralised in a single governance body or person.

The IBERDROLA Group has minority shareholders in both the holding company and in certain country subholding companies, such as the Brazilian company Neoenergia, S.A. and the American company Avangrid, Inc., which is also listed on the securities market. Through a special framework to strengthen the autonomy of its listed country subholding companies, IBERDROLA ensures that the legitimate interests of the shareholders of such companies other than IBERDROLA are adequately protected and harmoniously co-exist with the wider interests of the Group and of the shareholders of the main holding company.

IBERDROLA has undergone a major transformation over the last 15 years, staying clearly ahead of the energy transition in order to tackle the challenges posed by climate change and the need for a clean and reliable smart business model.

Boasting a track record that spans over 170 years, today IBERDROLA is a worldwide leader in the energy sector, the world leader in wind power production and one of the world's largest electric companies by stock market capitalisation. The group supplies electricity to some 100 million people in the countries in which it operates.

We lead the energy transition towards a sustainable model through investments in renewables, smart grids, large-scale energy storage and digital transformation to offer cutting-edge products and services to our customers.

As a result of our commitment to the environment and our support for the decarbonisation of the economy, we are the leading electric company in renewables and we have managed to reduce our emissions in Europe by 75% since 2000, reaching levels that are almost 75% below the average of European companies.

The IBERDROLA Group is now present in the following countries and geographical areas, where we hold a leading position and have become a benchmark due to our sustainable energy model:

- Spain: leading energy company and leading wind power producer.
- International: present in Portugal, France, Italy, Germany, Greece, Hungary, Romania, Cyprus, Australia, Japan and Poland.
- United Kingdom: 100% renewable producer, transmission and distribution networks in Scotland, Wales and England.
- United States: Electricity and gas distributor in New York, Maine, Connecticut and Massachusetts and third largest wind power producer.
- Brazil: one of the energy leaders.

- Mexico: leading private electricity producer.

1.1 Business Model

The current trends in the energy sector — the decarbonisation and electrification of the economy, technological advances and customers' increased connectivity — confirm the focus of our three global businesses: networks, renewables, and generation and retail, and all of them centred on the customer.

The IBERDROLA Group accelerates the creation of value through five strategic pathways: profitable growth, operational excellence, a customer-focused approach, optimisation of capital and, finally, digitalisation and innovation.

To make its business model as competitive as possible, IBERDROLA has organised the management of its activities into three global businesses:

Renewables Business: The renewables area is tasked with generating and marketing electricity from renewable sources: wind (onshore and offshore), hydroelectric and mini-hydroelectric, solar thermal, photovoltaic, biomass, etc.

Networks Business: The networks area is responsible for the construction, operation and maintenance of power lines, substations, transformer substations and other facilities for delivering electric power from the production centres to the end user.

Generation and Retail Business: The generation and retail area focuses on the production of electricity through the construction, operation and maintenance of generation plants and the sale and purchase of energy in wholesale markets. It also supplies energy and additional products and services to end customers.

1.2 Purpose and Values of the IBERDROLA Group

The Group's purpose, or *raison d'être*, is none other than to continue working together to build a healthier and more accessible energy model increasingly based on electricity. In response to the most recent developments and best practices in the realm of corporate governance, this purpose now replaces, by integrating them, the mission and vision that the IBERDROLA Group had until now been pursuing, while also identifying its ultimate objective, the aim that steers its business, corporate and institutional reality and makes it a major player in ensuring the sustainable economic and social progress of all its stakeholders and all the communities in which it operates. This purpose includes the social dividend, which, together with the economic dividend, is embodied in the by-laws and both of which represent the Group's real and effective contribution to the different economic and social environments in which it is present.

The Group's purpose is based on three corporate values: sustainable energy, integrating force and driving force, all of which express its desire to become involved in and commit to the social reality in which its business activities unfold, with all the demands, challenges and opportunities this entails.

The corporate purpose and values, established in the Purpose and Values of the IBERDROLA Group, are the general principles that inform the Corporate Governance System, and are also the basis for the Code of Ethics, a binding and mandatory set of commitments that all directors, professionals and suppliers of the Group have embraced as part of their pledge to implement and achieve said purpose and values.

The Group's purpose

The Group's purpose and therefore our *raison d'être* is to continue working together to build a healthier and more accessible energy model increasingly based on electricity.

This purpose, focused on the well-being of people and the preservation of our planet, reflects the strategy that the Group has been pursuing for years and its commitment to continue fighting for:

a) A real and global energy transition which, based on the decarbonisation and electrification of the energy sector in particular and of the economy as a whole, contributes to the fight against climate change and generates new opportunities for economic, social and environmental development.

b) An energy model increasingly based on electricity, forsaking the use of fossil fuels to make wider use of renewable energy sources, efficient energy storage systems, smart grids and digital transformation.

c) An energy model that is healthier for people, whose short-term health and well-being depend on the quality of their environment.

d) An energy model that is more accessible for all, favouring inclusiveness, equality, equity and social development.

e) An energy model that is built in collaboration with all of the players involved and with society as a whole.

The Group's values

To achieve the Group's purpose, the Group's strategy and all of its actions are inspired by and based on three core values:

a) Sustainable energy: we aim to inspire while creating economic, social and environmental value for all the communities in which we operate, with our sights firmly set on the future.

   We act responsibly toward people, communities and the environment and we are fully committed to the sustainable development strategy defined by the Company's Board of Directors, which seeks to maximise the social dividend generated by the Group's activities and businesses, from which our stakeholders ultimately benefit.

   To this end, all Group professionals work in accordance with the ethical principles established in the Code of Ethics.

   More precisely, they seek to ensure transparency, the safety of people, sustainable value creation for the Company and its environment, while striving to identify and understand the expectations of all stakeholders and working to ensure the well-being of both present and future generations.

b) Integrating force: we possess great strength and a deep sense of responsibility and we therefore work together and combine our talents towards a purpose that will benefit everyone involved.

The Group's professionals make up a diverse team that is ready to achieve the success of our business project. To this end, the Group seeks to ensure that its professionals work without geographic, cultural or operational barriers, share talent, knowledge and information, and adopt a global long-term vision.

In building this team, the Group drives the development of its professionals and helps train future generations in order to foster their enthusiasm, empathy and initiative at work and to promote solidarity and creativity as well as their respect for human relations. The Group also encourages genuine and honest dialogue between its human team and the other stakeholders.

c) Driving force: we make small and large changes while being efficient and self-demanding, always in pursuit of continuous improvement.

We innovate and promote large and small changes that make life easier for people.

We expect our professionals to adopt a non-conformist attitude, to constantly seek excellence and opportunities for improvement, to embrace change and new ideas, to learn from mistakes, to evolve with feedback on their actions and to anticipate the needs of stakeholders. To achieve this, we favour simple, agile and efficient processes that feature the latest technology for organising work and sharing information.

1.3 IBERDROLA's corporate governance model

Corporate Governance System

IBERDROLA constantly updates its Corporate Governance System, consisting of the By-Laws, the Purpose and Values of the IBERDROLA Group and the Code of Ethics, the Corporate Policies, the governance rules of the corporate decision-making bodies and of other functions and internal committees, and compliance. In order to develop and implement specific aspects of its Corporate Governance System, the Company promotes the creation of working groups composed of authorised representatives of the stakeholder group affected in each case, Company employees and top-level external experts in the relevant field.

IBERDROLA develops its strategy in accordance with a purpose and values to which all the entities and people making up the Group are committed, with the creation of sustainable value, the achievement of the social dividend and leadership in the development of its activities being the common element among them.

The General Corporate Governance Policy contains a summary of the basic principles regulating the corporate governance of the Company and the Group and of its most important components. They are all available on www.iberdrola.com.

1.4 Corporate and governance structure and Business Model of the Group

Given the nature of the activities carried out by the IBERDROLA Group, its organisation is based on the strategic business units, rather than on product and service lines. These businesses are managed independently, as they concern different technologies, regulations and geographic markets.

The IBERDROLA Group has a decentralised structure and management model designed to bring decision-making closer to the places where decisions should have effect, through the country subholding companies and the head of business companies. In addition, the Corporate Governance System provides for measures granting the listed country subholding companies a special framework of strengthened autonomy.

The corporate structure encompasses the Company (IBERDROLA, S.A.), the country subholding companies and the head of business companies.

- IBERDROLA, S.A. (holding company)

  The Board of Directors defines and supervises the policies, strategies and general guidelines for management of the Group and adopts strategic decisions.

  The chairman & CEO, with the technical support of the Operating Committee, the Business CEO and the rest of the management team assume the duty of organisation and strategic coordination through the dissemination, implementation and monitoring of the overall strategy and of the basic management guidelines established by the Board of Directors.

- Country subholding companies

  The country subholding companies group together the interests in the energy head of business companies that carry out their activities in the different countries where the Group operates.

  They contribute to organisation and strategic coordination in their respective countries, disseminating and implementing the Group’s guidelines and management policies.

  They centralise the provision of services common to those head of business companies, always in accordance with applicable law and, in particular, the legal provisions on the separation of regulated activities.

  They have boards of directors that include independent directors, as well as their own chief executive officers, audit committees, internal audit areas and compliance divisions.

  On the other hand, the companies that are not wholly-owned by the Group keep their own corporate and governance structure in order to comply with the contractual obligations undertaken with other external shareholders.

- Listed country subholding companies

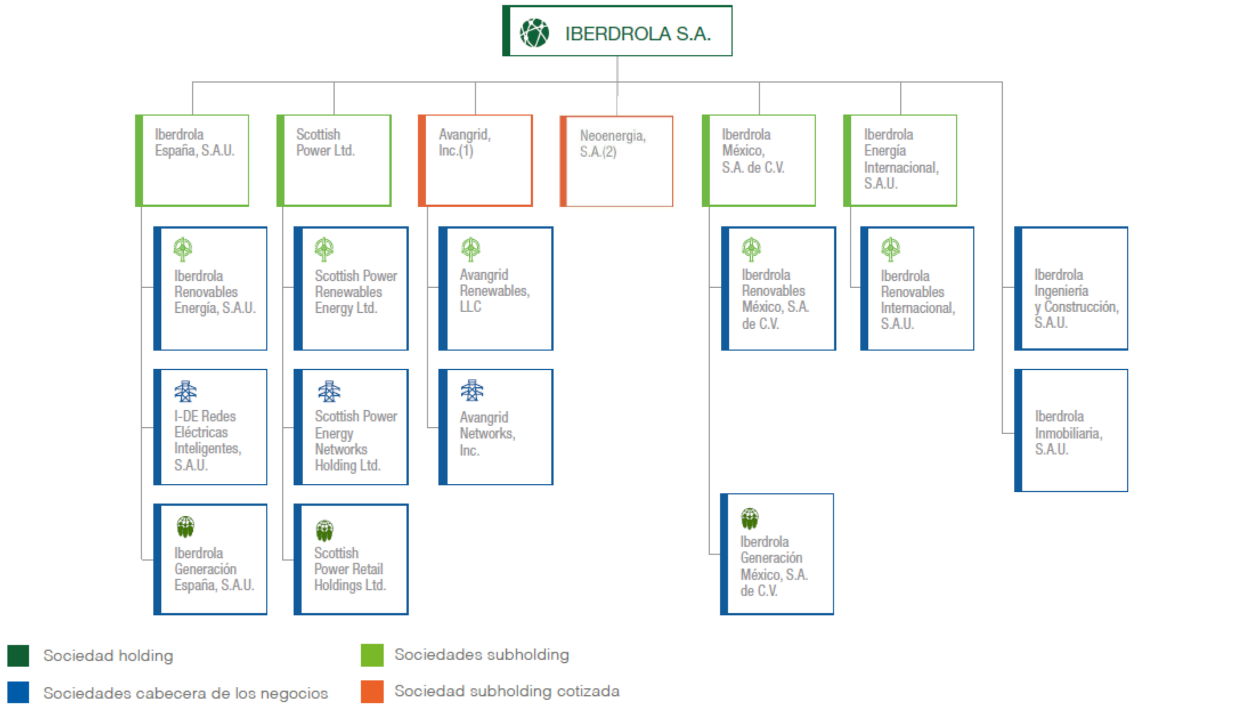
  Listed country subholding companies have a special framework of strengthened autonomy with an impact on regulations, related-party transactions and management.

- Head of business companies

  The head of business companies assumes decentralised executive responsibilities, have the autonomy required to carry out the day-to-day administration and effective management of each of the businesses, and are responsible for the day-to-day control thereof.

  They are organised through their boards of directors, which may include independent directors, and their own management bodies; they may also have their own audit committees, internal audit areas and compliance divisions.

Simplified scheme of the corporate structure of the group



[1] Avangrid, Inc. está participada en un 81,50% por Iberdrola, S.A.
[2] Neoenergia, S.A. está participada indirectamente en un 50% +1 acción por Iberdrola, S.A.

This corporate set-up seeks to ensure agile and rapid decision-making in day-to-day management, which is the purview of the head of business companies, while ensuring proper coordination at the Group level, as a result of the supervisory functions performed by the country subholding companies and the Company.

Based on this corporate structure, the Group's governance model conforms to the following principles, which duly distinguish between supervisory and control functions on the one hand, and day-to-day administration and effective management on the other:

a) Vesting of powers in the Board of Directors to approve the Group's strategic objectives, define its organisational model and supervise the effective implementation thereof and compliance therewith.

b) The organisation and strategic coordination of the Group is entrusted to the chairman of the Board of Directors & chief executive officer (with the technical support of the Operating Committee), the Business CEO, who has overall responsibility for all of the Group's businesses, and the rest of the management team.

c) The organisation and strategic coordination function is further strengthened through the country subholding companies for those countries and businesses that the Board of Directors so decides.

d) The head of business companies of the Group assumes decentralised executive responsibilities, have the autonomy required to carry out the day-to-day administration and effective management of each of the businesses, and are responsible for the day-to-day control thereof.

Within the Group's corporate and governance structure, the Operating Committee is an internal committee of the Company whose main duty is to provide technical, informational and management support to the chairman of the Board of Directors & chief executive officer, in order to facilitate the development of the Group's Business Model. The composition and duties of the committee are described in the Internal Rules on Composition and Duties of the Operating Committee.

1.5 Organisation of the board, or of the bodies to which it delegates its decision-making, including control functions and the policy followed with the Group's minority shareholders

A comprehensive description of the governance structure of the Company and of the functions and internal regulations of the committees can be found in section C of the Annual Corporate Governance Report, which forms part of this directors' report.

1.6 Regulatory framework for the activities

A comprehensive description of sector regulations and of the operation of the electricity and gas system in the markets in which the Group operates can be found in Appendix II ("Sector regulation: most significant regulatory developments in the year") to the financial statements.

1.7 Main products and services, production processes

The main products that IBERDROLA offers to its customers are electricity and natural gas, both in the wholesale and retail markets until reaching the end consumer. It also offers a wide range of products, services and solutions in the fields of:

- Improving the quality of life, peace of mind and safety of the consumer.
- Efficiency and energy services.
- Caring for the environment: renewable energy and sustainable mobility.
- Quality of electricity supply and safety of the facilities.
- Installation of electrical infrastructure.
- Comprehensive management of energy facilities and supply.

Through its subsidiaries it also provides services for engineering and construction of power generation, distribution and control facilities; operation and maintenance of power generation facilities, land management and development; and sale and rental of housing, offices and retail premises. More detailed information can be found in the "customers" section on www.iberdrola.com.

As a general rule, the companies directly manage the activities that belong to their core business and outsource others that are likely to be carried out more efficiently by other specialised companies, from which IBERDROLA requires the adherence to certain quality standards and responsible behaviour in the environmental, social and labour fields.

This information can be supplemented with the corresponding indicators described in the Sustainability Report.

1.8 Strategic pillars for the 2020-2025 period

Twenty years ago, IBERDROLA anticipated that climate change would be one of the most significant challenges of our time and adapted its business model to this reality. Since then, IBERDROLA has invested more than EUR 120 billion in order to achieve a safe, efficient decarbonised energy model.

The fight against climate change is now more important than ever. In this context, IBERDROLA's vision rests on three pillars:

- The need to further decarbonise the economy.
- Technological advances, continuing the trend toward increased efficiency in sources of renewable energy and electricity grids.
- New demands from consumers, who will need new energy services, the provision of which will be possible thanks to the advantages offered by digitalisation.

These trends place electricity at the epicentre of the energy transition: the sustained increase in demand due to the electrification of energy end-uses such as transportation or the heating and cooling industry will substantially increase the weight of electricity in respect of total end energy consumption.[1]

To satisfy this growing demand for electricity, it will be essential to increase investment in renewable energies, which, according to the International Energy Agency, could account for two thirds of total electricity generation by 2040, and also in efficient, smart and flexible electrical infrastructure to enable its transmission and distribution. Grids have thus become the backbone of the energy transition.

In response to societal demand to meet the challenge of decarbonisation, many countries are adopting measures to achieve the goal of climate neutrality by 2050. In view of this scenario, IBERDROLA will continue developing its strategy in the different markets where it is present, consolidating its position in renewable generation, networks and storage:

- In Spain, IBERDROLA will continue reinforcing its leading position in networks and renewable energies, making the most of the greater visibility resulting from the Integrated National Energy and Climate Plan. The company will also continue to develop its renewable energy portfolio through wind and solar power projects in order to lay the groundwork for future growth. Meanwhile, construction will begin on the green hydrogen plant in Puertollano, the first plant of its kind in the country.
- In the United States, AVANGRID is already one of the top three wind power producers in the country, with eight regulated transmission and distribution companies operating in the states of New York, Connecticut, Maine and Massachusetts. The company has announced its merger with PNM Resources, which operates in the states of New Mexico and Texas, and expects the deal to be completed in 2021. The company will continue to invest in transmission and distribution networks and to grow in onshore and offshore wind, as well as solar photovoltaics.

1 According to the International Energy Agency, the contribution of electricity to the end demand for energy could climb to 31% by 2040 (*World Energy Outlook 2020, Sustainable Development Scenario*).

- In the United Kingdom, where ScottishPower has become the first 100% renewable large utility, IBERDROLA will continue to cement its leadership in onshore and offshore wind technologies. Highlights here include the development and construction of the East Anglia One project in the North Sea, with 714 MW of installed capacity, which is already fully operational. Moreover, the Group will continue to develop transmission and distribution network infrastructures.

- In Mexico, IBERDROLA is the second largest producer in the country and has a growing customer base.

- In Brazil, through NEONERGIA, it is one of the country's leading electricity groups. The company is present in 18 states and has organic growth opportunities in the fields of renewable energy and transmission and distribution networks. The acquisition of Companhia Energética de Brasília Distribuição, which distributes power in Brasília, will also become effective in the first months of 2021.

- Elsewhere, Iberdrola Energía Internacional is growing rapidly by investing in renewable energies in countries such as Germany, France, Portugal, Italy and Ireland. The acquisition of Infigen Energy in Australia was completed in 2020 and the company expanded into new markets such as Sweden and Japan, where it has a portfolio of offshore wind projects.

2020-2025 Plan

IBERDROLA will continue to pursue its strategy of accelerating investment across the entire electricity value chain, focusing on growing renewable capacity, increasing the resilience and integration of a more complex electricity system through distribution and transmission grids, developing further storage capacity and offering more energy solutions to customers.

To achieve this, IBERDROLA will invest more than EUR 75 billion by 2025 in all its areas of activity, with 75% of this investment to be channelled into growth activities to maximise the opportunities that will arise from the investment cycle around the world.

The renewable business will account for 51% of total organic investment, while 40% will go to the networks business and 9% to the generation and trading business.

As a result, regulated businesses or those with long-term contracts in effect will account for more than 90% of all planned investments.

By geographical area, IBERDROLA will invest around 85% in Europe and the United States, with countries with good credit ratings accounting for more than 83% of the total organic investment.

Efficient operations and financial strength

IBERDROLA will continue to boost its operating efficiency on the strength of technical progress in digitalisation and of the synergies resulting from the standardisation of processes through the implementation of the best practices of the Group in all its businesses.

This profitable growth strategy will lead to a sustainable growth in profits, allowing the Company to improve shareholder remuneration in a growing and sustainable manner in line with profits, as well as to maintain a strong financial position.

This section of IBERDROLA's directors' report contains forward-looking information, including financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, capital expenditures, synergies, products and services, and statements regarding future results or directors' estimates which are based on assumptions that are considered reasonable by them.

Although IBERDROLA believes that the expectations reflected in such forward-looking statements are reasonable, investors and holders of IBERDROLA shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of IBERDROLA, risks which could cause actual results and developments to differ materially from those stated in, or implied or projected by, the forward-looking information and statements.

Forward-looking statements are not guarantees of future performance and have not been reviewed by the auditors of IBERDROLA. You are cautioned not to make decisions based on forward-looking statements, which speak only as at the date they were made. The forward-looking statements included in this report are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included herein are based on the information available as at the date of this directors' report. Except as required by applicable law, IBERDROLA undertakes no obligation to publicly update its statements or to revise any forward-looking information even if new data are published or upon the occurrence of future events.

2. BUSINESS EVOLUTION AND RESULTS

2.1 Global environment

- **Climate change and the Paris Agreement**

The IBERDROLA Group's strategy takes into account the Paris Agreement objectives of limiting global temperature increase to 2ºC and of achieving climate neutrality by 2050.

Emission intensity neutrality

The IBERDROLA Group aims to reduce CO_2 emissions intensity to 50 gCO2/kWh by 2030 and to be carbon neutral by 2050. It will do so mainly by minimising emissions in its production mix and offsetting the resulting residual emissions.

The IBERDROLA Group will offset its residual emissions by 2050 through:

- indirect offsetting through the carbon credits markets provided for in the Paris Agreement or through other regulated or voluntary markets; or
- technological developments that make it feasible to reduce emissions, such as biogas or CCS (Carbon Capture and Storage), thus reducing its degree of financial offsetting.

The IBERDROLA Group pledges not to build any additional thermal power plants to those already under way. Investing in this type of generation is mainly justified by the need to provide energy to the population without access to energy (i.e. Mexico) or to ensure an adequate integration of renewable energy.

Investments

The IBERDROLA Group will continue to pursue its strategy in the different markets where it operates. It has a EUR 75 billion investment plan until 2025 to continue leading the transition towards climate neutrality, focusing on renewable energies, electricity grids, storage, sustainable mobility and new industrial vectors such as green hydrogen. On this horizon:

- The world's installed renewable power will increase twofold to 60 GW.
- 40% of the organic investments planned for the period 2020-2025 (more than EUR 27 billion) will be earmarked for networks, to ensure the integration of renewable energies and the electrification of the economy.
- Industry will be called on to play a leading role in green hydrogen, and this will be pivotal in sectors where electrification is more challenging. To this end, 600 MW will be installed and will be operational by 2025.

The IBERDROLA Group regularly reviews the expected emissions in 2050 of the thermal power plants in operation on that date in accordance with the different updates of its strategic plan.

It estimates that by 2050 a maximum of 4,778 MW of combined cycle and cogeneration could still be operating, all of them installed in Mexico between 2015 and 2022 and with an annual operation between 1,500-2,000 hours. This means that in order to deliver on its pledge to be carbon neutral, the IBERDROLA Group would have to offset an estimated 2.5 to 3.3 million tons of emissions per year. This emissions estimate has been made with existing technology, i.e. with future technological developments, the volume of residual emissions to be offset could be lower.

Law and regulations

Lastly, given that the Paris Agreement is universal and legally binding for all nations that signed it, these projections also take into account the commitments of the five main jurisdictions in which Iberdrola operates – all of them have ratified the agreement.

In recent years, these countries gradually acquired emission reduction commitments with different levels of intensity, which they have officially presented in their respective Nationally Determined Contributions (NDCs), while integrating adaptation to climate change into their management plans and policies, as summarised below.

It is a dynamic agreement with an upward ambition review mechanism in five-year cycles, with intermediate diagnostics on progress towards meeting targets as the first milestone in the ambition review, a process that will last through 2021 and until COP 26 scheduled for November 2021. The next diagnostic will be carried out in 2023. It is assumed that successive reviews of the NDCs will generate more ambitious climate targets and policy frameworks, which will have an impact on the ensuing estimates and forward-looking exercises.

Under the Paris Agreement, Parties also had to submit long-term decarbonisation strategies (mainly to 2050). At the high-level summit to mark the fifth anniversary of the Paris Agreement on 12 December 2020, 128 countries (United States, European Union, China, Japan, South Korea, etc.) had announced or included in regulations commitments aligned with achieving net zero emissions by around 2050, representing around 70% of the global economy.

European Union

Europe's climate contribution, submitted in December 2020 to the United Nations Framework Convention on Climate Change (UNFCCC), includes its 2030 emission reduction targets, with a 55% reduction in greenhouse gas emissions compared to 1990, as well as the basic features of the measures to be put in place to meet this target. Since its adoption in December 2019, the European Green Deal has been the roadmap and strategy for growth towards a sustainable and competitive model. It is based on an efficient use of resources with the aim of achieving climate neutrality by 2050 and meeting the objectives of the Paris Agreement. The European Green Deal also defines the actions and policies necessary to achieve climate neutrality. Since it was approved, instruments such as the Emissions Trading Directive, the Effort Sharing Regulation between Member States and the Energy Taxation Directive have been revised. The European Green Deal also sets the roadmap for the development of member states' instruments to contribute to the global goals. Its governance framework establishes ambition cycles aligned with the Paris Agreement, at the heart of which are the National Energy and Climate Plans.

Spain

With a common EU objective in sight, the reduction of greenhouse (GHG) emissions in Spain should hinge on the implementation of the aforementioned European Green Deal and the regulatory instruments rolled out to meet the 2030 emissions reduction target.

At the legislative level, the Spanish government is currently drafting a Climate Change and Energy Transition Bill that transposes the main elements of the Paris Agreement to the Spanish regulatory framework. In particular, it sets the goal of achieving zero net emissions by 2050. The National Energy and Climate Plan (PNIEC) for 2021-2030 includes an emissions reduction target of 23% by 2030 (compared to 1990) along with ambitious targets for renewable energy (42%) and energy efficiency (39.6%) by that year.

United Kingdom

The United Kingdom is reviewing its contribution to the Paris Agreement and formally submitted its revised NDC to the UNFCCC in December 2020, with a 2030 emissions reduction target of at least 68% compared to 1990.

In December, the government also presented the 10-Point Plan for a Green Industrial Revolution, which sets out the roadmap for a sustainable, job-creating recovery with increased momentum towards net-zero emissions.

United States

The US is required to submit a revised NDC in 2021, following the recent change of government and its application for re-entry as a signatory to the Paris Agreement. The new administration has stated that increased action is needed on climate issues at the global level.

At the same time as federal action, state-level legislative and planning activities continue. All states have at least one climate change law, and 29 of them also have laws and regulations to promote the penetration of renewable energy. The US also has three state-level emissions trading systems (ETS).

Mexico

Under the Paris Agreement, Mexico submitted a revised NDC to the UNFCCC in 2020 in which it commits to an unconditional reduction of its GHG emissions of 22% and 51% of its black carbon emissions compared to a Business as Usual scenario, and increasing this target to 36% and 70% respectively, depending on the fulfilment of other conditions.

Brazil

Brazil was one of the few developing countries to submit an NDC to reduce emissions in absolute terms, targeting a 37% reduction in GHG emissions by 2025 compared to 2005 and 43% by 2030.

In 2020, it presented a revised NDC maintaining the same level of ambition but introducing ideas for future improvements contingent upon financial support from the international community.

Section 4.5.5. of the directors' report ("Climate change risks") provides an analysis of these risks in each of the Group's businesses.

The "Statement of non-financial information" accompanying these financial statements has further information about climate change and the Paris Agreement.

- **COVID-19**

The IBERDROLA Group's activities in 2020 were affected by various risk factors in the countries and markets in which it operates, particularly the COVID-19 pandemic.

Thanks to a sound diversification of business activities, markets and geographic areas (which has enabled the Group to counter the negative effects of some businesses with favourable performances from others) and the measures rolled out by the Group in response to COVID-19, the overall impact on the Group's consolidated financial statements has been limited.

On 11 March 2020, the World Health Organisation declared the COVID-19 coronavirus outbreak a pandemic. As a result, the main countries in which the IBERDROLA Group operates have been adopting temporary measures to curb the spread of COVID-19, which include, or have included in the past, restrictions on the free movement of people in the form of quarantine, isolation or lockdown requirements, border closures and the closure of public and private premises (except for basic necessities and health facilities). These measures have affected and will continue to affect, to a greater or lesser extent, the economic activity of countries from around the world and the Group's own operations in particular.

Over the course of the COVID-19 crisis, the IBERDROLA Group has implemented a comprehensive raft of measures to ensure the protection of employees, suppliers and customers and to protect the security of supply:

– **Employees**: protecting jobs and toughening safety measures to achieve a below-average infection rate in our markets. Investment in digitalisation of processes and platforms allowed 95% of office staff to be working remotely during the toughest lockdown period. For on-site personnel, all necessary actions were implemented in due course to maintain distance and limit personal interaction, such as splitting up teams and working in shifts.

– **Society**: strengthening the supply of electricity, especially for essential infrastructure such as hospitals, relaxing payment conditions for our customers and implementing measures to protect the most vulnerable segments of society, all while working in close coordination with the authorities.

– **Suppliers and industrial fabric**: actions along the supply chain are particularly important because of the jobs we generate at our suppliers, especially following the huge investment drive we are now carrying out. Thanks to the close cooperation between our teams, suppliers and the authorities, we have been able to continue construction activities without any major incidents.

As a result of COVID-19, IBERDROLA Group companies have faced, or will likely continue to face in the coming months, an increase in their traditional credit, market, financial, operational and regulatory risks.

It should be noted that the regulated network businesses in the countries where the Group operates are subject to regulatory frameworks that recognise ordinary tariff adjustments in response to involuntary deviations in revenues and expenses, and allow companies to make extraordinary tariff adjustments in response to deviations stemming from force majeure events, such as those resulting from the COVID-19 pandemic. Depending on the specific regulatory framework and legislation of each country, certain impacts associated with COVID-19 risks will be fully or partially covered.

While it is difficult to accurately gauge the impact of COVID-19 on these financial statements, the IBERDROLA Group, based on the best available information, estimates that the main impacts will be a reduction in EBITDA of EUR 218 million due to the pandemic's effect on demand and an increase in non-payments of EUR 124 million.

These impacts break down as follows:

	Demand		Non-payments	
Millions of euros	**Networks**	**Generation and retail**	**Networks**	**Generation and retail**
Spain	(8)	(28)	-	(18)
United Kingdom	(22)	(43)	-	(65)
United States	(55)	-	(8)	-
Mexico	-	(11)	-	-
Brazil	(25)	(2)	(19)	-
IEI	-	(24)	-	(14)
Total	**(110)**	**(108)**	**(27)**	**(97)**

At the date of authorisation for issue of these financial statements, it is not possible to make a precise estimate of the future impact of COVID-19 on the Company's earnings in the coming months because it remains to be seen how quickly the economies of the countries in which the Group operates will recover. Further uncertainties include the duration of the government measures currently in effect and the fact that we may see further measures in the coming months.

- **Currency performance**

In 2020, the exchange rates of IBERDROLA's main reference currencies, namely the US dollar, the pound sterling and the Brazilian real, depreciated against the euro by 1.9%, 1.3% and 25.1%, respectively, thus pushing down EBITDA by EUR 487 million and Net profit by EUR 66 million.

- **Demand**

Demand in the period was affected by the COVID-19 crisis across all of the Company's main countries and areas:

- Key points about the energy balance in the peninsular system in 2020 were: an increase in hydroelectric (+26%), solar (+39%) and wind (+1%) production, a decrease in coal (-55%) and combined cycles (-25%), while nuclear remained unchanged (0%), compared to the same period of the previous year.

  Meanwhile, demand was down 5.1% on 2019, or 56% when adjusted for work and temperature factors.

  The year ended with a hydro producer index of 1.0 and hydro reserves at 50.8%, compared with an index of 0.8 and reserve levels of 51.0% at year-end 2019.

- In the United Kingdom, electricity demand was down 5.3% on 2019, while gas demand rose by 1.9%.

- In the area where Avangrid operates on the east coast of the United States, electricity demand was down 1.1%, while gas demand fell by 7.9% when compared with 2019.

- The demand in Neoenergia's areas of operation in Brazil was down 1.5% on 2019.

2.1 Highlights of the IBERDROLA Group

In February 2020, an agreement was reached with Siemens Aktiengesellschaft for the sale of Iberdrola's entire stake in Siemens Gamesa Renewable Energy, S.A., representing 8.07% of its share capital. The transaction was closed and settled on 5 February at a transaction price of EUR 1.1 billion, yielding a gross capital gain of EUR 485 million.

2.2 Business performance

2.2.1 Analysis of the income statement

Key figures for 2020 are as follows:

Millions of euros	2020	2019	Change (%)
Revenue	33,145	36,438	(9.0)
Gross margin (1)	16,145	16,263	(0.7)
EBITDA (2)	10,010	10,104	(0.9)
EBIT (3)	5,536	5,877	(5.8)
Net profit for the period attributable to the parent	3,611	3,466	4.2

(1) Gross margin: revenue – supplies

(2) EBITDA: operating profit + depreciation, amortisation and provisions + valuation adjustments on trade receivables and contract assets

(3) EBIT: operating profit

In 2020, the IBERDROLA Group reported EBITDA of EUR 10,010 million, down 0.9%, albeit impacted by the exchange rate effect of EUR 487 million mentioned above, without which it would have risen by 3.9%.

Profit for the year exceeded the guidance initially set. All countries turned in a positive performance thanks to the growth of the Networks and Generation and Retail businesses, which resulted in the parent company's profit for the year gaining EUR 145 million (4.2%) on 2019 to reach EUR 3,611 million.

2.2.1.1 *Gross margin*

Gross margin came to EUR 16,145 million, down EUR 118 million, or 0.7%, compared to the figure reported in 2019. Stripping out the exchange rate effect of EUR 744 million, it would be EUR 626 million (3.8%) up on the figure reported in the previous year.

Gross margin by business is as follows:

Millions of euros	2020	2019	Change (%)
Networks business	7,615	8,131	(6.3)
Liberalised business	4,794	4,688	2.3
Renewables business	3,758	3,446	9.1
Other businesses	16	44	(63.6)
Corporation and adjustments	(38)	(46)	17.4
Gross margin	**16,145**	**16,263**	**(0.7)**

- **Networks business**

The Networks business reduced its contribution by EUR 516 million (-6.3%) to reach EUR 7,615 million (EUR 8,131 million in 2019). The exchange rate effect was responsible for a reduction of EUR 600 million and the business improved its contribution by EUR 85 million.

The contribution by geography is as follows:

Millions of euros	2020	2019	Change (%)
Spain	1,964	2,117	(7.2)
United Kingdom	1,302	1,311	(0.7)
United States	2,774	2,875	(3.5)
Brazil	1,575	1,828	(13.8)
Total	**7,615**	**8,131**	**(6.3)**

Highlights in relation to the gross margin generated by the Networks business in 2020:

- Gross margin in Spain totalled EUR 1,964 million, EUR 153 million down on the previous year, due to the reduction in remuneration (EUR 50 million) following the start of the new regulatory period, as well as the impact of having assigned the fibre optic contracts in 2019, which accounts for EUR 49 million and EUR 11 million due to lower communications revenues. Positive resettlements recognised the previous year affect the year-on-year comparison by EUR 33 million. There was a further negative impact of EUR 16 million due to a drop in income from access rights, while the re-estimation of incentives from previous years due to the application of Circular 6/2019 improves business' contribution by EUR 6 million.

- The United Kingdom contributed EUR 1,302 million, down EUR 9 million on 2019 (-0.7%). The reduction is down to the effect of the devaluation of the pound sterling, amounting to EUR 17 million, combined with an improvement of EUR 8 million in transmission and distribution revenues due to the increased asset base as a result of the investments undertaken.

- The contribution made by the United States came to EUR 2,774 million in the period, EUR 101 million down on the previous year (-3.5%). This reduced contribution is largely a product of the devaluation of the US dollar, which pushed down gross margin by EUR 55 million, plus a further reduction of EUR 46 million due to the different volumes and energy costs to those recognised in the tariff, which will be recovered over the next few years.

- Gross margin in Brazil amounted to EUR 1,575 million (-13.8%), EUR 253 million lower than the figure reported in 2019, which was heavily impacted by the significant devaluation of the Brazilian real (EUR 529 million). Stripping out the effect of the currency devaluation, gross margin improved by EUR 276 million following the entry into force of the tariff reviews for distributors and the increased contribution made by transmission assets.

- **Renewables business**

The Renewables business increased its gross margin by 9.1% to EUR 3,758 million (EUR 3,446 million in 2019), up EUR 312 million on 2019.

The contribution to gross margin by the Renewables business by geography is as follows:

Millions of euros	2020	2019	Change (%)
Spain	1,217	1,251	(2.7)
United Kingdom	957	678	41.2
United States	893	852	4.8
Brazil	145	174	(16.7)
Mexico	118	113	4.4
IEI	428	378	13.2
Total	**3,758**	**3,446**	**9.1**

Changes in the gross margin reported by the Renewables business can be explained by the following factors:

- In Spain, gross margin totalled EUR 1,217 million, up 2.7% on the same period of 2019. Despite an increase in hydro production and new solar capacity in operation, this amount was offset by lower selling prices due to the fall in the pool price.

- The United Kingdom's gross margin was up EUR 279 million to EUR 957 million (41.2%). The devaluation of the pound sterling pushed down gross income by EUR 13 million and onshore wind reduced the business' contribution by EUR 1 million. These effects are more than offset by the contribution made by offshore wind, which generated EUR 293 million, especially following the operational start-up of East Anglia 1.

- The contribution of the United States was EUR 893 million (4.8%), up EUR 41 million on the previous year. Stripping out the negative effect of the devaluation of the US dollar (EUR -18 million), the business improved its contribution by EUR 59 million owing to its production growth as a result of the effect of higher average operating power, an increase in wind resource and increased wind farm availability.

- Brazil contributed EUR 29 million less in gross margin when compared to 2019 affected by the devaluation of the Brazilian real (EUR 49 million). Excluding this impact, gross margin would be EUR 20 million higher.

- Mexico improved its contribution by EUR 5 million to reach EUR 118 million in 2020. The devaluation of the US dollar reduced gross margin by EUR 2 million, while the increase in production generated EUR 7 million more in than the previous year, thanks to an increase in average operating capacity.

- The other countries that make up Iberdrola Energía Internacional (IEI) reported an increase of EUR 50 million to reach EUR 428 million, with an exchange rate effect of EUR 4 million. The consolidation of the acquisitions of Infigen and Aalto Power contributed EUR 48 million and EUR 10 million, respectively, while other effects pushed down gross margin by EUR 4 million.

- **Liberalised business**

The Liberalised business (Generation and Supply) increased its contribution to gross margin by EUR 106 million to reach EUR 4,794 million (EUR 4,688 million in 2019), broken down as follows by country:

Millions of euros	2020	2019	Change (%)
Spain	2,917	2,932	(0.5)
United Kingdom	798	684	16.6
Mexico	913	935	(2.3)
Brazil	89	92	(3.3)
IEI	77	45	71.1
Total	**4,794**	**4,688**	**2.3**

- In Spain, gross margin totalled EUR 2,917 million, down EUR 15 million (-0.5%) on 2019, with lower production and higher energy purchases at lower prices than in 2019, and active management of the customer portfolio (energy and *Smart Solutions*).

- Gross margin in the United Kingdom came to EUR 798 million, showing an improvement of EUR 114 million (16.6%) thanks to the recovery of margins compared to 2019 following a review of the methodology for calculating the cap on regulated standard variable tariffs (SVTs), plus lower supply costs. Exchange rate differences due to the devaluation of the pound sterling reduced gross margin by EUR 10 million, while retail supply increased its contribution by EUR 119 million and the wholesale market by EUR 5 million.

- Mexico contributed EUR 913 million to total gross margin (-2.3%), down EUR 22 million on its contribution in 2019. The devaluation of the US dollar reduced gross margin by EUR 18 million, while the entry of new capacity into operation offset by the unavailability of a power plant had a net impact of EUR 4 million.

- Gross margin in Brazil fell by EUR 3 million to reach EUR 89 million. The effect of the devaluation of the Brazilian real (EUR 30 million) offset the improvement in the business (EUR 27 million) following the normalisation of the extraordinary conditions that had negatively impacted the previous year's results.

- Iberdrola Energía Internacional (IEI), which encompasses all retail activity in Europe, contributed EUR 77 million to gross margin, up EUR 32 million on 2019.

– **Other businesses**

Other businesses decreased their contribution to gross margin by EUR 28 million to reach EUR 16 million compared to EUR 44 million in the previous year, mainly due to the sale of real estate inventories in 2019, which affected the comparison.

2.2.1.2 *Gross operating profit – EBITDA*

Consolidated EBITDA was down EUR 94 million (-0.9%) to EUR 10,010 million compared to EUR 10,104 million in 2019. The impact of exchange rates fluctuations was EUR 487 million. Stripping out these effects, EBITDA rose by 3.9% to reach EUR 393 million.

Contributions are as follows:

Millions of euros	2020	2019	Change (%)
Networks business	4,776	5,262	(9.2)
Liberalised business	2,565	2,469	3.9
Renewables business	2,586	2,385	8.4
Other businesses	(1)	28	(103.6)
Corporation and adjustments	84	(40)	310.0
EBITDA	**10,010**	**10,104**	**(0.9)**

The variables behind EBITDA performance are as follows:

– **Net operating expenses**

Net operating expenses fell by EUR 16 million (-0.4%) to EUR 4,314 million (EUR 4,330 million in 2019). The exchange rate effect pushed up net operating expenses by EUR 242 million. Excluding this impact, this heading would be down EUR 226 million (-5.2%). This reduction is the result of the cost containment efforts made due to COVID-19 and the efficiency plans deployed in 2019.

Millions of euros	2020	2019	Change (%)
Networks business	2,153	2,184	(1.4)
Liberalised business	1,430	1,411	1.3
Renewable energy business	802	719	11.5
Other businesses	16	15	6.7
Corporation and adjustments	(87)	1	(8800.0)
Net operating expenses	**4,314**	**4,330**	**(0.4)**

– **Taxes other than income tax**

Taxes other than income tax were down EUR 8 million to EUR 1,821 million (EUR 1,829 million in 2019). Stripping out the exchange rate effect of EUR 15 million, taxes would have increased by EUR 7 million.

2.2.1.3. *Net operating profit – EBIT*

EBIT totalled EUR 5,536 million, down 5.8% on 2019 (EUR 5,877 million). The breakdown by business is as follows:

Millions of euros	2020	2019	Change (%)

Networks business	2,874	3,296	(12.8)
Liberalised business	1,520	1,492	1.9
Renewables business	1,186	1,222	(2.9)
Other businesses	(12)	17	(170.6)
Corporation and adjustments	(32)	(150)	78.7
EBIT	**5,536**	**5,877**	**(5.8)**

- **Valuation adjustments, trade receivables and contract assets**

  Trade receivable provisions totalled EUR 381 million, up EUR 83 million on 2019 (EUR 298 million), largely due to an increase in non-payments amidst the COVID-19 pandemic.

- **Amortisation, depreciation and provisions**

  - Amortisation and depreciation rose by EUR 99 million (2.6%) to reach EUR 3,973 million, due to a wider asset base and increased activity within the Group.

  - Provisions were up EUR 65 million on 2019.

2.2.1.4. *Net finance income/cost*

The net finance loss fell by EUR 309 million to EUR 991 million (EUR 1,300 million in 2019), putting the average interest expense at 2.86% and the average cost of adjusted financial debt at 3.18% (3.24% and 3.50% respectively in 2019).

The breakdown of items in said variation is as follows:

Millions of euros	2020	2019	Change
Gains/(losses) on debt	(1,175)	(1,287)	112
Interim interest	149	223	(74)
Derivatives and measurement differences in foreign currency	90	(84)	174
Discounting to present value of provisions	(127)	(164)	35
Other	72	12	62
Total	**(991)**	**(1,300)**	**309**

*Figures aligned with the criteria used in 2020.

The change is largely a result of:

- Gains/(losses) on debt instruments improved by EUR 112 million following a 32 bp reduction in the cost of debt despite an increase in the average debt balance of EUR 169 million.

- The commissioning of several projects together with the general decline in interest rates explains the lower income from the capitalisation of property, plant and equipment under construction of EUR 74 million.

- Gains/(losses) on derivatives were up EUR 174 million, largely due to the effect of exchange rate hedges, offset by other items in the income statement.

2.2.1.5 *Profit/(loss) of equity-accounted investees*

Profit/(loss) of equity-accounted investees was a negative EUR 5 million.

2.2.1.6 *Gains/(losses) on non-current assets*

Gains/(losses) on non-current assets amounted to EUR 513 million, up EUR 310 million. The result here is largely a product of the sale of the stake held in Siemens–Gamesa (EUR 485 million). Other smaller transactions accounted for the remaining EUR 28 million.

2.2.1.7 *Net profit for the period attributable to the parent*

Net profit for the year amounted to EUR 3,611 million, up EUR 145 million on the previous year.

The corporate income tax expense was up EUR 169 million on 2019.

Non-controlling interests fell by EUR 7 million to EUR 341 million, mainly due to lower earnings in both the United States and Brazil.

2.3 Operating performance in the period

2.3.1 *Networks business*

In 2020, the electricity distributed by the Group amounted to 224,997 GWh, affected by the lockdown measures and the downturn in economic activity as a result of the COVID-19 pandemic. The reduction in electricity demand was 3.7% compared with the previous year.

	2020	2019	Change (%)
Spain	88,390	93,509	(5.5)
United Kingdom	31,738	33,711	(5.9)
United States	38,012	38,441	(1.1)
Brazil	66,857	67,879	(1.5)
Total electricity distribution (GWh) [1]	**224,997**	**233,540**	**(3.7)**

[1] As of 2020 reported in power station busbars

	2020	2019	Change (%)
United States	59,134	64,234	(7.9)
Total gas distribution (GWh)	**59,134**	**64,234**	**(7.9)**

Electricity and gas supply points exceed 32 million, broken down as follows:

	2020	2019
Electricity (millions)		
Spain	11.21	11.15
United Kingdom	3.54	3.53
United States	2.27	2.26
Brazil	14.28	14.05
Total electricity	**31.30**	**30.99**
Gas (millions)		
United States	1.02	1.02
Total gas	**1.02**	**1.02**
Total supply points managed	**32.32**	**32.01**

A. Spain

The IBERDROLA Group has approximately 11.21 million supply points, slightly above the figure reported at the end of the previous year. Total energy distributed came to 88,390 GWh, down 5.5% on 2019 (93,509 GWh). The lockdown measures have had an impact on this decline in demand.

The table shows the values of the TIEPI (interruption time in minutes) and NIEPI (number of interruptions) in relation to the previous year:

	2020	2019
Accumulated TIEPI	48.30	48.10
Accumulated NIEPI	0.99	0.94

These quality indicators were impacted in January by Storm Gloria, a force majeure event for regulatory purposes (2.45 minutes impact on TIEPI – interruption time in minutes) and affecting some 600,000 customers, with service restored within 30 minutes for 70% of customers. It should be noted that the impact of this event will be excluded from the regulatory TIEPI (45.9 minutes in 2020 compared to 45.1 minutes in 2019), as it has been classified as a force majeure event. The strong gusts of wind reported in early March in the northwest of the peninsula had a negative impact on these indicators, as did Storm Barbara in October, when strong gusts of wind affected 170,000 customers in the north of Spain.

In 2020, i-DE signed a partnership agreement with EMT, Empresa Municipal de Transportes de Madrid, whereby i-DE will provide advice on the process of devising alternative options for the electrical supply of urban mobility infrastructures and services managed by EMT (bus depots, Bicimad, public and residents' car parks and any other municipal fleet that EMP may manage going forward). Aside from this agreement, i-DE is collaborating with Madrid City Council to promote energy transition within the city.

The DATADIS platform has been put into service, enabling more than 29 million consumers in Spain to view their consumption through a common interface for all distributors.

The launch of the Global Smartgrid Innovation Hub was also announced in 2020, with its global smart grid innovation centre in Spain set to lead the energy transition. The innovation hub will start up in spring 2021 and the company has already identified more than 120 innovation projects worth a total of EUR 110 million.

Meanwhile, i-DE won the Big Data Talent 2020 award for its project that uses advanced data analytics to identify and reduce non-technical losses. i-DE also secured ISO 10002:2018 certification, demonstrating that it has an effective and efficient complaints and claims handling system in place.

B. United Kingdom

The IBERDROLA Group has more than 3.5 million supply points in the United Kingdom. Total energy distributed in 2020 came to 31,738 GWh (33,711 GWh in 2019), down 5.9% on 2019 mainly due to the effects of COVID-19.

Energy distributed by licence is as follows:

	2020	2019	Change (%)
ScottishPower Distribution (SPD)	17,121	18,249	(6.2)
ScottishPower Manweb (SPM)	14,617	15,462	(5.5)
Distribution (B.C.)	**31,378**	**33,711**	**(5.9)**

SPD's quality of service indicators are better than in 2019, despite being affected by Storms Ciara and Dennis in February, with more than 20,000 customers affected.

Average interruption time per consumer (Customer Minutes Lost, or CML) was as follows:

	2020	2019
ScottishPower Distribution (SPD)	30.46	32.43
ScottishPower Manweb (SPM)	32.99	34.84

The number of consumers affected by interruptions for every 100 customers (Customer Interruptions, or CI) was as follows:

	2020	2019
ScottishPower Distribution (SPD)	41.04	43.4
ScottishPower Manweb (SPM)	30.72	34.2

In January, First Glasgow bus company put its first two commercial electric buses on the road in Glasgow, funded by ScottishPower Networks. The agreement also includes the installation of 22 charging points at the Glasgow Caledonian Bus Terminal so that new electric buses can be added to the transport network down the line. This project is part of the Green Economy Fund initiative, for which SPEN has submitted more than 30 projects with the aim of promoting the energy transition toward a carbon neutral economy in Scotland, focusing on the deployment of electric vehicles and the electrification of heating systems.

In February, SPEN announced plans to invest GBP 20 million to upgrade Glasgow's electricity network to increase capacity and support the city's carbon neutrality target (2030 Net Zero). The *Powering Glasgow's Future* project will take three years to develop and will replace the old cables and grid substations from the 1950s with modern infrastructure capable of handling increased electricity demand as the city moves towards decarbonising transport and heating.

In June, the strategic electric vehicle partnership with the Scottish Government was formalised with the launch of the PACE project. This pilot project aims to demonstrate the benefits and rewards of an innovative grid-integrated electric vehicle charging model, led by distribution network operators.

In September, SPEN announced that it would hold its largest flexibility auction to date, for the 2023-2028 horizon, covering 900 MW of active power in Scotland, England and North Wales.

C. United States

– Distribution

In the United States IBERDROLA has 2.2 million electricity supply points. Total energy distributed in the year came to 38,012 GWh, down 1.1% on 2019 (38,441 GWh) due to COVID-19.

	2020	2019	Chg. (%)
Central Maine Power (CMP)	9,590	9,595	(0.1)
NY State Electric & Gas (NYSEG)	16,056	16,319	(1.6)
Rochester Gas & Electric (RG&E)	7,327	7,343	(0.2)
United Illuminating Company (UI)	5,039	5,184	(2.8)
Total electricity distribution (GWh)	**38,012**	**38,441**	**(1.1)**

Avangrid's distribution area was impacted by numerous storms, snowfall and high winds during the months of April, May, June and especially August, when Hurricane Isaias heavily disrupted all of Avangrid's distribution areas in the United States, with wind gusts of up to 70 mph affecting more than 340,000 customers. Severe thunderstorms were also reported at the end of August, affecting all distribution areas.

Despite these events, Avangrid managed to improve its overall Customer Average Interruption Duration Index (CAIDI) at both Central Maine Power and Rochester Gas & Electric compared to 2019.

The Customer Average Interruption Duration Index (CAIDI) is as follows:

CAIDI (h)	2020	2019
Central Maine Power (CMP)	1.85	2.07
NY State Electric & Gas (NYSEG)	1.98	1.93
Rochester Gas & Electric (RG&E)	1.79	1.84

UI's System Average Interruption Duration Index (SAIDI), which is the regulatory indicator that applies in Connecticut, was heavily affected by the August storms. The index value at year-end was as follows:

SAIDI (mins)	2020	2019
United Illuminating Company (UI)	45.36	38.40

The regulatory indicator that applies in Connecticut (UI) is known as SAIDI.

Average number of interruptions per customer (System Average Interruption Frequency Index, or SAIFI) is as follows:

SAIFI	2020	2019
NY State Electric & Gas (NYSEG)	2.03	1.53
Rochester Gas & Electric (RG&E)	1.38	1.35
Central Maine Power (CMP)	0.89	0.72
United Illuminating Company (UI)	0.56	0.50

In November 2020, new tariff conditions were approved for NYSEG and RG&E, AVANGRID's distributors in New York State. The new tariffs will allow for increased investment to make the grid stronger and more resilient and help reach clean energy targets in the state. It will also enable the roll-out of 3.2 million smart electricity and gas meters and includes, among other aspects, a three-year tariff plan for residential and industrial customers that guarantees special discounts and cheaper tariffs, such as flexible deferred payments for businesses that have been hit hard by COVID-19, incentives for the use of heat pumps and the bolstering of on-site teams.

In 2020, progress was made in obtaining the main permits for the New England Clean Energy Connect (NECEC) project awarded in 2018, with USD 950 million in planned investment. The project involves the construction of a 233 km transmission line between Canada and New England to supply 1,200 MW of 100% hydroelectric power to Massachusetts from 2023 onward.

It also manages thermal generation. Power and production details are as follows.

Power (MW)	2020	2019	Chg. MW
Gas combined cycles	204	204	-

Production (GWh)	2020	2019	Chg. (%) Consolidated
Gas combined cycles	6	3	100.0

– Gas

Avangrid supplies gas to more than 1 million supply points. By the end of 2020, it had distributed a total of 59,134 GWh of gas, down 7.9% on the previous year due to the high temperatures reported during the period.

	2020	2019	Change (%)
NY State Electric & Gas (NYSEG)	15,500	16,889	(8.2)
Rochester Gas & Electric (RG&E)	16,448	18,026	(8.8)
Maine Natural Gas (MNG)	2,863	2,816	1.7
Berkshire Gas (BGC)	2,864	3,099	(7.6)
Connecticut Natural Gas CNG	10,960	11,997	(8.6)
Southern Connecticut Gas SCG	10,499	11,407	(8.0)
Total gas distribution (GWh)	**59,134**	**64,234**	**(7.9)**

D. Brazil

Neoenergia supply points amount to 14.28 million. The volume of electricity distributed amounted to 66,857 GWh, down 1.5% on the same period last year, which is due to the measures taken since mid-March to curb the spread of Covid-19.

Energy distributed (GWh)	2020	2019	Change (%)
COELBA	19,148	19,150	(0.0)
COSERN	24,127	25,062	(3.79)
CELPE	6,350	6,424	(1.2)
ELEKTRO	17,232	17,243	(0.1)
Total	**66,857**	**67,879**	**(1.5)**

The indicators remained within the regulatory limits thanks to the efforts made to improve quality of supply, despite the heavy rains and atmospheric phenomena that took place throughout 2020 in the Coelba and Celpe areas. The average interruption time per customer (*duração equivalente de interrupção por unidade consumidora*, DEC) was as follows:

DEC (h)	2020	2019
ELEKTRO	7.57	7.54
COELBA	12.43	12.18
COSERN	9.21	10.20
CELPE	12.62	11.96

The average number of interruptions per customer (*freqüencia equivalente de interrupção por unidade consumidora*, or FEC) also saw an improvement on the previous year for all distributors in the north-east of the country and was on par with the levels reported in 2019 at Elektro:

FEC	2020	2019
ELEKTRO	4.50	4.43
COELBA	5.54	5.91
COSERN	3.87	4.95
CELPE	5.37	5.69

Neoenergia took part in the transmission line auction held by the Brazilian regulator (ANEEL) in December 2020, winning lot 2 for an investment of MR$ 2,000 in the construction of more than 1,000 km of transmission lines and a substation in the states of Bahia, Espirito Santo and Minas Gerais. With the award of this lot, Neoenergia has been awarded a total of 12 projects in auctions since 2017, three of which are already in operation, while further progress has been made in building the other assets and in securing the pertinent licenses. In total, these projects will extend the existing transmission network by over 6,000 km.

2.3.2 *Electricity production and retail*

At year-end 2020, Iberdrola's consolidated installed capacity was up 3,062 MW (net of derecognitions) on 2019 at 52,401 MW, with 67.6% the total (35,440 MW of renewable and nuclear power) coming from emission-free sources:

	31/12/2020			31/12/2019			
By country	**Consolidated in terms of EBITDA**	**Managed companies investees (*)**	**Total 2020**	**Consolidated in terms of EBITDA**	**Managed companies investees (*)**	**Total 2019**	**Chg. MW consolidated**
Spain	26,384	252	26,636	26,317	308	26,625	67
United Kingdom	2,849	15	2,864	2,505	15	2,520	344
United States	8,574	248	8,822	8,135	225	8,360	439
Mexico	10,672	-	10,672	9,532	-	9,532	1,140
Brazil	1,885	2,195	4,080	1,885	2,195	4,080	-
IEI	2,037	-	2,037	965	-	965	1,072
Total power (MW)	**52,401**	**2,710**	**55,111**	**49,339**	**2,743**	**52,082**	**3,062**

(*) Includes the proportional part of MW.

	31/12/2020			31/12/2019			
By technology	**Consolidated in terms of EBITDA**	**Managed companies investees (*)**	**Total 2020**	**Consolidated in terms of EBITDA**	**Managed companies investees (*)**	**Total 2019**	**Chg. MW consolidated**
Renewable energy	**32,263**	**2,659**	**34,922**	**29,360**	**2,681**	**32,041**	**2,903**
Onshore wind	18,125	450	18,575	16,419	472	16,891	1,706
Offshore wind	1,258	-	1,258	964	-	964	294
Hydroelectric (**)	10,669	2,195	12,864	10,669	2,195	12,864	-
Mini hydroelectric	301	2	303	303	2	305	(2)
Solar and other	1,910	12	1,922	1,005	12	1,017	905
Nuclear	**3.177**	**-**	**3.177**	**3.166**	**11**	**3.177**	**11**
Gas combined cycles	**15.821**	**-**	**15.821**	**14.655**	**-**	**14.655**	**1.166**
Cogeneration	**1,140**	**51**	**1.191**	**1.284**	**51**	**1.335**	**(144)**
Coal	**-**	**-**	**-**	**874**	**-**	**874**	**(874)**
Total power (MW)	**52,401**	**2,710**	**55,111**	**49,339**	**2,743**	**52,082**	**3,062**

(*) Includes the proportional part of MW.
(**) Includes 118 MW managed by Networks in the United States.

Consolidated electricity production in 2020 was 154,804 GWh, up 8.2% on 2019, with 54.7% of the total being emission-free (84,718 GWh in renewable and nuclear production):

	31/12/2020			31/12/2019			
By country (GWh)	Consolidated in terms of EBITDA	Managed companies investees (*)	Total 2020	Consolidated in terms of EBITDA	Managed companies investees (*)	Total 2019	Chg. (%) Consolidated
Spain	59,105	749	59,854	57,628	932	58,560	2.6
United Kingdom	6,664	14	6,678	4,617	24	4,641	44.3
United States	21,607	516	22,123	20,584	376	20,960	5.0
Mexico	57,517	-	57,517	50,882	-	50,882	13.0
Brazil	6,361	6,760	13,121	6,681	7,326	14,007	(4.8)
IEI	3,550	-	3,550	2,665	-	2,665	33.2
Total production	**154,804**	**8,039**	**162,843**	**143,057**	**8,658**	**151,715**	**8.2**

(*) Includes the proportional part of GWh.

	31/12/2020			31/12/2019			
By technology (GWh)	Consolidated in terms of EBITDA	Managed companies investees (*)	Total 2020	Consolidated in terms of EBITDA	managed companies investees (*)	Total 2019	Chg. (%) Consolidated
Renewable energy	**60,402**	**7,664**	**68,066**	**51,116**	**8,185**	**59,301**	**18.2**
Onshore wind	38,507	896	39,403	36,591	852	37,443	5.2
Offshore wind	4,380	-	4,380	2,211	-	2,211	98.1
Hydroelectric (**)	15,274	6,760	22,034	10,615	7,326	17,941	43.9
Mini hydroelectric	674	8	682	611	7	618	10.3
Solar and other	1,567	-	1,567	1,088	-	1,088	44.0
Nuclear	**24,316**	**-**	**24,316**	**23,656**	**81**	**23,737**	**2.8**
Gas combined cycles	**63,673**	**-**	**63,673**	**59,431**	**-**	**59,431**	**7.1**
Cogeneration	**6,176**	**375**	**6,551**	**8,505**	**392**	**8,897**	**(27.4)**
Coal	**237**	**-**	**237**	**349**	**-**	**349**	**(32.1)**
Total production	**154,804**	**8,039**	**162,843**	**143,057**	**8,658**	**151,715**	**8.2**

(*) Includes the proportional part of GWh.

(**) Includes 120 MW from Hydroelectrical facilities managed by the Networks business in the United States.

Thermal power generation

Spain

Installed capacity in Spain comes to 9,174 MW. The breakdown by technology is as follows:

Power by technology (MW)	2020	2019	Change MW
Nuclear	3,177	3,166	11
Gas combined cycles	5,695	5,695	-
Cogeneration	302	302	-
Coal	-	874	(874)
Total	**9,174**	**10,037**	**(863)**

Changes in 2020 include the 11 MW increase in nuclear technology following the acquisition from Nuclenor of 1% of the community of assets of the Trillo nuclear power plant and the closure of the Velilla 1 and 2 thermal power plant (516 MW) and the Lada thermal power plant (358 MW).

In 2020, production amounted to 33,560 GWh. The performance in the year by technology is as follows:

Spain	2020	2019	Chg. (%)
Nuclear	24,316	23,656	2.8
Gas combined cycles	7,216	9,697	(25.6)
Cogeneration	1,791	2,194	(18.4)
Coal	237	349	(32.1)
Total production (GWh)	**33,560**	**35,896**	**(6.5)**

Iberdrola's thermal production in 2020 was down 6.5% compared to the same period of the previous year. The lower production at combined cycle (-25.6%), cogeneration (-18.4%) and coal (-32.1%) facilities following the closure of the Lada and Velilla plants was offset by an increase in nuclear production (+2.8%).

Mexico

In Mexico, thermal capacity at year-end 2020 was 9,348 MW, following completion in the first quarter of 2020 of the Topolobampo III combined cycle plant (779 MW, of which 766 MW is intended for third parties and 13 MW for own use), even though the licence to start production is pending, and the transition of the Enertek cogeneration plant to operate as a gas combined cycle plant, contributing 144 MW to this technology at the expense of cogeneration.

Mexico	2020	2019	MW change
Gas combined cycles	9,146	8,223	923
Own use	2,103	1,946	157
For third parties	7,043	6,277	766
Cogeneration	202	346	(144)
Power (MW)	**9,348**	**8,569**	**779**

Thermal production in 2020 totalled 55,641 GWh, up 13% on the same period of the previous year:

Mexico	2020	2019	Change (%)
Gas combined cycles	54,001	46,397	16.4
Own use	14,841	8,940	66.0
For third parties	39,160	37,457	4.5
Own cogeneration	1,640	2,834	(42.1)
Total production (GWh)	**55,641**	**49,231**	**13.0**

Brazil

Generation power in Brazil, which comes from the Termopernambuco gas combined cycle facility, is 533 MW. Production in 2020 amounted to 2,440 GWh, down 26.8% on the 3,334 GWh generated in 2019.

Retail supply

Spain

The portfolio under management in Spain exceeded 17 million contracts at the end of 2020, broken down as follows:

Thousands	No. of contracts
Electricity contracts	10,013
National gas contracts	1,097
Contracts for products and services	6,298
Total	**17,408**

By market type, the categories are:

Thousands	No. of contracts
Free market	13,942
Last resort	3,466
Total	**17,408**

Electricity sales at Iberdrola were up 0.2% in 2020, impacted by the COVID-19 pandemic and distributed as follows:

(GWh)	2020	2019	Chg. (%)
Free market	51,417	54,489	(5.6)
VPSC	8,926	8,549	4.4
Other markets	34,648	31,773	9.0
Electricity sales	**94,991**	**94,811**	**0.2**

* Sales measured in power plant busbars

Iberdrola managed a gas** balance in 2020 of 2.71 bcm, affected by the assignment of the contractual position under the long-term LNG supply contracts to Pavilion, of which 0.06 bcm was sold in wholesale operations, 1.25 bcm was sold to end customers and 1.40 bcm was used for electricity production.

** Without deducting shrinkage

United Kingdom

The portfolio under management in the United Kingdom exceeded 5 million contracts at the end of 2020, broken down as follows:

Thousands	No. of contracts
Electricity contracts	2,827
National gas contracts	1,912
Contracts for products and services	360
Total	**5,099**

The roll-out of smart meters also continued throughout the period to reach 1.72 million by the end of the year.

In 2020, 18,297 GWh of electricity and 24,762 GWh of gas was supplied to customers, 7.3%* and 5.3%** less than in 2019, respectively.

* Sales measured in power plant busbars

** Without deducting shrinkage

Mexico

Electricity sales in 2020 amounted to 52,558 GWh, up 4.6% on 2019, broken down as follows:

GWh	2020	2019	Chg. (%)
CFE	39,160	37,451	4.6
Private	13,398	12,804	4.6
Retail sales (GWh)	**5,558**	**50,255**	**4.6**

Brazil

Electricity sales in 2020 amounted to 14,658 GWh, down 2.5% on 2019, broken down as follows:

GWh	2020	2019	Chg. (%)
PPA	10,410	10,382	0.3
Free market	4,248	4,658	(8.8)
Retail sales (GWh)	**14,658**	**15,040**	**(2.5)**

IEI

The portfolio managed by Iberdrola in Portugal, France, Italy, Germany, Ireland and the United States totals 1,793,954 contracts, revealing growth of 18.6% on the end of 2019. broken down as follows:

No. of contracts (thousands)	2020	2019
Electricity contracts	743	603
Gas contracts	264	200
Contracts for products and services	787	710
Total	**1,794**	**1,513**

Sales at the international division, while affected by the pandemic, grew by 9.9% in 2020 compared to the previous year. While electricity sales gained 10,540 GWh (+3.1%), gas sales were up 1,396 GWh (+120.2%), broken down as follows by geographical area:

GWh	2020	2019	Chg. (%)
Portugal	7,374	7,977	(7.6)
France	836	641	30.4
Germany	777	307	153.1
Italy	1,369	1,300	5.3
Ireland	81	-	-
United States	103	-	-
Electricity *	**10,540**	**10,225**	**3.1**
Portugal	162	136	19.1
France	482	179	169.3
Italy	650	319	103.8
Ireland	102	-	-
Gas **	**1,396**	**634**	**120.2**
Total	**11,936**	**10,859**	**9.9**

* Sales measured in power plant busbars

** Without deducting shrinkage

2.3.3. *Renewables business*

Installed capacity

At the end of 2020, the Renewables business had a consolidated installed capacity of 32,145 MW (29,242 MW in 2019).

In the last 12 months, the IBERDROLA Group has increased its consolidated capacity by 2,903 MW, as follows by country and technology:

Renewable energy (consolidated MW in EBITDA terms)	31/12/2020	31/12/2019	Chg. MW
Onshore wind	**18,125**	**16,419**	**1,706**
Spain	6,094	5,762	332
United Kingdom	1,935	1,891	44
United States	7,485	7,046	439
Mexico (*)	682	595	87
Brazil	516	516	-
IEI	1,413	609	804
Offshore wind	**1,258**	**964**	**294**
United Kingdom	908	614	294
IEI	350	350	-
Hydroelectric	**10,852**	**10,854**	**(2)**
Spain	10,016	10,018	(2)
Brazil	836	836	-
Solar and other	**1,910**	**1,005**	**905**
Total	**32,145**	**29,242**	**2,903**

(*) Own capacity of 579 MW and 103 MW for third parties.

A. Onshore wind energy

In the last 12 months, the IBERDROLA Group's installed capacity by country is as follows:

- Spain: a total of 332 MW were added in the period, following the start-up of the Cavar (111 MW), Fuenteblanca (10 MW) and Puylobo (49 MW) wind farms and the completion of wind turbine installation work at the Huesca (18 MW) and Orbaneja (32 MW), Cordel Vidural (34 MW), Capiechamartin (34 MW), Panondres (23 MW) and Encinillas (21 MW) wind farms.

- United Kingdom: 44 MW installed at Beinn An Tuirc III (22 MW) and Halsary (22 MW).

- United States: a total of 439 MW was added at the following wind farms: Otter Creek (80 MW), Roaring Brook (61 MW) and La Joya (304 MW), while 2 MW of installed capacity was decommissioned for technical reasons at the Barton, Juniper Canyon and Farmers City wind farms.

- Mexico: 87 MW installed at the PIER II wind farm.

- IEI: 804 MW of wind power was added following the acquisitions of Aalto Power in France (118 MW), Infigen in Australia (670 MW) and Pyrgari in Greece (16 MW).

Installed capacity by country:

Onshore wind	31/12/2020	31/12/2019	MW change
Greece and Cyprus	295	279	16
Australia	670	-	670
France	118	-	118
Portugal	92	92	-
Hungary	158	158	-
Romania	80	80	-
Total	**1,413**	**609**	**804**

In relation to ongoing or green-lighted projects:

- In Spain, work continues on the Verdigueiro wind farm (37 MW) in Asturias, and Valdesantos (14 MW) at the Herrera II complex in Burgos.
- In the United States, work continues on the Golden Hills wind farm (201 MW) in Oregon.
- In Mexico, construction continues on the Santiago Eólico wind farm in the state of San Luis de Potosí, which has already been cleared to operate.
- In Brazil, onshore wind power work continues at the Chafariz complex in the state of Paraiba, which has a total of 15 wind power projects and 472 MW of installed capacity and is expected to be commissioned in early 2022. In addition, 12 wind farms totalling 566 MW will be built at the Oitis complex in the state of Piauí, with work expected to be completed in the latter half of 2022.

B. Offshore wind energy

In the UK, wind turbines were successfully installed at the East Anglia wind array (294 MW) in 2020, adding to the 420 MW already installed in 2019 to complete the project. Following completion of this project, the IBERDROLA Group has the following three offshore wind farms in operation totalling 1,258 MW: *West of Duddon Sands* in the United Kingdom, located in the Irish Sea, with an attributable installed capacity of 194 MW; *Wikinger* in Germany, with 350 MW; and *East Anglia 1*, with 714 MW.

Offshore wind projects are currently being developed in the United Kingdom, the United States, Germany and France.

The development and construction of offshore wind projects also continues:

- In the United Kingdom, the development of the East Anglia portfolio of projects at the East Anglia Hub complex (3.1 GW) remains on track and consent applications have been filed. A strategic agreement has been signed with suppliers for the supply of wind turbines and procurement procedures are ongoing. Site investigation work, started in July, was completed in November and preparations for the fourth round of contract for difference (CfD) auctions have begun and will continue throughout 2021.
- In France, preliminary work has started at the Saint Brieuc project (496 MW) ahead of the installation of foundations in the first half of 2021.

- In Germany, contracts have been signed for the supply and installation of the underwater substation for the Baltic Eagle projects (476 MW), as well as contracts for the supply and installation of foundations and cable. Manufacturing work has now begun on the marine substation.

- In Japan, Iberdrola acquired Acacia Renewables K.K in December to develop a portfolio of offshore wind farms alongside its partner Macquarie's Green Investment Group (GIG).

- In Sweden, Iberdrola and Svea Vind Offshore have begun formalities to build the Utposten 2 wind farm in the Gävle region, while environmental studies are ongoing for the other projects in the pipeline.

- Turning to offshore wind projects in the United States:

    - Work remains on track off the coast of Massachusetts, where on 1 December the Vineyard ONE project announced that it had selected the GE Haliade-X wind turbine for the facility.

    - At the Park City Wind farm, the PPA signed with the Connecticut state utilities was granted regulatory clearance in late September. In addition, more than 95% of its geotechnical and geophysical studies have now been completed, with the study phase slated for completion in early 2021.

    - At the Kitty Hawk project, the geotechnical, geophysical and wind study phase was completed in November and on 11 December, the project submitted its Construction and Operations Plan (COP) to the Bureau of Ocean Energy Management (BOEM) for review, thus marking an important milestone in the federal permitting process. The COP also included an economic impact study, which estimated that the wind farm would generate nearly 800 jobs in Virginia and North Carolina and contribute USD 2 billion to the local economy over the coming 10 years.

C. Hydroelectric

The consolidated hydroelectric capacity of the IBERDROLA Group is shown in the table below. In 2020, 2 MW of power under the ordinary regime was decommissioned at the La Quebrada mini-hydro plant:

Hydroelectric	31/12/2020	31/12/2019	MW change
Mini RE	130	130	-
Mini RO	171	173	(2)
Hydroelectric	9,715	9,715	-
Spain	10,016	10,018	(2)
Brazil	836	836	-
Total power (MW)	**10,852**	**10,854**	**(2)**
United States – Networks business	118	118	-
Total power (MW)	**10,970**	**10,972**	**(2)**

In Portugal, construction of the Tâmega hydroelectric power complex continues and Daivões and Gouvães are expected to be commissioned in 2021:

- at the Daivões dam (118 MW), the commissioning of all the spillway gates has been completed and they are now operational. The hydraulic circuits are almost complete and only the commissioning of the intake gates remains pending. Once the metal enclosure structure and the roof of the power plant have been completed, assembly of the main equipment will begin.

- at Gouvães (880 MW), dam concreting work has been completed and the waterproofing screen and the installation of the monitoring system are in their final stages. The headrace tunnel lining has been completed, as has the installation of the penstock. Two of the four reversible units have been installed and commissioning has begun.

- at Alto Tâmega (160 MW), concreting of the dam has begun and the hydraulic circuit sections that cross the facility are being assembled. Concreting has begun on the intake structure upstream of the dam and the two suction elbows have been installed at the power station.

D. Other technologies

The Renewables business has facilities featuring other renewable technologies across various countries (solar photovoltaic and battery storage), as shown below:

- **Solar photovoltaic:**

Solar photovoltaic (dc):	31/12/2020	31/12/2019	MW change
Spain	1,100	500	600
United States	131	131	-
Mexico	642	368	274
IEI	6	6	-
Total power (MWdc)	**1,879**	**1,005**	**874**

Installed capacity was as follows during the year, by country:

- Spain: 600 MW installed; Teruel 50 MW, Andevalo 50 MW, Ceclavín 217 MW, Romeral 50 MW, Arañuelo I, II and III 125 MW. Barciene 35 MW. Olmedilla 50 MW, Majada Alta and San Antonio 23 MW

- Mexico: construction of the Cuyoaco (274 MW) photovoltaic plant has now been completed;

Turning to ongoing solar photovoltaic technology projects:

- In Spain, more than 1.1 GW are under construction, including the Francisco Pizarro photovoltaic plant (590 MW) in Cáceres, and the Puertollano plant (100 MW) in Ciudad Real, where the power generated will be used to produce green hydrogen;

- In the United Kingdom, construction has begun on three hybrid projects to be located at the already operational wind farms of Carland Cross (10 MW), Coldham (9 MW) and Coal C (10 MW) in England.

- In Australia, construction work has begun on Port Augusta, a 317 MW hybrid wind-solar project, which will become one of the largest hybrid renewable energy plants in the southern hemisphere.

- In addition, Iberdrola was awarded 186 MWdc of capacity at the renewables auction held in Portugal in August.

- **Batteries:**

The United Kingdom has a total of 6 MW in battery storage: Cornwall Lem 1 MW and Whitelee Bess 5 MW, while 25 MW has been added in Australia following the acquisition of Infigen.

Batteries	31/12/2020	31/12/2019	MW change
United Kingdom	6	-	6
Australia	25	-	25
Total MW	**31**	**-**	**31**

As for projects under construction, work continues at Whitelee (50 MW) in Scotland, where the first 5 MW have already been installed, and also at Gormans (50 MW) and Barnesmore (3 MW) in Ireland.

Production

Consolidated renewable production was up 18.2% in the year to 60,402 GWh (51,116 GWh in 2019).

	2020	2019	Chg. (%) Consolidated
Onshore wind	38,507	36,591	5.2
Offshore wind	4,380	2,211	98.1
Hydroelectric	15,274	10,615	43.9
Mini hydroelectric	674	611	10.3
Solar and other	1,567	1,088	44.0
Total production (GWh)	**60,402**	**51,116**	**18.2**

Spain

The trend in consolidated production by technology is as follows:

Spain	2020	2019	Chg. (%) Consolidated
Onshore wind	11,251	12,039	(6.5)
Hydroelectric and Mini-hydro RO	13,111	9,082	44.4
Mini-hydro RE	674	611	10.3
Solar and other	509	-	-
Total production (GWh)	**25,545**	**21,732**	**17.5**

- Onshore wind production totalled 11,251 GWh in the period, down 6.5% on 2019, mainly due to lower wind power, especially in the first half of the year.

- Hydroelectric production reached 13,111 GWh, up 44.4% on the previous year. Production at mini-hydro plants was also up, with total power generation of 674 GWh, 10.3% more than in the same period of the previous year.

- In terms of solar energy production, the Nuñez de Balboa (500 MWdc) and Andévalo (50 MWdc) plants generated 509 GWh in the period, after coming on stream in 2020.

United Kingdom

The trend in consolidated production was as follows:

United Kingdom	2020	2019	Chg. (%) Consolidated
Onshore wind	3,567	3,683	(3.1)
Offshore wind	3,097	934	231.6
Total production (GWh)	**6,664**	**4,617**	**44.3**

- Onshore wind power production totalled 3,567 GWh, down 3.1% on the same period of the previous year, due to a drop in wind power during the period.
- Offshore wind production increased, climbing 231.6% to 3,097 GWh, mainly due to the entry into production of East Anglia 1, with 716 MW, of which 294 MW were installed in 2020.

United States

Consolidated production by technology and its trend during the year was as follows:

	2020	2019	Chg. (%) Consolidated
Onshore wind	18,415	16,577	11.1
Solar and other	321	348	(7.8)
Total production (GWh)	**18,736**	**16,925**	**10.7**
Hydroelectric networks business in the United States	120	179	(33.0)
Total production (GWh)	**18,856**	**17,104**	**10.20**

- Onshore wind production totalled 18,415 GWh, up 11.1% on the same period in 2019, mainly due to the commissioning of new wind farms.
- Production with solar and other technologies (including 54 GWh from fuel cells) came to 321 GWh.

In the United States, the renewable business manages the Klamath power plant. Power and production in 2020 were as follows:

Power (MW)	2020	2019	Chg. MW
Cogeneration	636	636	-

Production (GWh)	2020	2019	Chg. (%) Consolidated
Cogeneration	2,745	3,477	(21.1)

Mexico

Consolidated production by technology and its trend during the year was as follows:

	2020	2019	Chg. (%) Consolidated
Onshore wind	1,147	920	24.7
Solar and other	729	731	(0.3)
Total production (GWh)	**1,876**	**1,651**	**13.6**

- Onshore wind power production totalled 1,147 GWh, up 24.7% on the end of 2019, due to an increase in average operating capacity.

- Solar energy production generated 729 GWh, on par with the previous year, with the Cuyoaco plant completed at the end of the year.

Brazil

Consolidated production by technology and its trend during the year was as follows:

Brazil	2020	2019	Chg. (%) Consolidated
Onshore wind	1,878	1,993	(5.8)
Hydroelectric	2,043	1,354	50.9
Total production (GWh)	**3,921**	**3,347**	**17.1**

- Onshore wind power production totalled 1,878 GWh, down 5.8% on 2019, due to a drop in wind power during the period.

- Meanwhile, hydroelectric production came to 2,043 GWh (50.9% higher), following the entry into operation of Baixo Iguaçu in 2019.

Iberdrola Energía Internacional (IEI)

Renewable energy production totalled 3,540 GWh at year-end, up 32.8% on 2019, mainly in onshore wind (+63.1%), due to the additional power gained from acquisitions in Australia and France, while production levels in solar photovoltaics and offshore wind remained stable.

IEI	2020	2019	Chg. (%) Consolidated
Renewable energy	**3,540**	**2,665**	**32.8**
Onshore wind	2,249	1,379	63.1
Offshore wind	1,283	1,277	0.5
Solar and other	8	9	(11.1)
Total production (GWh)	**3,540**	**2,665**	**32.8**
Gas combined cycles(*)	**10**	**-**	**-**

(*) Included with the acquisition of Infigen in Australia

3. LIQUIDITY AND EQUITY

The principal objective of the IBERDROLA Group's financial management is to ensure a robust financial profile by strengthening the solvency and equity ratios typically tracked by credit rating agencies. It seeks to do so while optimising its liquidity position and managing financial risks accordingly and combining this with a sustainable shareholder remuneration policy.

3.1 Liquidity

The IBERDROLA Group had a strong liquidity position of EUR 14,939 million at the end of 2020 (note 4 to consolidated financial statements). Counting the financing operations signed after 31 December, this figure rises to EUR 17,385 million.

This liquidity comes mainly from syndicated credit facilities signed with relationship banks, undrawn loans arranged with multilateral lenders and development banks (European Investment Bank – EIB, Instituto de Crédito Oficial – ICO, Banco Nacional de Desenvolvimento Econômico e Social – BNDES), as well as cash and cash equivalents. These liquidity operations have been arranged on the main markets in which the Iberdrola Group is present (Europe, United States and Brazil), in both the banking and capital markets.

This liquidity position covers 24 months of the Group’s financing needs in the base case and 21 months in the risk scenario, excluding the payment made to acquire PNM Resources, Inc.

3.2 Financial solvency

3.2.1 Credit rating of IBERDROLA’s senior debt

Credit ratings by rating agency are as follows:

Agency	Long-term (1)	Outlook
Moody´s	Baa1 (15/06/2012)	Stable (14/03/2018)
Fitch	BBB+ (02/08/2012)	Stable (25/03/2014)
Standard & Poor’s	BBB+ (22/04/2016)	Stable (22/04/2016)

(1) The above ratings may be reviewed, suspended or withdrawn by the rating agency at any time.

3.2.2 Financial solvency ratios

The calculation of the financial solvency ratios is shown below:

		31.12.2020	31.12.2019
Adjusted FFO / Adjusted net financial debt (1)	%	23.5	21.6
Adjusted RCF / Adjusted net financial debt (1)	%	21.3	20.1
Adjusted net financial debt / Adjusted EBITDA	Times	3.5	3.7

(1) As shown in the table below.

The IBERDROLA Group relies on the following main measures to assess cash generation for the period:

- Funds From Operations (FFO).
- Retained Cash Flow (RCF). FFO – own and minority dividend payments – net flows from perpetual (hybrid) bonds.

These measures are calculated as follows:

Millions of euros	31.12.2020	31.12.2019
Net profit for the period attributable to the parent	3,611	3,466
Profit/loss for the year from discontinued operations	18	66
Valuation adjustments, trade receivables and contract assets	381	298
Amortisation, depreciation and provisions	4,093	3,929
Profit/(loss) of equity-accounted investees	5	(14)
Gains/(losses) from non-current assets	(513)	(203)
Income tax extraordinary	9	25
Discounting to present value of provisions	127	164
Non-controlling interests	341	348
Dividends received	57	60
Amounts allocated to the income statement – capital grants	(74)	(77)
Negative non-cash tax effects	137	–
Funds from operations (FFO)	**8,192**	**8,062**
Exit plan	45	51
Contribution of Infigen pro-forma, 1 year	36	–
Adjusted funds from operations (FFO)	**8,273**	**8,113**
Dividends paid	(787)	(569)
Adjusted retained cash flow (RCF)	**7,486**	**7,544**

Millions of euros	31.12.2020	31.12.2019
EBITDA	10,010	10,104
Exit plan	60	67
Contribution of Infigen pro-forma, 1 year	51	–
Adjusted EBITDA	**10,121**	**10,171**

3.3 Capital funds

3.3.1 Leverage

Adjusted net financial debt at 31 December 2020 was down EUR 2,396 million to EUR 35,142 million, versus EUR 37,538 million at 31 December 2019, mainly due to the placement of a hybrid issue worth EUR 3,000 million in October. As a result, financial leverage decreased to 42.3% compared to 44.0% for the previous year (see Note 22).

3.3.2 Debt structure

Note 22 to the consolidated financial statements provide a reconciliation between the headings of the consolidated statement of financial position and the various debt aggregates referred to in this section 3 of the consolidated directors' report.

At 31 December 2020 the Group's average borrowings costs stood at 2.86%, compared to 3.24% in the same period of the previous year (Note 29).

The Group's average cost of adjusted net financial debt was 3.18% at 31 December 2020, compared to 3.50% in the same period of the previous year.

The structure by interest rate and currency of the debt classified under "Bank borrowings, debentures or other marketable securities" after hedging is shown in Notes 4 and 29.

In accordance with the policy of minimising the Company's financial risks, foreign currency risk has continued to be mitigated by financing the international businesses in their local currency (pound sterling, Brazilian real, US dollar, etc.) or functional currency (US dollar, in the case of Mexico). Interest rate risk is mitigated by increasing the weight of fixed rate debt and hedging future financing.

The breakdown of adjusted gross financial debt by source of financing is as follows:

	Dec 2020	Dec 2019
Bond market – EUR	31.1%	32.4%
Bond market – USD	18.5%	18.2%
Bond market – GBP	8.1%	8.5%
Other capital markets	4.0%	5.2%
Promissory notes	7.7%	6.9%
Multilateral	11.6%	10.0%
Structured financing	1.1%	1.3%
Leases	5.3%	4.5%
Bank financing	12.5%	13.0%
Total	**100.0%**	**100.0%**

The IBERDROLA Group presents a comfortable profile of debt maturities, with more than six years of average life for its adjusted gross financial debt. The maturity profile of the IBERDROLA Group's debt classified under "Bank borrowings, debentures or other marketable securities" at year-end 2020 is shown in Note 29.

3.4. Working capital

Working capital has increased by EUR 250 million since December 2019.

	31.12.2020	31.12.2019	Chg.
Nuclear fuel	260	306	(46)
Inventories	2,443	2,542	(99)
Trade and other current receivables	6,477	6,674	(196)
Other current financial investments	578	693	(115)
Derivative financial instruments – assets (1)	324	156	168
Taxes receivable	1,187	825	362
CURRENT ASSETS (1)	**11,269**	**11,196**	**74**
Provisions	579	660	(81)
Derivative financial instruments – liabilities (2)	129	370	(241)
Trade payables, other current financial liabilities and other current liabilities	7,760	7,755	5
Taxes receivable	1,404	1,263	141
CURRENT LIABILITIES	**9,872**	**10,048**	**(176)**
NET WORKING CAPITAL	**1,397**	**1,148**	**250**

(1) Not including cash and cash equivalents or debt derivative assets related to financial transactions (Note 22).

(2) Not including cash and cash equivalents or debt derivative liabilities related to financial transactions (Note 22).

4. MAIN RISKS AND UNCERTAINTIES

4.1 Comprehensive risk control and management system

The IBERDROLA Group is exposed to various risks inherent in the different countries, industries and markets in which it operates, and in the activities it carries out, that may prevent it from achieving its objectives and executing its strategies successfully.

Aware of the importance of this matter, the Company's Board of Directors undertakes to develop all of its capabilities to ensure that the significant risks inherent to all of the Group's activities and businesses are appropriately identified, measured, managed and controlled, and to establish, through the *General Risk Control and Management Policy*, the basic mechanisms and principles necessary for appropriate management of the risk/opportunity ratio with a level of risk that enables it to:

- attain the strategic goals set by the Group with volatility curtailed;
- provide the maximum level of assurance to the shareholders;
- contribute to the attainment of the Sustainable Development Goals (SDGs) approved by the UN, with a special focus on goals seven and thirteen;
- protect the results and reputation of the Group;
- defend the interests of shareholders, customers, other stakeholders interested in the progress of the Company, and society in general;
- ensure corporate stability and financial strength in a sustained fashion over time; and
- disseminate a risk culture among the Group’s employees, through communication and training.

When acting upon the commitment expressed through the core principles, the Board of Directors and its Executive Committee rely on the support of the Audit and Risk Supervision Committee which, as an advisory body, supervises and reports on the adequacy of the system for assessing, controlling and managing all material risks, with the support of the Group’s Risk Management and Internal Assurance Division, which reports functionally to that committee. This process is carried out in coordination with the audit and compliance committees that exist at the Group’s other country subholding companies.

Every action aimed at controlling and mitigating risks will conform to the following main principles of conduct:

a) Integrate the risk/opportunity vision into the Group’s management, through a definition of the strategy and the risk appetite and the inclusion of this variable in strategic and operating decisions.

b) Segregate functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control and monitoring of such risks, ensuring an appropriate level of independence.

c) Guarantee the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.

d) Inform regulatory agencies and the principal external players, in a transparent fashion, regarding the risks facing the Group and the operation of the systems developed to control such risks, maintaining suitable channels that favour communication.

e) Ensure adequate levels of compliance with the corporate governance rules established by the Company through its *Governance and Sustainability System* and the update and continuous improvement of such system within the framework of best international practices as to transparency and good governance; and implement the monitoring and measurement thereof.

f) Act at all times in compliance with the values and standards for conduct enshrined in the *Code of Ethics*, under the principle of "zero tolerance" for the commission of unlawful acts and situations of fraud set out in the *Crime Prevention Policy* and the *Anti-Corruption and Anti-Fraud Policy* and the principles and good practices set forth in the *Corporate Tax Policy*.

The *General Risk Control and Management Policy* and the basic principles underpinning it take the form of a three lines of defence model and a comprehensive risk control and management system, supported by a Group-level Risk Committee and based upon a proper definition and allocation of duties and responsibilities at various levels (operating and control) and a set of suitable procedures, methodologies and tools for supporting the various stages and activities of the system, including:

a) The existence of a structure of policies, guidelines and limits, as well as risk indicators, and the corresponding mechanisms for their approval and implementation, which are there to review and establish the risk appetite annually assumed in both qualitative and quantitative terms, in accordance with the objectives set out in the multi-year plan and the corresponding annual budgets, both at Group level and at each of its main subsidiaries.

b) The ongoing identification of significant risks and threats based on their possible impact on key management objectives and the financial statements (including contingent liabilities and other off-balance sheet risks).

c) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the Group as a whole.

d) The measurement and control of risks by following procedures and standards which are homogeneous and common to the Group as a whole.

e) The analysis of risks associated with new investments, as an essential element of decision-making based upon profitability/risk.

f) The maintenance of a system for monitoring and controlling compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.

g) The ongoing evaluation of the suitability and efficiency of applying the system and the best practices and recommendations in the area of risks for eventual inclusion thereof in the model.

h) The audit by the Internal Audit Division of the comprehensive risk control and management system.

In addition, the *General Risk Control and Management Policy* is further developed and supplemented by the policies listed below, which are also subject to approval by the Company's Board of Directors:

a) Corporate Risk Policies:

- Corporate Credit Risk Policy.
- Corporate Market Risk Policy.
- Operational Risk in Market Transactions Policy.
- Insurance Policy.
- Investment Policy.
- Financing and Financial Risk Policy.
- Treasury Share Policy.
- Risk Policy for Equity Interests in Listed Companies.
- Procurement Policy.
- Information Technology Policy.
- Cybersecurity Risk Policy.
- Occupational Health and Safety Risks Policy.
- Reputational Risk Framework Policy.

b) Specific Risk Policies for the various businesses of the Group:

- Risk Policy for the Liberalised Businesses of the IBERDROLA Group.
- Risk Policy for the Renewables Businesses of the IBERDROLA Group.
- Risk Policy for the Network Businesses of the IBERDROLA Group.
- Risk Policy for the Real Estate Business of the IBERDROLA Group.

The *General Risk Control and Management Policy*, as well as a *Summary of the Corporate Risk Policies* and a *Summary of the Specific Risk Policies for the various Group businesses*, are available on the corporate website (www.iberdrola.com).

In order to align the risk impact with the established risk appetite, the Executive Committee of the Board of Directors, acting upon a proposal of the business or corporate divisions involved and upon a prior report from the Group's Risk Committee, annually reviews and approves specific guidelines regarding risk limits in the *Corporate Risk Policies*.

The country subholding companies are responsible for adopting the Group's risk policies and implementing their application, approving the guidelines regarding specific risk limits, taking into account the nature and particularities of the businesses in each country.

The parent business companies in each country or region must see to it that their governing bodies approve a set of specific risk limits for their company and put the necessary control systems in place to ensure compliance.

Listed country subholding companies, by virtue of their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies, aligned with those of the IBERDROLA Group.

The risk factors to which the Group is generally subject are listed below:

a) Corporate Governance Risks: the Company assumes the need to strive to achieve the corporate interest and the sustained maximisation of the economic value of the Company and its long-term success, in accordance with the Group's corporate interest, culture and corporate vision, taking into account the legitimate public and private interests that converge in the conduct of all business activities and, particularly, among those of the various stakeholders, those of the communities and regions in which the Company operates and those of its employees.

b) Market risks: defined as the exposure of the Group's results and equity to changes in prices and other market variables, such as exchange rates, interest rates, electricity prices, commodity prices (gas and other fuel), CO_2 emission allowances and other mechanisms to support renewable energies, prices of financial assets and other variables.

c) Credit risks: defined as the possibility that a counterparty fails to perform its contractual obligations, thus causing an economic or financial loss to the Group. Counterparties can be end customers, counterparties in financial or energy markets, partners, suppliers or contractors.

d) Business risks: defined as the uncertainty regarding the performance of key variables inherent to the various activities carried out by the Group through its businesses, such as the characteristics of demand, weather conditions and the strategies of different players.

e) Political and regulatory risks: those arising from regulatory changes made by the various regulators, such as changes in compensation of regulated activities or in the required conditions of supply, or in environmental o tax regulations, including risks related to political changes that could affect legal security and the legal framework applicable to the Group's businesses in each jurisdiction, the nationalisation or expropriation of assets, the cancellation of operating licences and the early termination of government contracts.

f) Operational, technological, environmental, social and legal risks: those related to direct or indirect economic losses resulting from external events or inadequate internal procedures, including the following:

    a. Technological failures, human error and technological obsolescence.
    b. Cybersecurity and information systems.
    c. Risks associated with climate change and pandemics.
    d. Fraud and corruption.
    e. Lawsuits, arbitration and tax proceedings.

g) Reputational risks: potential negative impact on the value of the Company resulting from the conduct of the Company falling short of expectations among the various stakeholders, as defined in the *Stakeholder Relations Policy,* including behaviours or conduct related to corruption.

Given the multidimensional nature of the risks, the taxonomy defined in the system envisions additional classification variables for improved tracking, control and reporting of these risks through the monitoring tools in place. These additional categories include:

- Classification of risks into Structural, Hot Topics and Emerging Risks, the latter in the sense of possible new threats the impact of which is as yet uncertain and of undefined probability, but which are growing and could become material for the Group.

- Inclusion of secondary risk factors, such as governance, sustainability and environmental (“ESG”), financial, corruption, tax, third party, health and cybersecurity.

The Audit and Risk Supervision Committee of the Board of Directors periodically monitors the evolution of the Company’s risks:

- It reviews the Group’s quarterly risk reports, which include monitoring compliance with risk limits and indicators and updated key risk maps, submitted by the Group’s Chief Risk Officer & Head of Internal Assurance.

- It also coordinates and reviews the risk reports sent at least on a semi-annual basis by the audit and compliance committees of the main subsidiaries, including the country subholding companies of the main countries or regions in which the Group operates and which, along with the appearances made by the Group’s Chief Risk Officer & Head of Internal Assurance, are used to draw up a risk report for the Board of Directors at least semi-annually.

For further details, see section E. “Risk control and management systems” of the Corporate Governance Report for financial year 2020 and the Risks section of the Integrated Report February 2021.

4.2 Credit risk

The IBERDROLA Group is exposed to the credit risk arising from the possibility that counterparties (customers, suppliers, financial institutions, partners, insurers, etc.) fail to comply with contractual obligations.

This risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. In particular, there is a *Corporate Credit Risk Policy* setting the framework and action principles for proper risk management, which are further developed at business and country level (admission criteria, approval flows, authority levels, rating tools, exposure measurement methodologies, etc.) through procedures.

With regard to credit risk on trade receivables from electricity and gas retail supply activity in the liberalised market, despite the extraordinary situation to have arisen from the COVID-19 pandemic, the historical cost of defaults has remained moderate at slightly above 1% of total turnover of this activity across all countries in which it is carried out.

4.3 Financial risks

4.3.1 Interest rate risk

The IBERDROLA Group is exposed to the risk of fluctuations in market interest rates affecting cash flows and the market value of debt in respect of items in the balance sheet (debt and derivatives). In order to adequately manage and limit this risk, the IBERDROLA Group manages annually the proportion of fixed and variable debt and establishes the actions to be carried out throughout the year: new sources of financing (at a fixed, floating or indexed rate) and/or the use of interest rate derivatives.

Floating rate borrowings and cash placements are typically pegged to market rates (mainly Euribor, Libor-pound sterling, Libor-dollar and the IPCA for the debt of Brazilian subsidiaries).

The Iberdrola Group also arranges derivatives to hedge interest rate risk on future financing. The volume of such derivatives arranged by the Iberdrola Group at 31 December 2020 is described in Note 30 to the consolidated financial statements.

The Group's debt structure at 31 December 2020, after considering the hedge provided by the derivatives and the exposure to fluctuations in interest rates, is included in Note 4 to the financial statements.

4.3.2. *Currency risk*

Currency risk resulting from fluctuations in foreign currency rates compared to the functional currency can occur in the following scenarios:

- Collections and payments for supplies, services or equipment acquisition in currencies other than the operating currency.
- Income and expenses incurred by certain foreign subsidiaries indexed to currencies other than the operating currency.
- Debt and financial expense denominated in currencies other than the operating currency.
- Consolidated profit or loss of the foreign subsidiaries (mainly US dollar, pound sterling and Brazilian reais), since the IBERDROLA Group's reporting currency is the euro.
- Consolidated net equity value of investments in foreign subsidiaries.
- Expense for taxes in Mexico because the operating currency (US dollar) differs from the currency for purposes of calculation of corporate tax (Mexican peso).

The IBERDROLA Group reduces this risk by:

- Carrying out all its economic flows in the operating currency of each Group company, provided that this is possible and economically viable and efficient, or otherwise through the use of financial derivatives.
- Financially hedging, as far as possible, the risk of transfer of earnings expected for the current year, thereby limiting the ultimate impact on Group earnings.

- Financially hedging, as far as possible, the exchange rate risk in the Mexican corporate tax, thereby limiting the ultimate impact on the earnings of Mexico and of the Group.

- Mitigating the impact on the consolidated net equity value of a hypothetical depreciation of currencies due to the Group's investments in foreign subsidiaries by maintaining an adequate percentage of foreign currency debt, as well as through financial derivatives.

The sensitivity of consolidated profit and equity to changes in the dollar/euro, pound sterling/euro and Brazilian real/euro exchange rates is described in Note 4 to the financial statements. Detailed information on foreign currency debt is included in Note 29 to the financial statements.

4.3.3 Liquidity risk

The exposure to adverse situations in the debt or capital markets or to events resulting from the IBERDROLA Group's economic and financial situation might hinder or prevent the IBERDROLA Group from obtaining the financing required to properly carry on its business activities.

The Group's liquidity policy is designed to ensure that it can meet its payment obligations without having to obtain financing under unfavourable terms. For this purpose, various management measures are used, such as maintaining committed credit facilities that are adequate in terms of amount, term and flexibility, diversification in the satisfaction of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued.

Cash and cash equivalents, liquid assets, short-term investments and loans and receivables are shown in Note 4 to the consolidated financial statements.

4.3.4 *Solvency risk*

The IBERDROLA Group faces the risk of its financial situation getting worse and leading to a downward revision of the credit rating assigned by rating agencies, which may make financing more expensive or unavailable.

In order to mitigate this risk, the IBERDROLA Group continuously monitors the solvency and equity ratios most commonly followed by rating agencies as well as the risks that may have an impact on those ratios in order to anticipate or undertake actions aimed at correcting possible instances of non-compliance.

Moreover, communication is active with investors and rating agencies in order to explain the performance of financial indicators and their deviations, if any.

4.4 Country risk

All of the international activities of the IBERDROLA Group are exposed, to a greater or lesser extent depending on their nature, to various risks inherent to the country where they are carried out:

- Imposition of monetary restrictions and/or limitations on the movement of capital.

- Changes in the trade environment and in government policies.

- Economic crises, political instability and social unrest affecting operations.

- Nationalisation or expropriation of assets.
- Exchange rate fluctuations.
- Cancellation of operating licences.
- Early termination of government contracts.
- Changes in tax rates in levies and taxes and/or new taxes.
- Changes in the economic terms governing the hand-back of concessions.
- Worsening of sovereign ratings, generating an increase in country risk premiums.
- Other regulatory changes.

The results of our international subsidiaries, their market value and their contribution to the parent company of the Group may be affected by such risks.

The IBERDROLA Group's main operations are concentrated in Spain, the United Kingdom, the United States, Brazil and Mexico, which are countries with low or moderate risk and whose credit ratings at 31 December 2020 were as follows:

Country	Moody's	S&P	Fitch
Spain	Baa1	A	A-
United Kingdom	Aa3	AA	AA
United States	Aaa	AA+	AAA
Brazil	Ba2	BB-	BB-
Mexico	Baa1	BBB	BBB

The IBERDROLA Group also has a significant presence in countries such as Germany, France, Australia and Portugal. The presence in countries other than those mentioned above is not significant at the Group level from an economic point of view.

Note 4 to these consolidated annual financial statements includes information on the potential impact of Brexit on the IBERDROLA Group.

4.5 Activity risks for the IBERDROLA Group's businesses

The Group has a presence in the regulated businesses of electricity transmission and distribution in Spain, the United Kingdom, the United States (through AVANGRID) and Brazil (through NEOENERGIA). In the United States, the Group also has a presence in the natural gas distribution sector.

The IBERDROLA Group operates in the renewables generation sector, mainly in Spain, the United States (through AVANGRID), the United Kingdom, Mexico and Brazil (through NEOENERGIA), as well as other countries.

Lastly, the IBERDROLA Group has a Generation and Retail business that operates in the thermal generation sectors in Spain, Mexico and Brazil (through NEOENERGIA), and in the retail supply of electricity and gas to end customers in Spain, the United Kingdom, Mexico, Brazil (through NEOENERGIA), the United States and other countries.

The operating details provided in this section show the situation at 31 December 2020, unless stated otherwise. Sensitivities are shown in annual terms (following 12 months).

The strategy and investments planned for the 2020-2025 horizon, which will steer the Group's growth, were presented to investors on 5 November 2020, including forecasts of operating variables through to 2030.

Regulatory and political risks

The businesses of the IBERDROLA Group are subject to laws and regulations concerning tariffs and other regulatory aspects of their activities in each of the countries in which they are carried out. The introduction of new laws and regulations or amendments to already existing ones may have an adverse effect on our operations, annual results and economic value of our businesses.

The following sections summarise the regulatory frameworks in place in the main markets where the Group operates, as well as the most relevant regulatory measures approved in 2020 or expected to be implemented in 2021.

The Mexican government has also launched a "Preferential Initiative" (See Note 53 Subsequent events) aimed at amending Mexico's Electricity Industry Act (LIE).

4. 5. 1 *Networks business risk*

The regulations of each country in which the IBERDROLA Group's network businesses operate establish frameworks, which are regularly revised, guaranteeing that these businesses will receive reasonable and predictable returns. These frameworks include incentives and penalties for efficiency, service quality and, where applicable, default management. Any structural and significant changes to the aforementioned regulations may represent a risk for said businesses.

In general, the profitability of the IBERDROLA Group's network businesses is not exposed to demand risk, except for the Brazilian subsidiaries.

The IBERDROLA Group's network businesses in Spain and in the United Kingdom do not sell energy, so they are not exposed to any market risk associated with energy prices.

The Group's network businesses in Brazil and some networks subsidiaries of Avangrid in the United States sell energy to regulated customers at a previously approved tariff. In the case of prudent procurement management in line with the provisions established by the regulator, the regulatory frameworks in both countries guarantee that sums will be collected in subsequent tariff readjustment revisions for possible purchase price deviations from those previously recognised in the tariff.

That being said, in the case of extraordinary events (extreme drought in Brazil, catastrophic storms in the US, etc.), occasional temporary imbalances between payments and collections may arise with an impact on the cash flows of some of these businesses and potentially on profits recognised under IFRS.

Two entities acquired in 2020 — Brazilian company CEB Distribuição and PNM Resources (in the United States, mainly present in the networks business) — are expected to be effectively integrated into the Group in 2021.

- ***Networks – Spain***

The present regulatory model is based on Electricity Industry Law 24/2013 of 26 December 2013, as further developed by various royal decrees and ministry orders. The model is based on recognised historical investment (at 31 December 2014) remunerating capital for depreciation and certain operation and maintenance costs. In addition, every year the regulated asset base is expanded to include the recognised investments made during the period. Quality incentives and losses (technical and commercial) are added to this. Remuneration is also set for other regulated activities required for the activity, such as reading, subscription, structure, etc., apart from distribution itself.

On 20 November 2019 the remuneration rate applicable in the upcoming six-year regulatory period 2020-2025 was set and published in the Official Spanish State Gazette (*Boletín Oficial del Estado* – BOE) (WACC 5.58%). On 19 December 2019 the applicable methodology was established and published in the BOE.

The remuneration for 2017, 2018 and 2019 is still provisional as the final remuneration rates have yet to be published.

- ***Networks – United Kingdom***

The group operates in the United Kingdom through its subsidiary ScottishPower Ltd, which manages the following licences:

- SP Distribution PLC (SPD) and SP Manweb PLC (SPM).
- SP Transmission PLC (SPT).

The framework of remuneration for electricity transmission and distribution activities in the UK is in accordance with a price control model based on the recognised cost of capital (WACC), the depreciation of assets, and operating and maintenance costs, plus an incentive which is obtained if management is better than the regulatory standard, and which the companies retain (in part) in the following tariff revision.

The current regulatory model for SPD and SPM is based on the RIIO ED1 framework, and on the RIIO T1 framework in the case of SPT. The latest tariff revision for electricity distributors (RIIO ED1), including SPD and SPM, is valid from April 2015 to April 2023. The SPT revision (RIIO T1) is valid from April 2013 to April 2021. Recognised ROE after tax (in real terms) is 6% for SPD and SPM and 7% for SPT.

The regulator (OFGEM) also establishes incentives/penalties for safety, environmental impact, consumer satisfaction, social obligations, connections and quality, which may have an effect on the income statement.

In December 2020, OFGEM published its final proposal for the next RIIO T2 regulatory review, including an ROE of up to 4.25%, compared to the current rate of 7.0%. The proposal will take effect in April 2021.

- ***Networks – United States***

The IBERDROLA Group operates in the US through its listed subsidiary Avangrid, which in turn has the following subsidiary networks companies (which manage 2.3 million electricity supply points and 1 million natural gas supply points):

- New York State Electric & Gas (NYSEG), New York, with a 3-year Rate Case in force since April 2020 (base ROE of 9% for electricity distribution).

- Rochester Gas and Electric (RG&E), New York, with a 3-year Rate Case in force since April 2020 (base ROE of 9% for electricity distribution).

- Central Maine Power (CMP), Maine, whose annual rates are in force since 1 July 2014. They may be extended for its electricity distribution business (base ROE of 9.25%) and transmission business (base ROE of 10.57%). The ROE calculation method for the transmission business is being revised by the FERC and an Order in that regard is expected in 2020.

  In October 2018, CMP, following instructions from Maine's utilities regulatory commission, started a rate case revision.

- United Illuminating (UI), Connecticut, with rates in force since 1 January 2017 for its electricity distribution business (base ROE of 9.1%) and transmission business (base ROE of 10.57%). The ROE calculation method for the transmission business is being revised by the FERC and an Order in that regard is expected in 2020.

- As well as the following natural gas distribution companies: Maine Natural Gas Corporation (MNG), Connecticut Natural Gas (CNG), Southern Connecticut Gas (SCG) and Berkshire Gas (BG).

Companies carrying on regulated business in the US are exposed to risks associated with the regulations of a number of federal regulatory bodies (FERC, CFTC, DEC) and state commissions, responsible for establishing the regulatory frameworks for the various companies subject to regulation (tariffs and other conditions).

The distributors' tariff plans have been designed to reduce the risk to which the business is exposed through mechanisms for deferral, reconciliation and provisions for costs. Regulated distributors pass on the costs of gas and electricity to end customers, thereby mitigating any impacts of fluctuations in demand.

- ***Networks – Brazil***

The IBERDROLA Group operates in Brazil through its subsidiary NEOENERGIA, which in turn has the following subsidiary networks companies:

- Elektro Redes, S.A. (ELEKTRO), operating in the states of São Paulo and Mato Grosso do Sul, with 2.8 million points of supply. Rates in force until August 2023 and WACC of 8.09%;

- Companhia de Eletricidade do Estado do Bahia (Coelba), operating in the state of Bahía, with 6.2 million supply points. Rates in force until April 2023 and WACC of 8.09%;

- Companhia Energetica de Pernambuco S.A. (Celpe), operating in the state of Pernambuco, with 3.8 million supply points. Rates in force until April 2021 and WACC of 8.09%;

- Companhia Energética do Rio Grande do Norte (Cosern), operating in the state of Rio Grande do Norte, with 1.5 million supply points. Rates in force until April 2023 and WACC of 8.09%;

- Several transmission assets with their own specific regulation.

The Brazilian regulatory framework is based on a system of price caps that is revised every four or five years, depending on each company's concession contract, with tariffs being revised annually by the regulator based on predetermined parameters. Coelba and Cosern have a five-year revision term and Celpe and Elektro have a four-year revision term.

Brazilian legislation applicable to the regulated electricity distribution business establishes two types of costs: i) "Plot A", which includes the costs of energy, transmission and other obligations and regulatory charges, which can be recovered through tariffs ("pass through") in accordance with the conditions and limits imposed by ANEEL, and ii) "Plot B", which includes remuneration for investment and the costs of operation and maintenance (calculated using a reference model that compares all distribution companies in the country and determines efficient cost levels, which generates either an incentive or a risk for the investor).

ANEEL also acknowledges other smaller incentives to minimise default and impairment of service quality and customer satisfaction that can affect the income statement.

Pursuant to current legislation, electricity distribution companies transfer the cost of supplying electricity to the end customer through the regulated tariff, provided the energy contracted is between 100% and 105% of the demand required.

In 2019, the Brazilian Ministry of Mines and Energy set up a working group to seek a reduction of the minimum consumption quantities that consumers must have in order to switch from the regulated tariff to the free tariff. The figure has been set at 1,500 kW since 1 January 2021. Total energy distributed by the Neoenergia Group's distributors in 2020 was 67 TWh.

4.5.2 *Renewables businesses*

The Group's renewables business includes hydroelectric, wind (onshore and offshore) and photovoltaic generation, as well as storage (pumping and batteries) technologies.

The regulatory frameworks in each country in which the Group operates are aimed at promoting the development of renewable energies based on formulas that may include premiums (on production or investment), green certificates, tax relief or regulated tariffs so that investors can obtain a sufficient and reasonable return. Any structural and significant changes to the aforementioned regulations may represent a risk for said businesses.

In addition to the aforementioned regulatory risk, the Group's renewable energy businesses may be exposed, to a greater or lesser extent, to source (hydraulic, wind and solar) risk and market risk, among others:

- In the medium to long term, years with lower than average water and/or wind resources are offset by years with above-average overall resources.

- The risk of water resources in a given year basically affects the Renewables business in Spain, and to a lesser extent the Renewables business in Brazil.

– The risk of wind resources in a given year affects the Renewables businesses of all countries in which the Group operates. At global level, the Group considers that this annual risk is partially mitigated by the large number of wind farms in operation and their geographical diversification.

– Management of market risk of the Renewables businesses in Spain, the UK, Brazil and Mexico is transferred to the Wholesale and Retail businesses of those countries so that it can be integrated into a single risk position. Management of market risk at the Renewables business and in relation to the supply of energy to large customers in the United States and Australia is integrated within the business itself.

The Group has important renewables projects under construction and development in the different countries where it operates. In the particular case of offshore wind projects, it must be highlighted that they require large investments subject to complex proceedings and entail other risks such as long construction deadlines, operating difficulties and technological risks.

- ***Renewables – Spain***

The Group currently has an installed capacity of renewable energy in Spain of 6,293 MW of wind power, 9,715 MW of hydroelectric power, 1,100 MWdc of photovoltaic power and 303 MW of mini-hydro power.

The output of hydroelectric plants (not governed by RD 413/2014) is transferred to the Wholesale and Retail business for its retail supply to end customers and/or sale to the market. The lesser or greater availability of hydroelectric resources has an impact on the marginal hour prices of the Spanish electricity system.

Despite having a large water storage capacity in Spain, the Group's annual results depend significantly on annual rainfall contributions. The changes in output from a dry year to a wet year with respect to the average reference value can be up to -4,000 GWh and +5,000 GWh respectively in Spain, with an estimated range of impact between EUR -125 million and EUR +155 million. In the medium to long term, dry years are offset by wet years.

The wind and mini-hydro capacity installed by the Group prior to 2013 was subject to a specific remuneration regime in accordance with Law 24/2013 and Royal Decree 413/2014. Said regime, combining market income and a supplement per MW, guarantees reasonable profitability before taxes to the plants, which was set at 7.398%. At the end of 2019, RDL 17/2019 was approved, extending the value of reasonable profitability through to 2031. Facilities built prior to 2004 have zero return on investment. In accordance with RD 413/2014:

i. at the end of each regulatory half-period of three years, various remuneration parameters for standard facilities are reviewed, including price estimates for the following three years, as well as past prices. This is done by calculating whether the set limits (bands) have been exceeded in the past three years; and

ii. the existing plants were segmented based on various criteria such as commissioning year and size, and they were assigned standard investment values, useful regulatory life, peak factor, O&M expenses and hours.

Renewable plants commissioned after 2013 either only receive market income (or PPA agreements) or had to participate in bids (which took place in 2016 and 2017) to access the Specific Remuneration Regime described above.

The Group's wind output and photovoltaic and mini-hydro generation are also transferred to the Generation and Retail business to be sold to end customers and/or the market.

A further highlight was the publication on 24 June of Royal Decree-Law 23/2020, which, among other aspects, governs the auctions to be held over the coming years (at a fixed price, in pay-as-bid format, for a period to be determined) as an alternative to the market and the Specific Remuneration Regime previously described.

- ***Renewables – United Kingdom***

The Group currently has an installed capacity of renewable energy in the United Kingdom and Ireland of 1,950 MW in onshore wind farms and 908 MW in offshore wind farms in operation, including an interest of 50% in West of Duddon Sands (389 MW) and the East Anglia 1 offshore wind farm (714 MW).

The onshore wind farms and West of Duddon Sands were developed under current "Renewables Obligation" legislation. Under such legislation, revenues are partially exposed to the risk of the market price for electricity, as the total revenues obtained reflect the price of the energy produced and the sale of associated Renewables Obligation Certificates (ROCs).

UK regulations impose minimum ROC requirements per MWh sold on electricity suppliers, 10% more than the system envisages producing, and determine the price at which the rest must be bought, which in practice amounts to a floor price equal to the price of the ROCs.

Renewable technology plants implemented as from 1 April 2017 (those implemented as from 12 May 2016 in the case of onshore wind farms) may avail themselves of the new "Contract for Difference" (CfD) remuneration scheme, which eliminates market risk for 15 years. Such is the case of the East Anglia 1 offshore wind farm.

The fixed prices for these projects under the CfD scheme are established on a project-by-project basis through public tenders. The counterparty guaranteeing this price, "The Low Carbon Contracts Company", finances its potential payments by imposing a levy on suppliers in accordance with their market share, and therefore credit risk vis-à-vis this counterparty is practically zero.

For facilities not subject to that fixed price, the Renewables business in the United Kingdom transfers the price risk to the Customers business on an annual basis.

East Anglia Hub, with 3,100 MW of installed capacity, is a particular highlight when it comes to offshore wind projects currently under development in the country.

- ***Renewables – United States***

The IBERDROLA Group conducts its renewables business in the United States through its listed company Avangrid, which has an installed capacity of 7,721 MW in onshore wind farms and 143 MWdc in operational photovoltaic plants, plus a further 840 MW in thermal power.

Approximately 68% of the energy produced is sold under fixed-price long-term contracts with third parties. If the hedges made are considered, the percentage of fixed-price energy rises to 82%. The remaining 18% of the energy produced is sold to the market in more or less short terms.

With electricity prices around USD 28MWh, a 5% change in prices could give rise to an impact of EUR ±5 million on operating results.

Avangrid has an impressive offshore wind project portfolio, including the power purchase agreements already signed at Vineyard and Park City Wind.

- ***Renewables – Mexico***

In Mexico the business currently has an installed capacity of 682 MW in wind farms and 642 MWdc in solar plants, with three sales arrangements: a) fixed-price sale of power to CFE under a long-term contract (La venta III, 103 MW); b) sale of power to third parties, typically with a discount on the official price published by CFE under the self-supply regime; or c) sale of power to the free market.

Mexican legislation requires electricity retailers in the free market to present Certificates of Clean Energy at the end of each year for a percentage of their energy sales for the year, a percentage that increases over time. The Group’s renewable production not for own supply in Mexico generates these certificates, which are then sold, at market prices, to the Group’s Wholesale and Retail business.

It is also worth noting that certain aspects of Mexican electricity law and regulations that affect this business have been appealed in court and could have a negative impact, depending on the final ruling.

- ***Renewables – Brazil***

In Brazil, the Group, acting through NEOENERGIA, currently has an installed capacity of 516 MW in onshore wind farms, the majority of them operating under long-term contracts (PPAs) at a fixed price with the country's distributors. Surpluses and shortages in the production contracted with the distributors are settled over periods of four years, and surpluses must be offered, and shortages purchased at market prices.

Also in Brazil the Group has 3,031 MW in hydroelectric plants (consolidated power and equity-accounted interests), of which approximately 60% is sold to electricity distribution companies under long-term contracts (PPAs).

Both wind and hydro power that is not subject to these long-term contracts is managed on an end-to-end basis by the Generation and Retail business.

- ***Renewables – International***

In Germany, the Group owns and operates the Wikinger offshore wind farm with a capacity of 350 MW. Pursuant to German regulations, the Wikinger plant will have a fixed price for the energy it produces over the first 12 years of operation.

In other European countries, the Group currently has an onshore installed capacity of 1,413 MW in wind farms and 31 MWdc in photovoltaic facilities and batteries. Regulations in these countries draw a distinction between two energy sale schemes: sales at the regulated tariff (Portugal, Greece, Cyprus, France and Hungary), and sales at market price (Australia, part of the power in Greece and Romania).

The Group has been awarded, and is indeed already building, several significant offshore wind farm projects in Europe, which are expected to be brought into operation throughout 2023-2024:

- Germany: Baltic Eagle (476 MW) project.
- France: Saint Brieuc project, with an expected total capacity of 496 MW.

The Group also has a significant pipeline of potential offshore wind projects, having secured its participation in developments in Japan, Poland, Ireland and Sweden in 2020.

4.5.3 *Wholesale and Retail Businesses*

The Iberdrola Group has a wide array of thermal generation plants in Spain and Mexico, a single thermal plant in Brazil and another one in the US. A significant number of the plants in Mexico and the Brazilian plant have long-term PPAs (power purchase agreements) with CFE in Mexico (state-owned electricity company) and electricity distributors Coelba and Celpe in Brazil.

Management of the risk of the energy produced for the market by the Group's thermal and renewable plants and surplus production of plants with PPAs is transferred to the Energy Management unit of each country where the Group operates, taking as a reference the wholesale market prices, except for the United States and Australia.

The various Energy Management units supply electricity and gas to the Retail business at wholesale market prices (hourly or forward) in accordance with the usual practices of each of the countries in which the Group operates, and manage the sale and purchase of surpluses and shortfalls.

The Retail businesses sell energy to end customers at fixed or indexed prices, together with other services, at such terms as may be customary in the retail markets of the countries in which they operate (Spain, the UK, Mexico, Brazil, Italy, France, Germany, Ireland and the US).

Main risks:

- Market prices for electricity, both wholesale and retail, are closely correlated with the prices of fuel (oil and gas) and of the emission allowances needed to produce electricity.

- Spot prices in the wholesale electricity market exhibit marked volatility as a result of: 1) the volatility of spot prices of fuels and emission allowances, 2) fluctuating demand, 3) availability of wind or water and 4) possible operational problems in networks or power plants.

- Forward electricity prices are further influenced by projections of new generation plants coming on stream and of increases or decreases in future reserve capacity.

- In general terms: 1) margins of the wholesale business (thermal and renewable to market) are subject to the risk of the differential between the wholesale spot price and the cost of production, and 2) margins of the retail business are subject to i) the risk of the price differential between the wholesale spot market and forward retail prices, ii) the degree of competition among retailers and iii) the risk of possible regulatory intervention in the form of regulated tariffs, taxes or other obligations (i.e. energy anti-poverty measures, maximum regulated prices in the UK, etc.).

The offsetting of risk positions between the wholesale business (thermal and renewable) and the retail business largely reduces the Group's market risk, in particular in Spain and Mexico. The sensitivities shown below cover the exposures of both activities.

- ***Wholesale and retail business in Spain***

In Spain, the Group has 9,225 MW of installed capacity in conventional generation, of which 3,177 MW are nuclear power, 5,695 MW combined cycle and 353 MW co-generation.

Sales of the free-market retail electricity business in Spain amounted to 51.4 TWh in 2020. Additionally, the last resort tariff retail subsidiary supplied 8.9 TWh in 2020.

Commodity price risk

Given the current market conditions, the production price of the combined cycle plants defines, to a large extent, the price of electricity in Spain since combined cycles provide the marginal technology necessary to cover electricity demand. Consequently, the price of natural gas conditions revenues from the other less expensive technologies which are used to cover demand. With variable costs of production from natural gas at around €54/MWh, a 5% change in such costs could give rise to an impact of ±19 million euros on operating results.

The price of CO_2 influences the cost of production in thermal power plants. With CO_2 prices at around 30 euros per tonne, a 5% change in prices could give rise to an impact of EUR ±5 million on operating results.

In 2020, the Iberdrola Group supplied gas at prices indexed to European markets. The uncertainty associated with the difference between the purchase price and the sale price to customers or the price of gas consumed by combined cycle power plants is approximately EUR ±17 million.

Demand risk

Given the current market conditions, where the price is primarily determined by the generation cost at combined cycle plants, which make up around 16% of the generation mix, demand fluctuations that could occur within one year are not deemed to impact on marginal technology in the market. The impact on the market price of a 1% change in demand is therefore minimal, amounting to approximately EUR 0.25 per MWh.

A moderate drop in demand in Spain does not affect the scheduled output of the Group's nuclear, hydroelectric and wind power plants, since there is a mandatory electricity market in Spain guaranteeing the efficient dispatch of output from all generation technologies.

Nevertheless, there is an impact if a drop in electricity demand may entail an equivalent reduction in the Group's retail sales (and the narrowing of the associated margin). This is mitigated to some extent by increasing sales of own energy on the wholesale market. This same effect of loss of margin on retail sales can be seen in the demand for gas.

Taking both effects into account, it is estimated that a 1% fluctuation in demand would have an impact of around EUR ±17 million overall, for both electricity and gas.

Nuclear plant risk

In relation to thermal generation, the main risk arises from unscheduled outages of the nuclear power plants (partially covered by a loss of profits insurance policy over and above an excess).

It should be noted that nuclear power plants are exposed to specific risks derived from the operation thereof and from the storage and handling of radioactive materials. Current Spanish law caps the liability of nuclear power plant operators in the event of a nuclear accident at EUR 700 million. Operators of Spanish nuclear power plants are required to take insurance against this liability for nuclear accidents. The IBERDROLA Group meets this obligation by taking out Nuclear Civil Liability insurance policies for each plant. However, Law 12/2011, of 27 May 2011, on civil liability for nuclear damage or damage caused by radioactive materials, will increase the operator's liability ceiling and the consequent cap on mandatory insurance to EUR 1,200 million for nuclear power plants. The law will enter into force when all signatories of the Paris and Brussels Agreements ratify the 2004 Amendment Protocols, as established in these Agreements.

In 2019, the Government and nuclear generators agreed on a scheduled closure plan for Spanish nuclear plants. The agreement provides guarantees on the recoverability of investments required until the last day of useful life of the plants and allows for rational and safe operation of the plants through to the end of the decade.

- ***Wholesale and Retail business in Mexico***

The Group has 9,146 MW in combined cycle plants and 202 MW in cogeneration plants in Mexico.

It is also worth noting that certain aspects of Mexican electricity law and regulations affecting the cogeneration business have been appealed in court and could have a negative impact, depending on the final ruling.

Commodity price risk

Electricity generation at IBERDROLA Generación México is gas-intensive. Gas prices are therefore an essential component of this risk. In 2020, approximately 69% of the electricity generated in Mexico was sold under long-term sales agreements (to the CFE and, to a lesser extent, to other major industrial customers), whereby the risk associated with the purchase price of gas used in generating this electricity is passed on.

The remaining energy is sold to customers (either under self-supply or in the free market) at a price linked to the official basic supply tariffs published by the CFE. The Group’s competitiveness in this case consists of obtaining a better price for the supply of gas than the cost used to define the CFE’s basic supply tariff. In the event of an adverse scenario (high cost of gas relative to other energy commodities), the impact would be just shy of EUR 35 million in the 95th percentile.

Demand risk

The structure of the agreements IBERDROLA has entered into in Mexico largely shields business results from electricity demand fluctuations. Revenues under contracts with the CFE come mainly from plant availability, and only the sales indexed to the official Mexican tariff are exposed to a certain extent to fluctuations in demand. Nonetheless, most of the plants have no firm sales commitments exceeding their production capacity, and therefore a shift in demand would not have an impact on their operations or results as the electricity generated would be sold to another customer. For this reason, changes in electricity demand in Mexico are not expected to have a material impact on results.

Though not strictly a demand-side risk, the Group is having to face an additional risk in Mexico due to the delays in registering customers for the new market scheme. This delay is preventing Iberdrola from being able to supply these customers, meaning the energy must be sold on the market instead. Should the current delays in granting these registrations continue, the impact could reach EUR 35 million.

Operational risk

The main risk arises from combined cycle power plant outages (partially covered by a loss of profits insurance policy over and above an excess). In the case of the contracts with the CFE, non-availability leads to a penalty, whereas the contracts with private sector customers would oblige the Group to acquire the non-generated energy in the market.

– ***Wholesale and Retail business in Brazil***

The Wholesale business has a combined cycle power plant of 533 MW in Brazil (Pernambuco), with long-term purchase and sale agreements in effect with Coelba and Celpe.

Renewable energy without a PPA and thermal generation surpluses are traded through the Group's retail company in the free market. With market prices of approximately R$ 245/MWh, a price fluctuation of 30% would affect the results of the IBERDROLA Group by less than EUR 1 million, due to the fact that expected generation almost matches expected demand.

- ***Retail business in the United Kingdom and other countries***

Sales at the IBERDROLA Group's retail business in United Kingdom amounted to 18.3 TWh of electricity and 24.8 TWh of gas in 2020, both lower than in 2019 due to the impact of the COVID-19 pandemic.

Following the entry into force of the Domestic Gas and Electricity Act 2018, OFGEM publishes on a half-yearly basis the maximum prices that suppliers may charge to end customers under the "Standard Variable Tariff". The desirability of maintaining this system of price caps was reviewed in 2020 and extended until the end of 2021, with a possible further extension through to the end of 2023.

The structure of the tariffs applied, both those defined freely and those fixed by the regulator, means that the IBERDROLA Group's margin is affected by changes in demand. In the UK, the impact of temperature on energy demand is important, mainly for household customers who use gas to warm their homes. In this regard, it is estimated that in a warm year, the actual customers' demand would be 2.1% lower for electricity and 9.8% lower for gas compared to average values. This year's warm temperatures have had a negative impact on results amounting to EUR 43 million.

Other countries

The IBERDROLA Group engages in commercial and retail activities in Portugal, Italy, France, Germany, Ireland and the United States, although the scale of this activity is not material at Group level.

- ***Unhedged energy sale and purchase transactions (discretionary trading)***

Supplementary activities consisting of discretionary trading of electricity, gas, emission allowances and other fuels and associated products performed by some of the Group's businesses are residual and the overall risk thereof is mitigated using individual stop-loss limits, the aggregate sum of which may never exceed 2% of consolidated net profit forecast for the financial year, pursuant to the Market Risk Policy approved by the Board of Directors of IBERDROLA, S.A.

IBERDROLA has maintained low levels of discretionary trading in recent years in line with the widespread move away from market speculation. In December 2020, the notional value of derivatives used in speculative trading (calculated in accordance with the criteria set forth in the European Market Infrastructure Regulation (EMIR)) was EUR 103 million for commodity derivatives. This value is much lower than the EUR 3,000 million threshold set for non-financial companies in the European regulation (EMIR).

4.5.4 *Operational risks of the Group's businesses*

During performance of all of the IBERDROLA Group's activities, direct or indirect losses may arise as a result of inadequate internal procedures, technical failures, human error or external factors (such as climate factors).

The IBERDROLA Group is exposed to the following operational risks, among others:

- Malfunctions, explosions, fire, toxic spillages or polluting emissions in gas and electricity distribution networks and in both traditional and renewable generation plants.
- Force majeure events.
- Sabotage and/or terrorism.
- Operational risk of market transactions.
- Physical safety and cybersecurity.
- Transactions in treasury and energy markets.
- System failures.
- Work-related accidents and third-party accidents at own facilities.

Any of these risks could cause damage or destruction to the IBERDROLA Group's facilities and financial losses, as well as injuries or losses to third parties or damage to the environment, along with the ensuing lawsuits, especially in the event of power outages caused by incidents at our distribution networks, as well as possible penalties imposed by the authorities.

Although many of these factors are unpredictable, the IBERDROLA Group mitigates these risks by carrying out the necessary investments, implementing operation and maintenance procedures and programmes (supported by quality control systems), planning appropriate employee training, and taking out the required insurance covering both material damages and civil liability.

In relation to insurance coverage, the IBERDROLA Group has international insurance schemes to protect assets (insurance for material damage, machinery breakdowns, loss of profits and damage due to natural disasters) and against the liability it may incur as a result of its activities (general civil liability, liability for environmental risks, etc.).

However, this insurance does not completely eliminate operational risk, since it is not always possible, or interesting from the viewpoint of efficiency, to pass such risk entirely on to insurance companies. In addition, coverage is always subject to certain limitations and, sometimes, to excesses.

Given the configuration of the electricity sector's value chain, the IBERDROLA Group's activities might be affected by failures in third-party infrastructures and equipment, like transmission networks, competitors' generation plants, communications networks, etc.

- ***Cybersecurity risks***

IBERDROLA Group companies may be affected by threats and vulnerabilities in connection with information, control systems or information and communications systems used by the Group, or by any consequences of unauthorised access to or the use, disclosure, degradation, interruption, modification or destruction of information or information systems, including the consequences of acts of terrorism.

The main risks are:

- Risks related to Operations Technology (OT), such as IT and communications systems used to manage industrial operations (production, management and distribution of energy) or physical safety systems (fire protection, CCTV, alarm reception centres).

- Risks related to administration or customer interfaces (IT), in particular violation of information in them, under the umbrella of the General Data Protection Regulation (GDPR) in Europe and other countries.

- Other cybersecurity risks having an impact on reputation.

The OT cyber infrastructure of the thermal generation business and of the large hydroelectric power plants of the Renewables business is set up to control and manage the operation of each plant from the Generation Control Centre (*Despacho Central de Generación*) (DCG) in Spain and for other own local generation centres. The potential impact of a cyber-attack could put generation and the safety of the whole country's electrical system at risk.

The operating management of the Group's Networks businesses is based on cyber infrastructures used to supervise and monitor physical electricity and gas transmission and distribution networks (with offices located in the Group's facilities) and the associated field devices. These devices may be located at Iberdrola Group's facilities (substations, transformer centres, etc.) or at customer facilities (meters). The potential impact of a cyber-attack could put at risk the energy supply to whole distribution areas of the Group and/or borderline areas operated by other suppliers.

In the particular case of wind farms (onshore or offshore) and photovoltaic plants, said facilities are connected to Supervision, Control and Data Acquisition systems ("SCADA") that communicate with Control Centres (CORE), from which said facilities can be monitored and controlled remotely. The global impact of a cyber-attack would affect said remote control capacity, putting operating safety at risk.

These risks are managed in accordance with the basic principles defined in internal rules promoting the safe use of IT and communications systems and other cyber assets, reinforcing detection, prevention, defence and response capabilities regarding possible attacks.

The IBERDROLA Group currently has specific insurance against cyber risks, under the terms allowed by the insurance market, which is revised and updated periodically in view of the rapid evolution and wide variety of cyber risks.

The different Wholesale and Retail, Renewables and Networks businesses in the Group have appointed specific cybersecurity managers and defined plans and processes for their internal networks and cyber infrastructures, aligned with the Group's global framework but adapted to their specific requirements (Industrial Control Systems (ICS), SCADA, Advanced Metering Infrastructure (AMI), etc.).

The Iberdrola Group complies with local rules on critical infrastructure protection in the countries where it operates, which guarantees the highest level of protection against these types of threats. In the case of Spain, the nuclear plant of Cofrentes meets the highest requirements in terms of physical safety and cyber security within the Group. It has its own Cybersecurity Plan, in order to comply with the Spanish Critical Infrastructures Act (Law 8/2011) and the Nuclear Safety Council, as well as its Additional Technical Guidelines, and collaborates in the exchange of information through the Spanish cybersecurity plan.

From the commercial operation perspective, the Iberdrola Group has implemented a global model to guarantee compliance with all obligations in force in each country. In Europe, the Iberdrola Group is subject to the GDPR. The Personal Data Protection Policy is implemented in each of the Group's country subholding companies and is developed through local data protection rules and procedures adapted to the legal provisions applicable in each country.

4.5.5 *Climate change risks*

Climate change risks require strategic management in certain cases, with notable examples here including the growth policy pursued by IBERDROLA, which focuses heavily on the development of renewable energies and flexible smart grids.

IBERDROLA has a *Climate Change Policy* (available at www.iberdrola.com) and is firmly committed to addressing growing interest among investors in climate change risks. It is therefore working to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board.

We are facing a systemic global risk. Companies, governments and individuals can all reduce their emissions (mitigation) and/or become more resilient (adaptation).

The Group's Investment Policy addresses the need to consider potential climate change risks (physical and transitional) when making all new investment decisions.

Climate change encompasses various risks with growing impacts over the long term, which, to a greater or lesser extent, may be regarded as risks that are not new to the sector. Risks may be grouped into the following categories:

- Physical risks, due to a potential material impact on facilities as a consequence of the effects of climate change (rising temperatures, rising sea level, variations in rainfall, increase in both the frequency and intensity of extreme weather events, etc.).

– Transition risks, linked to all risks that may arise during the gradual global decarbonisation process, such as regulatory changes, market prices, technological and reputational risks, lawsuits, changes in demand, etc.

– Other risks, like the credit impairment of counterparties (suppliers, banks, etc.), social phenomena (humanitarian crises, impact on crops and fishing, refugee crises, epidemics, etc.) and larger competition for financial resources.

It should be noted that the main transition risks, regulatory and market risks, are largely domestic concerns. The Group's strategic position, coupled with its experience in managing this type of risk and its asset mix, enable it to face these risks with confidence.

In contrast, physical risks are site-specific, progressive and relatively long-term, although they can already be felt in the short term (e.g. sometimes as a result of increased extreme weather events). The fact that the impacts are primarily long-term means that it is largely the Group's future assets, and not its current assets, that will be more severely impacted, since all assets are progressively renewed when they reach the end of their useful life. Additionally, the following physical risk mitigation and management measures should be highlighted:

- The design of and specifications for new equipment will take into account more severe climate scenarios, while technological improvements will unlock additional economic value for new projects.

- Taking this risk into consideration when undertaking new investments.

- The experience amassed by the Group in managing climatic events (equipment redundancy, emergency plans, event management, network design, etc.), as well as the digitalisation and modernisation of networks and generation facilities.

- Insurance coverage.

- Diversification of assets (by geography, technology, age, etc.).

- Regulatory coverage in the Networks business.

- Sufficient financial strength to undertake investment in adaptation.

Regulated business

Given the geographical spread of our networks assets in Spain, the United Kingdom, the United States and Brazil, and in accordance with already existing studies, the potential increase in sea level in coastal areas would have a quite reduced impact on the regulatory conditions of our Group's assets.

Increases in temperature and greater frequency of extreme climatic events may entail increased technical losses, worse levels of services, a gentle though steady increase in operation and maintenance costs (associated with various factors such as increased technical losses and reduced useful lives of assets) and annual capital expenditure, although in perfectly manageable amounts given the multi-year tariff reviews that take place at these regulated businesses. The investment and response plans already in place, together with accumulated experience and sound network design (meshing and placing of lines underground) would act as mitigating factors.

In terms of transition risks, notable examples include the potential mass development of distributed generation, the impact of which would be partly offset by the growing electrification of the economy (e.g. electric vehicles) and investment in smart grids.

Renewables business

The main risk is potential negative future performance of hydroelectric, solar and wind resources, the key elements having a financial impact on this activity. Added to the uncertainty associated with long-term global climate projections is the need to specify the impact on the geographical regions where our assets are located. There is currently much uncertainty surrounding the long-term outlook of renewable energies, especially solar and wind power.

- In the case of hydraulic resources, a potential decrease in annual average rainfall could lead to a negative impact on the output of the Group's hydroelectric plants, which is especially visible in flow plants, although the negative effects in certain regions may be partially offset against other impacts. Additionally, climate change could affect seasonal rainfall.

  In Spain, for illustrative purposes, a drop of 5% in production would have an estimated mid-term impact on the profit margin (net of current taxes and fees and excluding pumping) of approximately EUR 20 million. In Brazil, the estimated impact would be between EUR 5 and 10 million.

- In the case of wind power, and as noted above, there are no conclusive studies on the matter that allow us to anticipate the future impact with any degree of certainty. However, for illustrative purposes, a 1% reduction in the Group's overall wind power production would result in a lower profit margin of some EUR 30 million.

In terms of transition risks, potential cuts to remuneration to renewable energies and a drop in wholesale marginal market prices due to a higher renewable production at a reduced variable cost should be noted.

Wholesale and Retail business

The long-term impact of climate change on the thermal generation business is not expected to be material, since the Group's assets in this area will be substantially reduced in the next few decades as they reach the end of their useful life and will be mainly concentrated in Mexico.

The impact on the retail business is considered minor, since any possible negative impacts deriving from efficiency measures and changes in temperature could be offset by the increased growth that the electrification of the economy is expected to produce.

In conclusion, and based on the impacts we have discussed (which take into account the current uncertainty associated with climate projections) and the mitigating elements in place, it is estimated that the physical risks of climate change may not have a material and permanent impact on the consolidated figures of the Group, which is believed to be globally resilient, in the sense that the opportunities arising from the decarbonisation of the global economy (growth in renewable energy, investments in smart grids, electrification of transport, etc.) outweigh the risks. In terms of transitional risks, the Group's current positioning, as a result of its decision to focus its investment on energy obtained from renewable sources and networks, puts it in a good position to face these risks.

It is also worth noting that the Group continues to advance and deepen its climate analysis, as part of a process of continuous improvement in analysing projections and adapting as and when necessary.

For further information on this risk, please see the Integrated Report – February 2021, as well as the "Iberdrola and the TCFD" section of the 2020 Sustainability Report.

4.6 Legal and tax risks

The IBERDROLA Group companies are party to certain in-court and out-of-court disputes within the ordinary course of their activities, the final result of which is generally uncertain. An adverse result or an out-of-court resolution of these or other proceedings in the future could have a material adverse effect on our business, financial situation, operating results and cash flows, as well as our reputation. As is standard practice, provisions have been made for this purpose, based on the opinion of the Group's legal advisors.

Notes 35 and 46 to the consolidated financial statements include a more detailed description of the most significant open matters.

4.7 Other Iberdrola Group risks

The Group has policies and procedures to monitor and mitigate other risks to which it is subject, under the supervision of the Board of Directors, with the support of its different Committees and the management of the appropriate corporate divisions.

The comprehensive risk control and management system therefore provides for the continuous monitoring and detection of emerging risks that are not strictly financial in nature which the investor community has been monitoring with growing interest in the last financial years, such as environmental aspects, the impact on society and the Group's corporate governance ("ESG"). The impact of said risks, which are timely reported both internally and externally, can be of a varied nature, both in economic terms and reputational terms.

In terms of fraud and corruption risks, the IBERDROLA Group has a Compliance System consisting of a set of substantive rules, formal procedures and material actions aimed at guaranteeing its conduct in compliance with ethical principles and applicable legal provisions, preventing, avoiding and mitigating the risk of irregular, unethical or illegal behaviour on the part of Iberdrola Group professionals within the organisation. The bodies and divisions to which the implementation and development thereof has been directly entrusted are also part of said system.

As part of the Compliance System, particularly noteworthy are the Code of Ethics (applicable to all Group professionals, directors and suppliers) and the Compliance Unit, an internal permanent collective body, linked to the Sustainable Development Committee within Iberdrola's Board of Directors, which, among other tasks, disseminates a preventive culture based on the principle of zero tolerance for the commission of illegal acts or irregular behaviour. The system has been developed following the best domestic and international practices in the area of compliance, fraud prevention and fight against corruption.

For further detail on these risks, please check the Sustainability Report 2020, as well as the Integrated Report February 2021 and the Annual Corporate Governance Report 2020.

Among the policies approved by the Board, the following are especially noteworthy:

<u>Environmental, social and corporate governance risks ("ESG")</u>

- Environmental Policy, General Sustainable Development Policy, Climate Change Policy.

- Human Resources Framework Policy, Occupational Health and Safety Risks Policy and Equal Opportunity and Reconciliation Policy.

- General Corporate Governance Policy, Board of Directors Diversity and Member Selection Policy, and Senior Management Remuneration Policy.

- Stakeholder Engagement Policy and Policy on Respect for Human Rights.

Fraud and corruption risks

- Anti-Corruption and Anti-Fraud Policy.

- Crime Prevention Policy.

- Code of Ethics.

- Ethics Mailboxes

Reputational risk

- Reputational Risk Framework Policy.

Other sources of uncertainty

The risks associated with pension plans are analysed in Note 27 to these financial statements.

Note 46 provides a detailed description of contingent liabilities.

4.8 Risks materialised during the year

See section E.5 of the Corporate Governance Report 2020.

5. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

Events subsequent to the close of the financial year are described in Note 53 to the financial statements.

6. RESEARCH AND DEVELOPMENT ACTIVITIES

IBERDROLA is today the *Utility of the future* due to its innovative strategy, which is applied across all its business units and areas of activity. Thanks to a constant commitment to innovation, Iberdrola is the most innovative Spanish utility, the second at European level and the third at worldwide level, based on the European Commission's classification. This position was reached thanks to the talent, experience and effort of 34,000 people in more than 40 countries.

In 2020, IBERDROLA invested EUR 293 million in R&D&I activities, up 4% from 2019. The IBERDROLA Group's efforts in R&D&I are based on five pillars fully aligned with the central vectors underpinning the transformation of the energy sector, decarbonisation and electrification of the economy.

- **Disruptive technologies** that are increasingly efficient, sustainable and environmentally-friendly, enabling the operation of facilities and processes to be optimised.
- **Competitive new products and services** that meet customers' needs with a greater degree of personalisation of contents and offers.
- **Digitalisation and automation** in all businesses and processes, introducing new technologies such as blockchain, big data, IoT, virtual reality, artificial intelligence, etc.
- **Innovation with start-ups, entrepreneurs and suppliers** with the goal of developing alliances and new disruptive business models, favouring the exchange of know-how and having a driving effect on collaborators.
- **Culture of innovation and talent.** IBERDROLA fosters a culture of innovation by means of knowledge transfer and by attracting talent and promoting the entrepreneurial spirit. Within the Universities Programme, several initiatives are developed in the academic world, such as lectures, R&D projects, training of students, in-house training and young entrepreneurs.

Highlights in the period included the launch of the Global Smart Grids Innovation Hub in Bilbao, with the main aim of promoting and speeding up the development of innovation in smart grids, which will be key to accelerating the energy transition and boosting the development of the related industry. The centre will have collaborative spaces and laboratories featuring high-tech equipment and dedicated to the development of solutions in partnership with stakeholders, as well as promoting the development of and training in disruptive technologies.

Some of the innovative initiatives, classified by broad area, are:

6.1 Renewable energies

In 2020, innovation activities in Renewables focused primarily on:

- Efficiency improvements in wind farms, photovoltaic plants and hydroelectric facilities. Big Data technologies were used during the period to generate weather forecasts for wind and photovoltaic farms, such as on the METDATA and FOTOVIABLE projects, and to optimise decision-making based on large amounts of information thanks to the DARWIND tool. The NextGEMS project was launched to develop and apply high-resolution earth system models for forecasting extreme events. Work also continued on the ROMEO project, to reduce the operating and maintenance costs of offshore wind farms; on the ASPA project, to develop new models and tools for early fault detection based on artificial intelligence/big data techniques. Meanwhile, the DIAGNOSGRE and GRIDFORMIN projects have incorporated digital twin methodologies to verify the operating parameters of a wind farm by calibrating the sensitivity and stability of the farm, and to analyse the configuration of equipment needed to stabilise the grid.

- In the realm of hydropower, a study is now being carried out to provide pumping capacity to hydroelectric power plants. The analysis addresses the needs for future power, the best location for this increase and the technological improvements that will make it possible, such as variable speed reversible turbines or lower cost penstocks (such as the developments achieved under the CONDUCCIONES project). This new storage capacity, together with the digitalisation of the management process and the hybridisation of technologies, will provide the manageability needed for all renewable generation.

- As for innovation in offshore wind projects, the East Anglia One offshore wind farm in the United Kingdom has entered service, and various projects are under way to model and predict seabed movements, such as SisProtect (Suction Bucket Trial for Scour Protection), which will analyse the viability of an anti-scour protection system by carrying out a comparative study *in situ* with two foundations; CROWN2, which studies different types of anti-corrosion solutions; and last but not least LiDAR trials, under which a series of wind resource studies will be carried out. IBERDROLA will build the East Anglia Hub over the coming few years to combine the following three projects with a total installed capacity of 3,100 MW: East Anglia One North, East Anglia Two and East Anglia Three. A ground-breaking design for the foundations of the latter farm has already been drawn up. In the Baltic Sea, a key highlight is the upcoming construction of the Baltic Eagle offshore wind farm, which will feature a new design for its monopiles given the condition of the seabed. Turning to the Wikinger wind farm, which is already in operation, simulation and failure prediction tools are currently being developed in a bid to further optimise its operation, as well as new techniques for monitoring the dynamic behaviour of the support structures. Last but not least, we have the FLAGSHIP project, an initiative under the H2020 programme for the design, manufacture and operation of a new semi-submerged concrete floating platform and a 10 MW turbine in the Metcentre waters of Norway.

- When it comes to fostering a culture of innovation, the YO SOY INNOVADOR (I AM AN INNOVATOR) initiative continues to promote internal and external challenges, along with the Renewables Digital Evolution Plan (2018-2022) and the Renewables Accelerator project, to promote new ideas that seek efficiency gains and enhanced global competitiveness in renewable energies.

6.2 Clean generation technologies

In 2020, efforts in the area of generation focused on digitalisation, operating flexibility and efficiency, reducing the environmental impact and improving plant safety, as follows:

- In the field of nuclear power, the COATI project has been launched for the development of a software tool that will allow users to draw up specific loading plans for spent fuel assemblies.

- In the realm of thermal generation, further progress has been made on the pioneering REDEMIS project, which has achieved exceptional results in reducing emissions and start-up times of combined cycle power plants. A particular highlight here is the study into combining hydrogen with natural gas as fuel for the turbines in order to further reduce the impact on the environment. In the digital sphere, highlights include the FLAGSHIP project, which, through the creation of digital twins, makes it possible to simulate operating environments different to those of the plant's basic design, thus showing us the results of these operations and allowing us to improve in terms of operational flexibility, reliability and efficiency.

- In the area of energy management, it is worth highlighting the launch of projects such as Thirties, which explores different management models and the creation of a market for voltage control services; or Iremel, to define and develop local flexibility markets. Other projects include the likes of Flexener, aimed at researching new technologies, simulation models and flexibility services to promote the achievement and operation of a 100% renewable energy mix. It is important to mention the European project Posytyf, which analyses from a theoretical standpoint the contribution of renewables to the provision of services to the grid through Virtual Power Plants.

6.3 Retail Area – new projects and services

Innovation is essential in the retail activity in order to offer customers the products and services best suited to their needs. Thus, in 2020 IBERDROLA worked on:

- New initiatives to boost customer experience.

  Work has also continued on adding new functionalities to the Iberdrola Customers App. This will allow users to monitor their Smart Solar self-consumption installation, showing the activity of the panels in real time and the savings they generate for each customer. The consumption monitor provides a breakdown of consumption of household appliances in real time, as well as historical information. The app can also be used to track the status of claims and complaints. Meanwhile, the application process for the discounted rate (*Bono Social*) for regulated market customers has been digitalised, meaning applications can now be submitted online. The Smart Solar website has also been redesigned and now includes a simulator that offers the best installation and solar plan for each user. This product is also available for owners' associations. Last but not least, a new App, Curenergía, has been launched for regulated market customers.

– New products and functionalities:

In relation to the distributed generation solution for self-consumption, Smart Solar, a new product known as Iberdrola Energy Cloud has been launched, a virtual battery used to store the surplus solar production fed into the grid from the user's home each day. A further highlight was the launch of Smart Solar for Communities app, where surplus power generation can be offset between owners' associations and the savings can be monitored through the app. For businesses, Iberdrola has started to offer long-term photovoltaic power purchase agreements (PPAs) in onsite mode.

When it comes to smart homes, Iberdrola continues to focus on products that allow customers to optimise their consumption, such as hot and cold air conditioning systems, the consumption monitor, and the smart thermostat and LED lighting. Another highlight is the Energy Wallet product, whereby customers can select the renewable generation plant from which to receive their power, choosing from a list of available wind and hydroelectric plants.

As part of Smart Mobility, the rollout of charging stations, integrating third-party equipment (interoperability), accessible through the Iberdrola Public Charge App (App Recarga Pública Iberdrola) is particularly noteworthy and has seen significant improvements. A new "pay-as-you-go" payment method has been implemented. Its interface has been redesigned, making it easier for the user to find and book a charging station; and a route planner has been added to show the route that best suits our customers' needs. With this app we offer the most extensive public charging network to be found in our country, which also includes charging stations in several European countries.

Iberdrola is also involved in R&D&I projects in the field of electric mobility. Aside from the culmination of the European REMOURBAN project in Valladolid, which seeks to deploy new business models for charging services, the development of the CIRVE project has remained on track. This particular initiative aims to put into service the first interoperability experiences between the main charging operators in the Spanish market. Meanwhile, IBERDROLA has taken part in the MADRID in MOTION project to tackle the challenges posed by collaborative urban charging and streetlights. IBERDROLA is also involved in the development of prototype battery banks designed to be exchanged for other spent batteries of electric motorcycles in different parts of the city.

6.4 Smart grids

In 2020, i-DE Redes Eléctricas Inteligentes remained focused on various R&D+I initiatives, especially aimed at improving customer service, maintaining and expanding the smart grid model and digitalisation of the grid, and moving towards greater integration of renewable generation, electric vehicles and storage systems across the grid, both in Spain and Europe.

2020 was the "Year of Innovation" at i-DE, which launched various large-scale initiatives to disseminate the innovation culture of the business; the driving force behind its relentless transformation.

On the European stage, the ONENET project was launched for the development of new customer-centric flexibility tools with an open and flexible architecture based on the concept of an interoperable network of platforms with coordinated operation. Elsewhere, the COORDINET project will continue to coordinate electricity transmission companies, distributors and consumers to provide a framework conducive to the participation of all agents. The ATELIER project was launched with the aim of developing Positive Energy Districts (PEDs) in eight European cities, Bilbao among them. i-DE continues to take part in the ASSURED project to develop fast charging solutions for heavy-duty electric vehicles.

- In Spain, the STAR+ project continues to digitise the grid to improve efficiency and prepare i-DE for its role as a future distribution system operator (DSO). Work has also continued on three projects to improve the control, monitoring, analysis, prediction and real-time management of Low Voltage: *eLVIS*, *CT Inteligente* and *Gestión técnica de Suministros*, which were named as finalists in the Enertic Awards for innovation and technology in energy efficiency. The FLEXENER project has been approved to investigate new technologies and simulation models in the field of renewable generation, storage systems and flexible demand management and distribution grid operation. In the realm of grid integration, highlights include the second phase of the Caravaca BESS project to achieve the integration of several battery energy storage systems, and the DSO-DTR project to assess how much additional energy the grid can carry.

- In the United Kingdom, projects include PACE, which explores the benefits of having a distribution network operator (DNO) involved throughout the various stages of deploying a public electric vehicle charger infrastructure, and Fault Level Management to develop new technology for measuring and managing fault levels in real time. Meanwhile, the Fusion and LV Engine initiatives, both aimed at optimising low-voltage networks, continue to operate. Another highlight is the ground-breaking SPEN project, designed to manage transmission network constraints in Dumfries and Galloway by installing an Active Network Management (ANM) plan.

- In Brazil, innovation projects are being carried out in various technological realms: smart grids, energy storage, micro-grids, quality charging infrastructure and grid reliability, safety at facilities, energy recoverability and sustainability. Of particular note is the partnership with Iberdrola Innovation Middle East in Qatar to develop new algorithms and analysis metrics to improve quality of service and telecommunications equipment. Particularly significant among the initiatives carried out are the project DSO Atibaia, which contemplates the installation of a new automation system, smart meters and a telecommunications network.

- In the United States, the projects being undertaken with Yale University and MIT are particular highlights. Studies have been carried out into the network effect on the electricity grid, the usefulness of grid-connected customers, the speed of adoption of new energy technologies and business models, and an analysis of the impact of climate change on electricity distribution networks. Further highlights include our involvement in developing a digital platform designed to accurately account for and standardise global greenhouse gas emissions based on artificial intelligence, blockchain and digital twins.

- *Iberdrola Innovation Middle East*, the Group’s technological centre in Qatar, has undertaken several R&D&I projects with a high level of digitalisation and great retail potential in different areas: smart grids, integration of renewable energies and energy management.

6.5 Green hydrogen

Iberdrola has created a new division to focus on the generation of green hydrogen for industrial use. Europe's largest green hydrogen plant for industrial use has now been commissioned. The Puertollano (Ciudad Real) plant will feature a 100 MW solar photovoltaic plant, a lithium-ion battery system with a storage capacity of 20 MWh and one of the world's largest electrolysis hydrogen production systems (20 MW), all of this from 100% renewable sources. The green hydrogen produced there will be used at Fertiberia's ammonia factory in the city.

6.5 IBERDROLA Ventures – PERSEO

Iberdrola Ventures – PERSEO is IBERDROLA's start-up programme created in 2008 with a budget of EUR 110 million to foster the development of a dynamic start-up and entrepreneurship ecosystem in the electricity sector. The programme focuses on technologies and business models that will make the energy model more sustainable through greater electrification and decarbonisation of the economy. From its inception, more than EUR 70 million have been invested in energy start-ups worldwide. Its base of 30 million supply points and nearly 54 GW of installed capacity allow IBERDROLA to provide start-ups with a large "real laboratory" to nurture their technological and commercial development.

Among the main milestones achieved in 2020, the following stand out:

- Pilot projects: Throughout 2020, more than 25 pilot projects were carried out with start-ups in technological areas such as Artificial Intelligence, Big Data, IoT, robotics and batteries, in areas such as grid maintenance and planning, electric mobility, energy efficiency and the design and maintenance of renewable facilities.

- Challenges: In 2020 Iberdrola has launched seven challenges for the start-up community in fields such as renewable generation, onshore and offshore wind and photovoltaic generation, electric mobility, or the construction and maintenance of electricity grids.

- Investment: A particular highlight in the period was the investment in the company Wallbox Chargers S.L., which develops electric mobility solutions.

- "Venture Builder": Perseus launched a new initiative in 2020 to invest in and build electrification support businesses from scratch – in areas such as module, blade and battery recycling, and the circular economy – and in hard-to-decarbonise sectors such as industrial heat production and heavy transport. The first project to take shape has been Iberlyzer, which is set to become the first large-scale manufacturer-supplier of electrolysers in Spain. Iberlyzer will commence operations next year and plans to supply more than 200 MW of electrolysers by 2023, which will be destined for the second project of the alliance between Iberdrola and Fertiberia to produce green hydrogen.

Further information on the R&D&I projects in which Iberdrola is involved can be found under the Innovation section on the corporate website.

7. ACQUISITION AND DISPOSAL OF TREASURY SHARES

The Group's Treasury Share Policy establishes the following:

> Treasury share transactions are considered those transactions carried out by the Company, whether directly or through any of the Group's companies, the object of which are Company shares, as well as financial instruments or contracts of any type, whether or not traded in the stock market or other organised secondary markets, which grant the right to acquire, or the underlying assets of which are, Company shares.
>
> Treasury share transactions will always have legitimate purposes, such as, among others, to provide investors with liquidity and sufficient depth in the trading of Company shares, to execute treasury share purchase programmes approved by the Board of Directors or general shareholders' meeting resolutions, to fulfil legitimate commitments undertaken in advance or any other acceptable purposes in accordance with applicable regulations. Under no circumstances shall the purpose of the treasury share transaction be to interfere with the free establishment of prices. In particular, any conduct referred to in section 83.ter.1 of the Securities Market Act and section 2 of Royal Decree 1333/2005, of 11 November 2005, implementing Securities Market Law as to matters of market abuse, shall be avoided.
>
> The Group's treasury share transactions will not be carried out, under any circumstances, based on insider information.
>
> Treasury shares will be managed providing full transparency as regards relationships with market supervisors and regulatory bodies.

Note 22 to the consolidated annual financial statements presents the transactions in IBERDROLA treasury shares held by Group companies in the last financial years. Further information on transactions in financial years 2020 and 2019 is provided in the following chart:

Treasury stock	No. of shares	Millions of euros (nominal amount)	Millions of euros treasury share cost	Average price (euros)	Total shares	% of capital
Balance at 01.01.2019	**135,985,344**	**102**	**873**	6.42	**6,397,629,000**	**2.13**
Additions	172,369,618	129	1,402	8.13	–	–
Capital reduction	(280,457,000)	(210)	(2,015)	7.19	–	–
Iberdrola Flexible Remuneration system (1)	3,039,564	2	–	–	–	–
Disposals (2)	(6,561,151)	(5)	(42)	6.42	–	–
Balance at 31.12.2019	**24,376,375**	**18**	**218**	8.94	**6,362,072,000**	**0.38**
Additions	286,880,467	215	2,708	9.44	–	–
Capital reduction	(213,592,000)	(160)	(1,918)	8.98	–	–
Iberdrola Flexible Remuneration system (1)	693,281	1	–	–	–	–
Disposals (2)	(13,136,001)	(10)	(120)	9.12	–	–
Balance at 31.12.2020	**85,222,122**	**64**	**888**	**10.42**	**6,350,061,000**	**1.34**

(1) Shares received

(2) Includes awards to employees

Treasury shares of ScottishPower	No. of shares	Millions of euros (nominal amount)	Millions of euros treasury share cost	Average price (euros)	Total shares	% of capital
01.01.2019	**1,050,639**	**1**	**8**	7.69	**6,397,629,000**	**0.02**
Additions	256,592	–	2	8.55	–	–
Iberdrola Flexible Remuneration system (1)	110,714	–	–	–	–	–
Disposals (2)	(504,226)	–	(2)	4.62	–	–
31.12.2019	**913,719**	**1**	**8**	8.69	**6,362,072,000**	**0.01**
Additions	210,836	–	2	10.39	–	–
Iberdrola Flexible Remuneration system (1)	88,194	–	–	–	–	–
Disposals (2)	(397,104)	–	(2)	5.09	–	–
31.12.2020	**815,645**	**1**	**8**	**9.94**	**6,350,061,000**	**0.01**

(1) Shares received

(2) Includes awards to employees

During financial years 2020 and 2019, treasury shares held by the IBERDROLA Group were always below the legal limit.

Finally, the conditions and time periods of the current mandate given by the shareholders to the Board of Directors to acquire or transfer treasury shares are detailed below.

At the general meeting held on 13 April 2018, the shareholders resolved to expressly authorise the Board of Directors, with powers of substitution, pursuant to the provisions of section 146 of the Spanish Companies Act, to carry out the derivative acquisition of shares of Iberdrola, S.A. under the following conditions:

- Acquisitions may be made directly by the Company or indirectly through its subsidiaries under the same terms and conditions as those set forth in this resolution. The subsidiaries that carry out regulated activities pursuant to the provisions of Law 24/2013 of 26 December 2013 on the Electricity Sector and Law 34/1988 of 7 October 1988 on the Hydrocarbon Sector are excluded from this authorisation.

- Acquisitions may be made by means of purchase and sale transactions, swaps or any other transaction permitted by law.

- Acquisitions may be made up to the maximum threshold allowed by law at any time.

- Such acquisitions may not be made at a price higher than the market price or lower than the par value of the shares.

- This authorisation is granted for a period of five years as from the approval of this resolution.

- As a result of the acquisition of shares, including those which the Company or the person acting in their own name but on behalf of the Company has previously acquired and held in treasury, the resulting shareholders' equity cannot decrease below the amount of the share capital plus the restricted reserves required under law or the by-laws, all as provided in section 146.1.b) of the Spanish Companies Act.

The resolution expressly provides that the shares acquired under the aforementioned authorisation can be transferred or retired or used for the remuneration systems provided for in paragraph three of letter a) of section 146.1 of the Spanish Companies Act. They may also be used to develop programmes that encourage the acquisition of interests in the Company's share capital, such as dividend reinvestment plans, loyalty bonuses and other similar instruments.

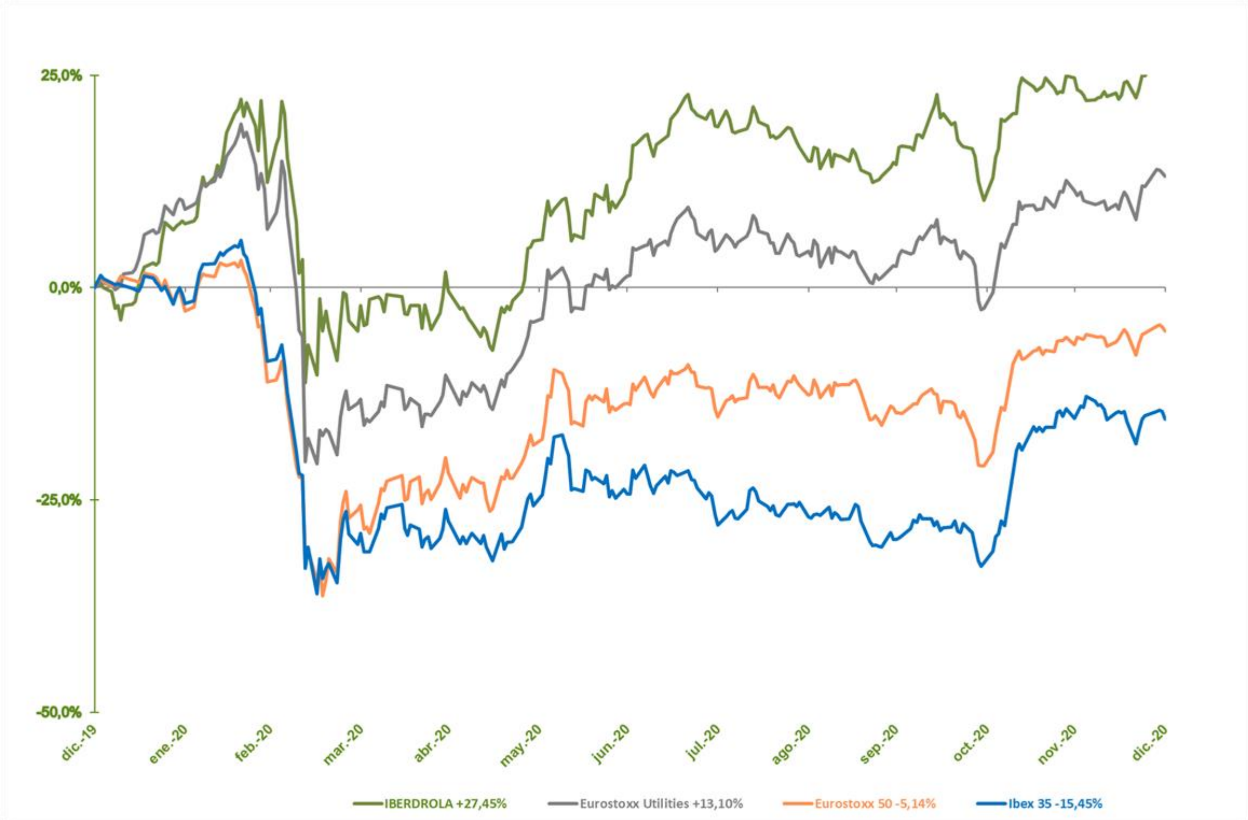
– **Stock market data**

		2020	2019
Stock market capitalisation (1)	Millions of euros	74,296	58,404
Earnings per share continuing operations	Euros	0.552	0.520
P.E.R. (share price at year end/profit per share)	Times	21.196	17.654
Price / Carrying amount (capitalisation on carrying amount at year end) (2)	Times	2.102	1.600

(1) 6,350,061,000 and 6,362,072,000 shares at 31 December 2020 and 2019, respectively.
(2) Capitalisation at 31 December 2020 (74,296) / Equity of the parent (35,353).Capitalisation at 31 December 2019 (58,404) / Equity of the parent (37,678).

– **The IBERDROLA share**

Stock market performance of IBERDROLA compared to indexes:



	2020	2019
Number of shares outstanding	6,350,061,000	6,362,072,000
Share price at period end	* 11.70	* 9.18
Average share price for the year	* 10.26	* 8.42
Average daily volume	* 16,539,716	* 16,320,416
Maximum volume (12/03/2020 - 20/09/2019)	* 65,237,950	* 57,528,271
Minimum volume (24/12/2020 - 24/12/2019)	* 1,247,598	* 2,303,761
Shareholder remuneration (Euros)	* 0.405	* 0.356
Gross interim dividend (05/02/2020 - 29/01/2019) (1)	* 0,168	* 0.151
Gross complementary dividend (04/08/2020 - and 04/08/2019) (2)	* 0.232	* 0.200
Attendance fees	* 0.005	* 0.005
Shareholders' profitability (3)	3.46%	3.88%

(1) Amount paid on account of the dividend under the Iberdrola Flexible Remuneration system.
(1) Final dividend under the Iberdrola Flexible Remuneration system.
(3) Interim dividend, final dividend and attendance fee for the General Shareholders' Meeting/period-end share price.

8. OTHER INFORMATION

8.1 Non-financial information and diversity

The statement of non-financial information, referred to in section 262 of the Spanish Companies Act and Article 49 of the Code of Commerce, is presented in a separate report called Statement of Non-financial Information. The consolidated sustainability report of IBERDROLA, S.A. and its subsidiaries for FY2019 expressly indicates that the information contained therein is part of this consolidated directors' report. Said document will be verified by an independent assurance provider and is subject to the same requirements in terms of approval, deposit and publication as this consolidated directors' report.

8.2 Fundación IBERDROLA

In 2020, the Group allocated EUR 12.3 million to financing various Group foundations.

The main recipient of the funding was Fundación IBERDROLA, which received a total of EUR 6.7 million. Extensive information on its goals and activities is available at www.fundacioniberdrola.org. Fundación IBERDROLA is a private, non-profit cultural foundation, founded by the Company. Its mission is to develop initiatives which effectively contribute to improving the quality of life of people in the regions and countries where the Group operates, especially in the areas of energy sustainability, art and culture, as well as community service and social initiatives. The foundation may act independently to achieve its goals and is fully functional and autonomous. Without prejudice to its collaboration with other entities, Fundación IBERDROLA coordinates and executes the Group's corporate social responsibility strategy, to the extent it is in line with the purpose for which it was created and as assigned thereto by the Board of Directors.

Fundación IBERDROLA coordinates social activity in the United Kingdom through the ScottishPower Foundation, to which EUR 1.6 million has been allocated; in the United States through the AVANGRID Foundation, to which EUR 2.3 million has been allocated; in Brazil through the IBERDROLA Brazil Institute, to which EUR 0.6 million has been allocated; and in Mexico through the Iberdrola Mexico Foundation, to which EUR 1.1 million has been allocated.

ANNUAL CORPORATE GOVERNANCE REPORT – 2020

The disclosures contained in this section of the Management Report are the same as the disclosures in the Annual Corporate Governance Report sent separately to the Spanish National Securities Market Commission for publication at www.cnmv.es.

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR-END DATE 31/12/2020

TAX IDENTIFICATION CODE (C.I.F.) A-48010615

Company Name: IBERDROLA, S.A.

Registered Office: Plaza Euskadi número 5
48009 Bilbao - Biscay - Spain

OF LISTED PUBLIC LIMITED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the table below with details of the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
29/07/2020	4,762,545,750	6,350,061,000	6,350,061,000

Indicate whether there are different classes of shares with different associated rights:

Yes ☐ **No X**

Remarks
On 2 February 2021, the share capital was increased to 4,813,617,000 euros, represented by 6,418,156,000 ordinary shares having a nominal value of 0.75 euro each, belonging to a single class and series, which are fully subscribed and paid up.

A.2 List the company's significant direct and indirect shareholders at year end, excluding directors:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK, INC.	0.00	5.14	0.00	0.02	5.16
NORGES BANK	3.60	0.00	0.00	0.00	3.60
QATAR INVESTMENT AUTHORITY	0.00	8.71	0.00	0.00	8.71

Remarks

Data at 31/12/2020.

According to available information, the approximate breakdown of the interests in the share capital by type of shareholder is as follows:

- Foreign investors 69.79%
- Domestic entities 8.17%
- Domestic retail investors 22.04%

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
BLACKROCK, INC.	BLACKROCK GROUP	5.14	0.02	5.16
QATAR INVESTMENT AUTHORITY	QATAR HOLDING LLC	6.28	0.00	6.28
QATAR INVESTMENT AUTHORITY	DIC HOLDING LLC	2.43	0.00	2.43

Indicate the most significant changes in the shareholder structure during the year:

Most significant movements		
Name or company name of shareholder	Date of change	Description of change
NORGES BANK	07-01-2020	Interest decreased to below 3%
NORGES BANK	13-01-2020	Interest increased to above 3%
BLACKROCK, INC.	18-06-2020	Voting rights attributed to the shares decreased to below 5%
BLACKROCK, INC.	19-06-2020	Voting rights attributed to the shares increased to above 5%
BLACKROCK, INC.	26-06-2020	Voting rights attributed to the shares decreased to below 5%
BLACKROCK, INC.	03-07-2020	Voting rights attributed to the shares increased to above 5%

The sources of the information provided are the notices sent by the shareholders to the CNMV and to the Company itself, the information contained in their respective annual reports and press releases, and the information that the Company obtains from Iberclear.

Pursuant to the provisions of Section 23.1 of Royal Decree 1362/2007 of 19 October, further developing Law 24/1988 of 28 July on the Securities Market, in connection with the transparency requirements relating to the information on issuers whose securities have been admitted to trading on an official secondary market or other regulated market in the European Union, it is deemed that the holder of a significant interest is a shareholder controlling at least 3% of voting rights.

A.3 Complete the following tables on members of the company's Board of Directors holding voting rights on the company's shares:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN MANUEL GONZÁLEZ SERNA		0.01			0.01		
MS MARÍA HELENA ANTOLÍN RAYBAUD							
MS SARA DE LA RICA GOIRICELAYA							
MR FRANCISCO MARTÍNEZ CÓRCOLES	0.01				0.01		
MR XABIER SAGREDO ORMAZA							
MS SAMANTHA BARBER							
MR MANUEL MOREU MUNAIZ							
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	0.12	0.06			0.18		
MR IÑIGO VÍCTOR DE ORIOL IBARRA	0.02				0.02		
MR JOSÉ WALFREDO FERNÁNDEZ							
MR ANTHONY L. GARDNER							
MS NICOLA MARY BREWER							
MS REGINA HELENA							

JORGE NUNES							
MR ÁNGEL JESÚS ACEBES PANIAGUA							

Total percentage of voting rights held by the Board of Directors	0.22

Remarks
The data reflected in this section is at the date of approval of this report. Pursuant to the provisions of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting and the evaluation by the Board of Directors, after a report from the Remuneration Committee, of the level of achievement of the objectives to which it is linked, the chairman & CEO may receive up to a maximum of 1,900,000 shares for his performance during the 2017-2019 period, to be paid, if appropriate, in three equal parts in 2020 (already paid), 2021 and 2022. The Business CEO may receive a maximum of 300,000 shares, to be paid, if appropriate, in three equal parts in 2020 (already paid), 2021 and 2022. Each of the deliveries of shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect. A new Strategic Bonus for the 2020-2022 period was approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020. Pursuant thereto, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the evaluation of the Company's performance during said period, to be paid, if appropriate, in 2023, 2024 and 2025. The Business CEO may receive up to a maximum of 300,000 shares, to be paid, if appropriate, in 2023, 2024 and 2025.

A.4 If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

A.5 If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
No data		

A.6 Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
No data			

Remarks
There are no directors appointed on behalf of significant shareholders or directors connected thereto or proposed by them for appointment.

A.7 Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes ☐ **No X**

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes ☐ **No X**

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes ☐ **No X**

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
85,222,122		1.34

(*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain significant changes
The Company sent to the CNMV three updates to its treasury share position in 2020 as a result of a change in the number of voting rights arising from corporate transactions: • On 6 February notices were provided of direct acquisitions of a total of 26,939,845 shares (0.417%), coinciding with the increase in capital resulting from the "Iberdrola Flexible Remuneration" programme. • On 8 July notices were provided of direct acquisitions of a total of 61,703,939 shares (0.989%), coinciding with the reduction in capital. • On 6 August notices were provided of direct acquisitions of a total of 196,191 shares (0.003%), coinciding with the increase in capital resulting from the "Iberdrola Flexible Remuneration" programme. During financial year 2020 the Company also provided two more notices arising from consecutive direct acquisitions of own shares due to said acquisitions exceeding 1% of voting rights since the preceding notice: • On 18 February notices were provided of direct acquisitions of a total of 75,462,635 shares (1.169%). • On 27 March notices were provided of direct acquisitions of a total of 66,415,807 shares (1.029%). In addition, on 4 January 2021 the Company notified the CNMV of direct acquisitions of own shares in the total amount of 80,216,494 shares (1.263%).

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The shareholders acting at the General Shareholders' Meeting held on 13 April 2018 resolved to expressly authorise the Board of Directors, with the power of substitution, pursuant to the Companies Act (*Ley de Sociedades de Capital*), to carry out the derivative acquisition of shares of Iberdrola on the following terms: a) Purchases may be made by Iberdrola directly, or indirectly through its subsidiaries. Subsidiaries carrying out regulated activities are excluded pursuant to the provisions of the Electricity Industry Act (*Ley del Sector Eléctrico*) and the Hydrocarbons Act (*Ley de Hidrocarburos*).

b) Purchases will be made using purchase/sale or swap transactions or any other means allowed by law.
c) Purchases may be made up to the maximum sum permitted by law (i.e. 10% of the share capital).
d) Purchases may not be made at a higher price than that quoted on the Stock Exchange or at a price lower than the share's nominal value.
e) The authorisation was granted for a period not to exceed five years as from the approval of the resolution.
f) As a result of the acquisition of shares, including those that the Company or the person acting in their own name but on behalf of the Company has previously acquired and held in treasury, the resulting shareholders' equity cannot decrease to below the amount of the share capital plus the restricted reserves required under law or the by-laws.

The shares, if any, purchased as a result of the aforementioned authorisation could be used for either transfer or retirement or could be applied to the remuneration systems provided for in the Companies Act; added to the foregoing alternatives was the possible development of programmes fostering the acquisition of interests in the Company, such as, for example, dividend reinvestment plans, loyalty bonuses or similar instruments.

Furthermore, at the General Shareholders' Meeting held on 2 April 2020, the shareholders resolved to authorise the Board of Directors to increase share capital upon the terms and within the limits set forth in Section 297.1.b) of the Companies Act. It was in turn authorised to issue debentures exchangeable for and/or convertible into shares and warrants in an amount of up to 5,000 million euros within a period of 5 years. Both authorisations included the power to exclude preemptive rights up to an overall maximum of 10% of the share capital.

A.11 Estimated floating capital: CAPITAL MANAGEMENT

	%
Estimated floating capital:	80.97%

A.12 Indicate whether there are any restrictions (articles of association, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes X **No** ☐

Description of restrictions
Those having an interest equal to or greater than 3% of the capital or voting rights of two or more companies that have the status of principal operator in certain markets or sectors (including the generation and supply of electricity) may not exercise rights in excess of such percentage in more than one entity. Article 29.2 of the By-Laws provides that no shareholder may cast a number of votes greater than those corresponding to shares representing 10% of the share capital. According to Article 28, a shareholder may not exercise their right to vote at the General Shareholders' Meeting if the resolution to be approved is intended to: (a) relieve the shareholder of an obligation or grant the shareholder a right; (b) provide the shareholder with any kind of financial assistance, including the provision of guarantees in favour thereof; or (c) release the shareholder, if a director, from obligations arising from the duty of loyalty as provided by law. Article 50 of the By-Laws provides that the by-law restrictions against the exercise of voting rights by shareholders affected by conflicts of interest established in Article 28 above and the limitation on the maximum number of votes that may be cast by a single shareholder contained in sections 2 and 4 of Article 29 above shall be deprived of effect upon the occurrence of certain circumstances in the case of a takeover bid. Furthermore, Section 527 of the Companies Act provides that at listed companies (*sociedades anónimas cotizadas*), the by-law provisions that directly or indirectly set, as a general rule, the maximum number of votes that may be cast by a single shareholder, by the companies belonging to the same group or by those acting in concert with the foregoing shall be of no effect when, following a takeover bid, the bidder has reached a percentage that is equal to or greater than 70% of the voting share capital, unless such bidder is not subject to equivalent breakthrough measures or has not adopted them. Pursuant to U.S. law, due to the business carried out by Avangrid, Inc. (a company belonging to the Iberdrola group) in that country, the acquisition of an interest giving rise to the holding of 10% or more of the share capital of Iberdrola will be subject to the prior approval of certain U.S. regulatory authorities. Pursuant to Australia's Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA), the acquisition of an interest in at least 20% of the share capital of Iberdrola by a person, alone or with one or more associates, may require prior approval by the Australian Treasurer, due to Iberdrola group's ownership of Infigen Energy and other Australian renewable energy assets. Furthermore, the Australian Treasurer also has powers under the FATA in certain circumstances if prior approval is not obtained where a person alone or with one or more associates acquires an interest in: (i) at least 10% in Iberdrola; (ii) at least 5% of Iberdrola and has entered into a legal arrangement relating to that person's business and Iberdrola or its business; or (ii) any percentage of Iberdrola's share capital, and the person, alone or with one or more associates, is in a position to influence or participate in Iberdrola's central management and control. Among the measures adopted by the Spanish Government in view of the economic consequences of the COVID-19 pandemic, as from 18 March 2020 the prior approval of the Council of Ministers is required for the acquisition of a stake equal

to or greater than 10% of the share capital of Spanish companies in the energy infrastructure and energy supply sectors, among others, by residents of countries outside the EU and EFTA (Sect. 7 *bis* of Law 19/2003, of 4 July), and from 19 November 2020 until 30 June 2021 this will also apply to foreign direct investments in listed companies in Spain from residents of countries other than the EU and the EFTA if the value of the investment exceeds 500 million euros (sole transitional provision of Royal Decree-law 34/2020 of 17 November).

A.13 Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

Yes ☐ **No X**

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market.

Yes ☐ **No X**

If so, indicate each share class and the rights and obligations conferred.

B GENERAL SHAREHOLDERS' MEETING

B.1 Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

Yes X **No** ☐

	% quorum different from that established in Article 193 of the Spanish Corporate Enterprises Act for general matters	% quorum different from that established in Article 194 of the Spanish Corporate Enterprises Act for special resolutions
Quorum required at 1st call	0.00	66.67
Quorum required at 2nd call	0.00	60.00

Description of differences
Article 21.2 of the By-Laws increases the quorum required to hold a valid meeting "in order to adopt resolutions regarding a change in the object of the Company, transformation, total split-off, dissolution of the Company, and the amendment of this section 2", in which case "shareholders representing two-thirds of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders' Meeting, and shareholders representing sixty per cent of such share capital must be in attendance at the second call".

B.2 Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes X **No** ☐

Describe how it is different from the regime provided in the Spanish Corporate Enterprises Act.

	Qualified majority different from that established in Article 201.2 of the Spanish Corporate Enterprises Act for matters referred to by Article 194.1 of said Act	Other matters requiring a qualified majority
% established by the company for the adoption of resolutions	75.00	75.00

Describe the differences
Article 52 of the By-Laws provides that all resolutions intended to eliminate or amend the provisions contained in title IV (breakthrough of restrictions in the event of takeover bids), in Article 28 (conflicts of interest), and in sections 2 to 4 of Article 29 (limitation upon the maximum number of votes that a shareholder may cast) shall require the affirmative vote of three-fourths (3/4) of the share capital present in person or by proxy at a General Shareholders' Meeting.

B.3 Indicate the rules for amending the company's articles of association. In particular, indicate the majorities required for amendment of the articles of association and any provisions in place to protect shareholders' rights in the event of amendments to the articles of association.

In addition to the provisions of Section 285 *et seq.* of the Companies Act, the By-Laws of Iberdrola contain Articles 21.2 (qualified quorum) and 52 (qualified majority) mentioned in sections B.1 and B.2 above.

B.4 Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

	Attendance data				
Date of general meeting	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
13/04/2018	0.33	71.44	0.27	4.05	76.09
Of which floating capital:	0.23	62.90	0.27	4.05	67.45
29/03/2019	9.00	61.40	0.33	3.39	74.12
Of which floating capital:	0.55	61.17	0.33	3.39	65.44
02/04/2020	0.00	69.69	1.53	5.82	77.04
Of which floating capital:	0.00	58.01	1.41	5.82	65.24

Remarks

The 2020 Meeting was held online, without the physical presence of the shareholders. The shareholders were able to attend and vote online during the Meeting, as well as to electronically vote prior to the Meeting (votes reflected in the "Electronic vote" column). They were also able to vote remotely before the Meeting through depositories and custodians, the postal channel and the telephone channel (votes reflected in the "Others" column).

In the columns corresponding to the 2019 Meeting and the 2018 Meeting, the "Other" column also includes absentee votes received through shareholder service points set up by the Company in various cities. These premises were not made available in 2020.

Free float percentages have been calculated by dividing the shares represented in person and by proxy less those belonging to significant shareholders and directors participating at each Meeting, according to the information available in the list of attendees, by the total shares outstanding as at the date of the Meeting. For these purposes, significant interests deposited in omnibus accounts (not opened in the name of the owners of such interests) are not subtracted from the shares present in person or by proxy, except in cases in which the significant shareholder notified the Company of the shareholder's participation in the Meeting.

B.5 Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.

Yes ☐ **No X**

B.6 Indicate whether the articles of association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes ☐ **No X**

B.7 Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

Yes X **No** ☐

Explain the decisions that must be submitted to the General Shareholders' Meeting, other than those established by law
Sections t), u) and v) of Article 17 of the By-Laws provide that the shareholders acting at a General Shareholders' Meeting will decide the following issues, among others: t) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof. u) The acquisition, transfer or contribution of key assets from or to another company. v) The approval of transactions having an effect equivalent to liquidation of the Company.

B.8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

https://www.iberdrola.com/corporate-governance

C STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the articles of association and the number set by the general meeting:

Maximum number of directors	14
Minimum number of directors	9
Number of directors set by the general meeting	14

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
MR JUAN MANUEL GONZÁLEZ SERNA		Independent	Vice-Chair	31/03/2017	31/03/2017	Resolution of Shareholders at General Meeting
MS MARÍA HELENA ANTOLÍN RAYBAUD		Independent	Director	26/03/2010	29/03/2019	Resolution of Shareholders at General Meeting
MS SARA DE LA RICA GOIRICELAYA		Independent	Director	29/03/2019	29/03/2019	Resolution of Shareholders at General Meeting
MR FRANCISCO MARTÍNEZ CÓRCOLES		Executive	Director	31/03/2017	31/03/2017	Resolution of Shareholders at General Meeting
MR XABIER SAGREDO ORMAZA		Independent	Director	08/04/2016	29/03/2019	Resolution of Shareholders at General Meeting
MS SAMANTHA BARBER		Other external	Director	31/07/2008	02/04/2020	Resolution of Shareholders at General Meeting
MR MANUEL MOREU MUNAIZ		Independent	Director	17/02/2015	29/03/2019	Resolution of Shareholders at General Meeting
MR JOSÉ IGNACIO SÁNCHEZ GALÁN		Executive	Chairman/CEO	21/05/2001	29/03/2019	Resolution of Shareholders at General Meeting
MR IÑIGO VÍCTOR DE ORIOL IBARRA		Other external	Director	26/04/2006	02/04/2020	Resolution of Shareholders at General Meeting

MR JOSÉ WALFREDO FERNÁNDEZ		Independent	Director	17/02/2015	29/03/2019	Resolution of Shareholders at General Meeting
MR ANTHONY L. GARDNER		Independent	Director	13/04/2018	13/04/2018	Resolution of Shareholders at General Meeting
MS NICOLA MARY BREWER		Independent	Director	02/04/2020	02/04/2020	Resolution of Shareholders at General Meeting
MS REGINA HELENA JORGE NUNES		Independent	Director	02/04/2020	02/04/2020	Resolution of Shareholders at General Meeting
MR ÁNGEL JESÚS ACEBES PANIAGUA		Independent	Director	20/10/2020	20/10/2020	Interim appointment (co-option)

Total number of directors	14

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	**Category of the director at the time of cessation**	**Date of last appointment**	**Date of cessation**	**Specialised committees of which he/she was a member**	**Indicate whether the director left before the end of his or her term of office**
MS INÉS MACHO STADLER	Other external	08/04/2016	02/04/2020	Executive Committee and Remuneration Committee	YES
MS DENISE MARY HOLT	Independent	29/03/2019	02/04/2020	Audit and Risk Supervision Committee	YES
MS GEORGINA KESSEL MARTÍNEZ	Independent	13/04/2018	20/10/2020	Audit and Risk Supervision Committee	YES

Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of non-executive directors, explanation or opinion of the director dismissed by the general meeting
Ms Georgina Kessel Martínez and Ms Denise Mary Holt left the Board of Directors in accordance with the succession plan for non-executive directors provided for in the Corporate Governance Policy and in the Board of Directors Diversity and Member Selection Policy after reaching the age of seventy. Ms Inés Macho Stadler resigned after fourteen years as a director at the end of her third term, after she lost her status as an independent director. All of them sent a corresponding letter to the chairman of the Board of Directors.

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisation chart of the company	Profile
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Chairman & CEO	Salamanca, Spain, 1950. Other current positions and professional activities He is the chairman of the boards of directors of the country subholding companies of the Iberdrola group in the United Kingdom (Scottish Power Ltd.), the United States (Avangrid, Inc., a NYSE-listed company) and Brazil (Neoenergia, S.A., a company listed on the BOVESPA). He is a member of the group of top utility executives of the World Economic Forum (Davos), which he has chaired, and of the Steering Committee of the European Round Table of Industrialists and of the J.P. Morgan International Council. Academic training He graduated as an Industrial Engineer from the Technical Engineering School of Universidad Pontificia Comillas (Madrid). He has received honorary doctorate degrees from the universities of Salamanca, Edinburgh, and Strathclyde (Glasgow). He has been on the faculty of Escuela Técnica Superior de Ingeniería (ICAI), and is currently a visiting professor at the University of Strathclyde, chairman of the Social Council of the University of Salamanca, a member of the Dean's Advisory Council of the Massachusetts Institute of Technology (MIT) and a trustee of the Comillas-ICAI University Foundation. Noteworthy experience in the energy and industrial engineering sector He has served as chief operating officer of Industria de Turbo Propulsores, S.A. (ITP) and as

		chairman of the European aerospace consortium Eurojet, headquartered in Germany. He has also held various positions at Sociedad Española del Acumulador Tudor, S.A. (now, Exide Group), engaged in the manufacture and sale of batteries. Noteworthy experience in other industries He has been chief executive officer of Airtel Móvil, S.A. (now, Vodafone España, S.A.U.) and a member of the Supervisory Board of Nutreco Holding N.V., a listed company in The Netherlands, active in the food industry. Other information Amongst other recognitions, in 2020 he received the Management Leadership Award of the Spanish Association for Quality (AEC) and the Economic Personality of the Year Award from elEconomista. In 2019 he was selected as one of the five best-performing CEOs in the world and the top in the utilities sector by Harvard Business Review, and he was recognised by Bloomberg as one of the 30 most influential leaders in the fight against climate change. That year he also received the National Innovation and Design Award in the Innovative Career category from the Spanish Ministry of Science, Innovation and Universities, an Honourable Mention for his professional career from the Colegio Oficial de Ingenieros Industriales de Madrid, and the designation of Universal Spaniard by Fundación Independiente. In 2018 he was appointed as an Honorary Member of the Spanish Institute of Engineering. In 2017 he was named Best Chief Executive Officer (CEO) within the utilities category (for the eleventh time) by the Institutional Investor Research Group.

		In 2014 he was distinguished by Queen Elizabeth II with the title Commander of the Most Excellent Order of the British Empire and received the international Responsible Capitalism award from the First Group. In 2011 he was named Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thomson Extel Survey. In 2008 he was named Business Leader of the Year by the Spain-U.S. Chamber of Commerce and was awarded the 2008 International Economy Prize by Fundación Cristóbal Gabarrón. In 2006 he was named Best CEO of the Year at the Platts Global Energy Awards. He was given the Award for Best CEO in Investor Relations by IR Magazine for three years in a row (2003-2005).
MR FRANCISCO MARTÍNEZ CÓRCOLES	Business CEO	Alicante, Spain, 1956. Other current positions and professional activities He is chairman of Iberdrola España, S.A., and Iberdrola Energía Internacional, S.A. (Sociedad Unipersonal), as well as a director of Iberdrola México, S.A. de C.V. He is also a member of Merit of the National Association of Engineers of the Escuela Técnica Superior de Ingeniería (ICAI). Academic training Industrial Engineer specialising in Electricity from the ICAI (Universidad Pontificia Comillas, Madrid) and Master in Business Management from IESE Business School (Universidad de Navarra). Noteworthy experience in the energy and industrial engineering sector He spent his professional career at Compañía Sevillana de Electricidad, S.A. until joining Hidroeléctrica Española, S.A., and then, after the merger with

		Iberduero, S.A., Iberdrola, S.A., where he has been director of the Production Market, director of the Wholesale Energy Markets Business Unit, and general director of the Liberalised Energy Business of the group, with overall responsibility for all of the Wholesale, Retail and Energy Management businesses of the Iberdrola group. In June 2014 he was appointed Business CEO of the Iberdrola group, with overall responsibility for all of the group's businesses worldwide. He has held the position of chairman of Elektro Holding, S.A., of Iberdrola Generación, S.A. (Sociedad Unipersonal), of Iberdrola Generación México, S.A. de C.V. and of Scottish Power Generation Holdings Ltd. and has been a member of the board of Compañía Operadora del Mercado Eléctrico Español, S.A., Elcogas, S.A. and Iberdrola Ingeniería y Construcción, S.A. (Sociedad Unipersonal). He was also a member of the Board of Directors of the Spanish Electric Industry Association (*Asociación Española de la Industria Eléctrica*) (UNESA). <u>Noteworthy experience in other industries</u> He began his professional career at the Systems Division of Arthur Andersen. He has been a member of the advisory board of the International University of Bremen (Germany) and vice president of the Energy and Natural Resources Committee of the Spanish Institute of Engineering. <u>Other information</u> He has been awarded the Javier Benjumea Prize of the National Association of Engineers of ICAI in its XVII edition and with the Gold Medal of the Spanish Nuclear Society.

Total number of executive directors	2
Percentage of Board	14.29

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
No data		

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Profile
MR JUAN MANUEL GONZÁLEZ SERNA	Madrid, Spain, 1955. Other current positions and professional activities He is the chairman of Cerealto Siro Foods, a business group in the food sector, and a member of the Governing Board of the Spanish Commercial Coding Association (*Asociación Española de Codificación Comercial*) (AECOC). He is a founding trustee and chairman of Fundación Grupo SIRO as well as a member of the Executive Committee and trustee of Fundación SERES, an honorary member of the General Assembly of the Spanish Paralympics Committee, a trustee of the Fundación Casa Ducal de Medinaceli, and honorary president of Empresa Familiar de Castilla y León. Academic training Degree in Law, Economics and Business Studies from the Instituto Católico de Administración y Dirección de Empresas (ICADE) of Universidad Pontificia Comillas (Madrid) and Masters in Business Administration (MBA) from the Instituto de Estudios Superiores de la Empresa de la Universidad de Navarra (IESE Business School). Noteworthy experience in the energy and industrial engineering sector He has been an independent director of Iberdrola España, S.A. (Sociedad Unipersonal) and of Iberdrola Renovables, S.A., as well as chair of the Appointments and Remuneration Committee of the latter company. Noteworthy experience in other industries He also has extensive experience in the finance, venture capital and health sectors. He is a

	member of the advisory board of Rabobank in Spain and Europe and has been a member of the board of Banco Urquijo Sabadell Banca Privada, S.A. and of Sociedad para el Desarrollo Industrial de Castilla y León, Sociedad de Capital Riesgo, S.A. (SODICAL, now Ade Capital Social, Sociedad de Capital Riesgo de Régimen Común, S.A.). He is also a member of the board of directors of the HM Hospitales Group.
MS MARÍA HELENA ANTOLÍN RAYBAUD	Toulon, France, 1966. <u>Other current positions and professional activities</u> She is vice-chair of the Board of Directors and member of the Management Committee of Grupo Antolín Irausa, S.A. She is also the president of the Spanish Association of Automotive Equipment and Component Manufacturers (*Asociación Española de Fabricantes de Equipos y Componentes para Automoción*) (Sernauto), vice president of the Excellence in Management Club (*Club de Excelencia en la Gestión*), a member of the Advisory Board of SabadellUrquijo Banca Privada, a member of the Executive Committee of the Spanish Confederation of Business Organisations (*Confederación Española de Organizaciones Empresariales*) (CEOE), a board member of France Foreign Trade (*Comercio Exterior de Francia*), Spain section, and a member of the Plenary Committee of the Spanish Chamber of Commerce. <u>Academic training</u> Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida (United States), and a Master of Business Administration from Anglia University, Cambridge (United Kingdom) and from Escuela Politécnica de Valencia (Spain). <u>Noteworthy experience in the energy and industrial engineering sector</u> She has served as an external independent director of Iberdrola Renovables, S.A. and a member of its Related-Party Transactions Committee. She has been in charge of the corporate Industrial and Strategy Divisions of Grupo Antolín Irausa, S.A., where she has also been a director of Human Resources and the head of Total Quality.
MS SARA DE LA RICA GOIRICELAYA	Bilbao, Spain, 1963. <u>Other current positions and professional activities</u>

	She is a director of Fundación ISEAK (Initiative for Socio-economic Analysis and Knowledge), a member of the Think Tank of AMETIC (*Asociación Multisectorial de Empresas de la Electrónica, las Tecnologías de la Información y la Comunicación, de las Telecomunicaciones y de los Contenidos Digitales*), and an honorary member of the Spanish Economics Association (*Asociación Española de Economía*). She is also an associate researcher for CreAM (Centre for Research and Analysis of Migration - University College of London) and IZA (Institute of Labor Economics - Bonn). She is a member of the Economic Affairs Advisory Commission, which advises the Third Vice-President of the Government of Spain and Minister for the Economy and Digital Transformation, as well as member of the Advisory Commission to the Ministry of Work and Social Economy on the matter of Minimum Interprofessional Salary. <u>Academic training</u> With a PhD in Economics from the University of the Basque Country and currently a professor at this institution, she has dedicated a large portion of her professional life to the study of and search for solutions on issues such as immigration, the labour market, gender equality and poverty. She regularly publishes academic articles in domestic and international magazines dealing with economic subjects, mainly related to labour, and participates in conferences and seminars and supervises graduate students in their dissertations. <u>Noteworthy experience in the energy and industrial engineering sector</u> She has been a member of the Appointments Committee of Iberdrola, S.A. She has also been an independent director of Iberdrola España, S.A. (Sociedad Unipersonal), the country subholding company of the energy businesses in Spain. <u>Noteworthy experience in other industries</u> She has been president of the European Society for Population Economics and a member of its Executive Committee, chair of the Committee on the Situation of Women in Economics (COSME), and a member of the Economic and Social Council (CES). She has also been the secretary of the Spanish Economics Association (AEE). She has also been a member of the Scientific Advisory Board of Fundación Gadea and of the

	Scientific Committee of the Basque Institute for the Evaluation of the Educational System (IVEI-ISEI). Furthermore, she has been a member of the Board of Directors of Basquetour, Turismoaren Euskal Agentzia, Agencia Vasca de Turismo, S.A., a government-owned company of the Department of Tourism, Trade and Consumption of the Basque Government, created to lead the promotion and implementation of the competitiveness strategy of Basque tourism. She has worked on editorial boards and/or research project review boards. In 2018 she was given the "2018 Basque Economist Award" (*Ekonomistak Saria 2018*) by the Basque Association of Economists (*Colegio Vasco de Economistas*).
MR XABIER SAGREDO ORMAZA	Portugalete, Spain, 1972. Other current positions and professional activities He is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa and of BBK Fundazioa. He is also a trustee of Biocruces Sanitary Research Institute, of the Bilbao Museum of Fines Arts and of the Guggenheim Foundation, at which he also serves as member of the Executive Committee. He is a member of the Board of Directors of the Orkestra Basque Institute of Competitiveness and of the Management Council of Universidad de Deusto, and is a visiting professor at various institutions. Academic training Degree in Economics and Business from Universidad del País Vasco, with a major in Finance, and holder of postgraduate degrees in various areas. Noteworthy experience in the energy and industrial engineering sector He has been a director of Iberdrola Generación, S.A. (Sociedad Unipersonal) and a member of its Audit and Compliance Committee. He was a director of Iberdrola Distribución Eléctrica, S.A. (Sociedad Unipersonal), at which he has held the position of chair of the Audit and Compliance Committee. Noteworthy experience in other industries He has been the director of the Expansion and Assets area of the credit institution Ipar Kutxa, managing director of the concessionaire Transitia

	and a member of the Board of the Bilbao Port Authority. In addition, he has been chair and vice-chair of the Board of Directors of Caja de Ahorros Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK) and chair of its Audit Committee, as well as chair of the Board of Trustees of Fundación Eragintza.
MR MANUEL MOREU MUNAIZ	Pontevedra, Spain, 1953. <u>Other current positions and professional activities</u> He is president of the Seaplace, S.L., sole director of H.I. de Iberia Ingeniería y Proyectos, S.L. and of Howard Ingeniería y Desarrollo, S.L., a director of Tubacex, S.A. and a member of the Spanish Committee of Lloyd's Register EMEA. He is a professor of the Master's Programme in Oil at Universidad Politécnica de Madrid (ETSIM), of the Maritime Master's Programme of Instituto Marítimo Español and of Universidad Pontificia Comillas. <u>Academic training</u> Doctorate in naval engineering from Escuela Técnica Superior de Ingenieros Navales (ETSIN) of the Universidad Politécnica de Madrid, and Master's degree in Oceanic Engineering from the Massachusetts Institute of Technology (MIT). <u>Noteworthy experience in the energy and industrial engineering sector</u> He has been a member of the Sustainable Development Committee of Iberdrola, S.A., of the Board of Directors of Iberdrola Renovables, S.A. and a director and member of the Audit and Compliance Committee of Gamesa Corporación Tecnológica, S.A. (now Siemens Gamesa Renewable Energy, S.A.). <u>Noteworthy experience in other industries</u> He has been a member of the board of Metalships and Docks, S.A., Neumáticas de Vigo, S.A. and Rodman Polyships, S.A., dean of the Colegio Oficial de Ingenieros Navales y Oceánicos de Madrid y de España, president of the Spanish Institute of Engineering, and a professor of the Escuela Técnica Superior de Ingenieros Navales of the Universidad Politécnica de Madrid and for the Repsol's Masters programme in oil.
MR JOSÉ WALFREDO FERNÁNDEZ	Cienfuegos, Cuba, 1955. <u>Other current positions and professional activities</u>

	He is a partner of Gibson, Dunn & Crutcher and a member of the board of directors of the Council of the Americas and the Center for American Progress. Academic training Degree in History from Dartmouth College (New Hampshire, United States), and Juris Doctor from Columbia University (New York, United States). Noteworthy experience in the energy and industrial engineering sector He has been Assistant Secretary of State for Economic, Energy and Business Affairs for the United States. He has also been an independent director of Iberdrola USA, Inc. He has also been an independent director of Iberdrola USA, Inc. Noteworthy experience in other industries He has served on the boards of Dartmouth College, NPR Station WBGO-FM, the Middle East Institute and Ballet Hispánico of New York and of non-governmental institutions such as Acción Internacional. He has also been the State Department's representative on the Committee on Foreign Investment in the United States. Other information He was named one of the "World's Leading Lawyers" by Chambers Global for his M&A work, an "Expert" by the International Financial Law Review, one of the "World's Leading Privatization Lawyers" by Euromoney, and "Embajador de la Marca España" (Ambassador of the Spain Brand).
MR ANTHONY L. GARDNER	Washington D.C., United States, 1963. Other current positions and professional activities He is a member of the Private Equity team of Brookfield Business Partners LP, senior adviser at the consulting firm Brunswick Group, LLP and senior counsel in the law firm Sidley Austin LLP, where he works in the International Trade and Privacy and Cybersecurity areas. He is also an adviser to the Bill and Melinda Gates Foundation and a member of the advisory boards of the Centre for European Reform, the German Marshall Fund and the European Policy Centre. Academic training He studied Government at Harvard University and International Relations at the University of Oxford.

	He holds a Juris Doctor degree from Columbia Law School and a Masters in Finance from London Business School. <u>Noteworthy experience in the energy and industrial engineering sector</u> He has been a member of the Sustainable Development Committee of Iberdrola, S.A. He has also been an independent director of Scottish Power, Ltd and a member of that company's Audit and Compliance Committee. <u>Noteworthy experience in other industries</u> He was the US ambassador to the European Union from 2014 to 2017. Prior to that appointment, for six years he was the managing director at Palamon Capital Partners, a private equity firm based in London. He was also the director of one of the finance departments of Bank of America and of GE Capital, as well as director in the international acquisitions group of GE International. He has worked as an attorney at international law firms in London, Paris, New York and Brussels. He has dedicated more than twenty years of his career to US-European affairs, as a government official, lawyer and investor. As Director for European Affairs on the National Security Council (1994-1995), he worked closely with the US Mission to the European Union to launch the New Transatlantic Agenda. He previously worked with the Treuhandanstalt (German Privatisation Ministry) in Berlin, the Stock Exchange Operations Committee in Paris and as secondee for the European Commission in Brussels. He was also a member of the board of directors of Brookfield Business Partners L.P.
MS NICOLA MARY BREWER	Taplow, United Kingdom, 1957 <u>Other current positions and professional activities</u> Non-executive director of Aggreko plc. <u>Academic training</u> Educated at the Belfast Royal Academy and read English at the University of Leeds, graduating with a BA in 1980, then taking a Doctorate in linguistics in 1988. Granted an Honorary Doctorate of Laws from the University of Leeds in 2009. <u>Noteworthy experience in the energy and industrial engineering sector</u>

	She has held the position of independent director at Scottish Power Ltd., the country subholding company of the energy businesses in the United Kingdom. Noteworthy experience in other industries She was a diplomat until 2014, having been the Founding Director of the Diplomatic Academy of the Foreign and Commonwealth Office ("FCO") of the British government. In 2009, she succeeded Mr Paul Boateng as British High Commissioner to South Africa, Swaziland and Lesotho, completing her mission in September 2013. In December 2006, she was appointed by open competition as the first Chief Executive of the newly established Equality and Human Rights Commission, the successor body to the Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission, taking up her new position in 2007 and standing down in 2009. In 2004, she was appointed Director-General for Europe at the FCO, leading the FCO's contribution to the UK's 2005 Presidency of the European Union, advising the Foreign Secretary and the Minister on the European Union and other European policy issues. She served as the FCO's Director for Global Issues from 2001 to 2002, and then as Director-General for Regional Programmes at the Department for International Development (DfID), the DfID board member supervising the UK's overseas bilateral aid programmes. She joined the FCO in 1983, completing overseas postings in South Africa, India, France and Mexico. She was appointed Companion of the Order of St Michael and St George (CMG) in the 2003 New Year Honours and Dame Commander of the Order of St Michael and St George (DCMG) in the 2011 Birthday Honours. She was vice-provost (international) at University College London from 2014 to 2020.
MS REGINA HELENA JORGE NUNES	São Paulo, Brazil, 1965 Other current positions and professional activities She is a partner of RNA Capital and a member of the risk and capital committee of the Bank of Brazil. She is also an independent director of IRB-

	Brasil Resseguros, S.A. and is a member of its Risk & Solvency Committee and of its Investments, Capital Structure and Dividend Committee. Academic training Degree in Business Administration from Mackenzie University. She attended courses in Trade Finance and Corporate Finance at the School of Continuing Studies at New York University, Leadership at Columbia University and International, Global and Multinational Business Development at INSEAD Fontainebleau. Noteworthy experience in the energy and industrial engineering sector She has held the position of independent director at Neoenergia S.A., the country subholding company of the energy businesses in Brazil. She has been an independent director and member of the audit committee of Companhia Distribuidora de Gás do Rio de Janeiro (CEG), the main activity of which is the distribution and retail sale of natural gas in the State of Rio de Janeiro (Brazil). Noteworthy experience in other industries She has more than 30 years of experience in the domestic and international financial market. She has been a member of the advisory board of Mercado Eletrônico, a company dedicated to electronic B2B commerce. She served for 20 years at S&P Global Ratings. She was president of operation in Brazil and Argentina, and was Head of the Southern Cone in Latin America, Deputy-Head in Latin America, board member of BRC Ratings (Colombia) and head of Global Development Markets. Before joining S&P, she also worked at other financial institutions such as Chase Manhattan and Citibank in the areas of credit and risk analysis. At the Commercial Bank of New York, she led the Correspondent Banking and Risk (Trade Finance) Areas focused on Latin America. For three years, she was an independent consultant in Brazil, having worked on privatisation programmes, investments of international funds in the Brazilian market, M&A and financial engineering projects.
MR ÁNGEL JESÚS ACEBES PANIAGUA	Ávila, Spain, 1958 Other current positions and professional activities He is chairman and founding partner of MA Abogados Estudio Jurídico, S.L.P., as well as sole director and professional partner of Doble A

	Estudios y Análisis, S.L.P. He is also a trustee of Fundación para el Análisis y Estudios Sociales (FAES) and of Fundación Universitaria Teresa de Ávila. <u>Academic training</u> Degree in Law from Universidad de Salamanca. <u>Noteworthy experience in the energy and industrial engineering sector</u> As a lawyer, he has advised companies in the energy and the industrial and technology sectors, among others. From 2012 to 2019 he was an independent director of Iberdrola, S.A. (during part of that period, he was also a member of the Executive Committee and of the Appointments Committee). After the IPO flotation of Bankia, S.A., he was a director of Banco Financiero y de Ahorros, S.A. (“BFA”), acting as chairman of its Audit and Compliance Committee. He also has significant knowledge of the regulatory area due to his work as a member of the Council of Ministers of the Government of Spain, a senator and a national deputy. <u>Noteworthy experience in other industries</u> He has served on the board of Caja Madrid Cibeles, S.A., which manages the investments of Grupo Caja Madrid in other companies with activities in the financial and insurance sectors, as well as the retail banking sector outside of Spain. In the institutional arena, he has been Minister for Public Administrations, Minister of Justice, and Minister of the Interior of the Spanish Government.

Total number of independent directors	10
Percentage of Board	71.43

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
MR IÑIGO VÍCTOR DE ORIOL IBARRA	More than 12 years have passed since appointment	IBERDROLA	Madrid, Spain, 1962. Academic training Bachelor of Arts in International Business from Schiller International University (Madrid), a graduate of the Executive Corporate Management Programme of IESE Business School, and Certified European Financial Analyst (CEFA) from Instituto Español de Analistas Financieros. Noteworthy experience in the energy and industrial engineering sector He has been chair of Electricidad de La Paz, S.A. (Bolivia), of Empresa de Luz y Fuerza Eléctrica de Oruro, S.A. (Bolivia) and of Iberoamericana de Energía Ibener, S.A. (Chile), as well as a member of the board of Empresa de Alumbrado Eléctrico de Ceuta, S.A., Neoenergia S.A. (Brazil) and of Empresa Eléctrica de Guatemala, S.A. He has also been a member of the Appointments Committee and of the Sustainable Development Committee of Iberdrola, S.A., director of Corporate Governance for the Americas of Iberdrola, S.A., director of Management Control at Amara, S.A., and a financial

			analyst in the Financial Division and the International Division of Iberdrola, S.A. Noteworthy experience in other industries He has been chair of Empresa de Servicios Sanitarios de Los Lagos, S.A. (ESSAL) in Chile.
MS SAMANTHA BARBER	More than 12 years have passed since appointment	IBERDROLA	Dunfermline, Scotland, 1969. Other current positions and professional activities She is the chair of Scottish Ensemble, member of the Board of Scottish Water and chair of its Remuneration Committee, mentor member of Critical Eye, and member of the GlobalScot Network and of the Advisory Board for the Imperial College London MBA. She also performs advisory and business coaching work. Academic training Bachelor of Arts in Applied Foreign Languages and European Politics from the University of Northumbria, Newcastle (England, United Kingdom) and Post-Graduate degree in EU Law from the University of Nancy (France). Noteworthy experience in the energy and industrial engineering sector She has been chair of the Sustainable Development Committee of Iberdrola, S.A., as well as a member of the Advisory Council of Scottish Power Ltd. following the integration of the Scottish company into the Iberdrola group. Noteworthy experience in other industries She has been a consultant within the European Parliament, where she provided support to the Economic and Monetary Affairs Committee, a board

			member of Business for Scotland, chief executive of Scottish Business in the Community and vice chair of the business-led 2020 Leadership Group on Climate Change in Scotland. She has also been a member of the Advisory Board of Breakthrough Breast Cancer and of the Board of Directors of Right Track Scotland, an organisation dedicated to advancing educational, training and employment opportunities for youths at risk of social exclusion. Other information She was chosen as one of the "Top 100 Women to Watch" according to the FTSE list and Cranfield University, and was a finalist and earned second place in the annual Director of the Year Awards 2012 of IoD Scotland NED.

Total number of other external directors	2
Percentage of Board	14.29

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category
MS SAMANTHA BARBER	31/07/2020	Independent	Other external

Remarks
The change in category is due to the passage of twelve years since appointment.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	Year 2020	Year 2019	Year 2018	Year 2017	Year 2020	Year 2019	Year 2018	Year 2017
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	4	5	4	5	40.00	50.00	44.00	50.00
Other External	1	1	1		50.00	50.00	50.00	0.00
Total:	5	6	5	5	35.71	42.86	35.71	35.71

C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

Yes X **No ☐** **Partial policies ☐**

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved
The Company's Governance and Sustainability System, and particularly the Board of Directors Diversity and Member Selection Policy, provides that any type of bias entailing any kind of discrimination shall be avoided in the candidate selection process. In particular, it provides that any bias that hinders the appointment of female directors and that might impede achieving the Company's goal that the number of female directors accounts for at least forty per cent of the total number of members of the Board of Directors in the year 2022, shall be avoided. The Regulations of the Appointments Committee give this committee the duty to ensure compliance with the above-described goal. Five of the fourteen members of the Board of Directors are currently women. Two of them chair two of the four consultative committees. On 31 July 2008 the Board of Directors resolved to appoint Ms Samantha Barber as an independent director (currently other external) on an interim basis to fill a vacancy; such appointment was ratified by the shareholders at the General Shareholders' Meeting held on 20 March 2009.

The shareholders at the General Shareholders' Meeting held on 26 March 2010 approved the appointment of Ms María Helena Antolín Raybaud with the classification of independent director. She is chair of the Appointments Committee. The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 approved the appointment of Ms Sara de la Rica Goiricelaya as an independent director. She is currently the chair of the Sustainable Development Committee. The shareholders acting at the General Shareholders' Meeting held on 2 April 2020 approved the appointment of Ms Nicola Mary Brewer and Ms Regina Helena Jorge Nunes as independent directors. At 31 December 2020 women represent 40% of the independent directors on the Board of Directors.

C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of measures
The Board of Directors Diversity and Member Selection Policy ensures that the proposed appointments of directors are based on a prior analysis of the needs of the Board of Directors. In particular, the candidates must be respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties. In particular, they must be irreproachable professionals, whose conduct and professional track record is aligned with the principles set forth in the Code of Ethics and with the corporate values contained in the Purpose and Values of the Iberdrola group. In the selection of candidates, it also endeavours to ensure a diverse and balanced composition of the Board of Directors overall, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its purview. To this end, the selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the group does or will do business. The directors must also have sufficient knowledge of the Spanish and English languages to be able to perform their duties. In turn, the Regulations of the Appointments Committee give this committee the responsibility of ensuring that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that might hinder the selection of female directors.

As shown in the previous section, Iberdrola deliberately seeks to include women with the appropriate professional profile among potential candidates. In addition, the Equal Opportunity and Reconciliation Policy establishes among the main principles of conduct that Iberdrola endorse and promote the promotion of gender equality within the group as regards access to employment, training, professional advancement and working conditions, as an expression of the social and cultural reality, and particularly to promote mechanisms and procedures for selection and professional development that facilitate the presence of the underrepresented gender with the necessary qualifications in all areas of the organisation in which it is underrepresented, particularly including the implementation of specific training and professional development monitoring programmes for women that encourage the group to have a significant number of female executive officers. Furthermore, the benchmark objectives for the variable remuneration of the executive directors include increasing the presence of women in top positions and closing the pay gap. In this regard, the Director Remuneration Report 2020 reports on the level of achievement of this objective.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons
Not applicable

C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

The Appointments Committee believes that Iberdrola is applying the Board of Directors Diversity and Member Selection Policy in a fully consistent manner and that the composition of its Board of Directors is balanced and diverse. It likewise believes that the 2022 objectives with respect to female presence are achievable.

C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

Yes ☐ **No X**

C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:

Name or company name of director or committee	Brief description
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	The chairman & CEO, as an individual decision-making body, has all the powers that may be delegated under the law and the By-Laws.
Executive Committee	All the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Governance and Sustainability System.

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	AVANGRID, INC.	Chair	No
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	NEOENERGIA S.A.	Chair	No
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	SCOTTISH POWER LTD.	Chair	No
MR FRANCISCO MARTÍNEZ CÓRCOLES	IBERDROLA ESPAÑA, S.A.U.	Chair	No
MR FRANCISCO MARTÍNEZ CÓRCOLES	IBERDROLA ENERGÍA INTERNACIONAL, S.A.U.	Chair	No
MR FRANCISCO MARTÍNEZ CÓRCOLES	IBERDROLA MÉXICO, S.A. DE C.V.	Director	No

C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:

Name or company name of director	Company name of the listed entity	Position
MR MANUEL MOREU MUNAIZ	TUBACEX, S.A.	Director
MS NICOLA MARY BREWER	AGGREKO PLC	Director
MS REGINA HELENA JORGE NUNES	IRB-BRASIL RESSEGUROS, S.A.	Director

C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes X **No** ☐

Explanation of the rules and identification of the document where this is regulated
Pursuant to the Regulations of the Board of Directors, individuals or legal entities serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges, may not be appointed as directors. Positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	19,831
Amount of pension rights accumulated by directors currently in office (thousands of euros)	
Amount of pension rights accumulated by former directors (thousands of euros)	

Remarks
This amount includes the remuneration received (5,493 thousand euros) by all of their directors for their performance as such during financial year 2020 (fixed remuneration, attendance fees and other items) as well as salaries, annual variable remuneration and the shares received by the executive directors in payment of the first period of the 2017-2019 Strategic Bonus, all of which is duly described in the Annual Director Remuneration Report.

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position
MS SONSOLES RUBIO REINOSO	Internal Audit Director
MR SANTIAGO MARTÍNEZ GARRIDO	Director of Legal Services
MR ARMANDO MARTÍNEZ MARTÍNEZ	Director of the Networks Business
MR ASÍS CANALES ABAITUA	Director of Purchasing and Insurance
MR XABIER VITERI SOLAUN	Director of the Renewable Energy Business
MR AITOR MOSO RAIGOSO	Director of the Liberalised Business
MR JUAN CARLOS REBOLLO LICEAGA	Risk Management and Internal Assurance Director
MR PEDRO AZAGRA BLÁZQUEZ	Corporate Development Director
MR JOSÉ SAINZ ARMADA	General Finance, Control and Resources Director (CFO)
MS MARÍA DOLORES HERRERA PEREDA	Director of Compliance

Number of women in senior management	2
Percentage of total senior management	20.00%

Total remuneration of senior management (thousands of euros)	22,140

Remarks
The appointment of the Director of Compliance Ms María Dolores Herrera Pereda as a member of senior management was approved on 23 February 2021. Her remuneration during 2020 has not been included in the amount set out above as total remuneration of senior management. The amount of the fixed and variable remuneration of the officers not included in senior management was 46,439 thousand euros. This figure does not include the shares delivered for the first payment of the 2017-2019 Strategic Bonus.

C.1.15 Indicate whether the Board regulations were amended during the year:

Yes X **No** ☐

Description of amendment(s)
As part of the ongoing review of Iberdrola's Governance and Sustainability System, in addition to some technical improvements, amendments have been made to the Regulations of the Board of Directors, including in order to: (i) update the definition of social dividend, (ii) adjust the text thereof to the updated recommendations of the Good Governance Code of Listed Companies and the Iberdrola Group Non-Financial Information Preparation Policy; (iii) further developing the regulation of meetings of the Board of Directors held at several interconnected places; (iv) provide for remote attendance of one or more directors at onsite meetings; (v) regulate in greater detail the directors' duty of confidentiality; (vi) replace references to notices of significant events (*hechos relevantes*) with the new types of notices established by the CNMV; and (vii) incorporate the change in name

from the Corporate Governance System to the Governance and Sustainability System.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

1. APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment, re-election, and removal of directors is within the purview of the shareholders at the General Shareholders' Meeting.

Vacancies that occur may be filled by the Board of Directors on an interim basis until the next General Shareholders' Meeting.

The Appointments Committee must advise the Board of Directors regarding the most appropriate configuration thereof and of its committees as regards size and equilibrium among the various classes of directors existing at any time. This is in any event based on the conditions that candidates for director must meet pursuant to the Board of Directors Diversity and Member Selection Policy.

The following may not be appointed as directors or as individuals representing a corporate director:

a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or members of senior management thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.

b) Individuals or legal entities serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges. Positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.

c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets or other industries in which the group operates.

d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the group.

The Board of Directors and the Appointments Committee, within the scope of their powers, shall endeavour to ensure that the candidates proposed are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability, and commitment to their duties.

It falls upon the Appointments Committee to propose the independent directors, as well as to report upon the proposals relating to the other classes of directors.

If the Board of Directors deviates from the proposals and reports of the Appointments Committee, it shall give reasons for so acting and shall record such reasons in the minutes.

2. REMOVAL OF DIRECTORS

Directors shall serve in their position for a term of four years, so long as the shareholders acting at the General Shareholders' Meeting do not resolve to remove them and they do not resign from their position.

The Appointments Committee shall inform the Board of Directors regarding proposed removals due to breach of the duties inherent to the position of director or due to a director becoming affected by supervening circumstances of mandatory resignation or withdrawal. It may also propose the removal of directors in the event of disqualification, structural conflict of interest or any other reason for resignation or cessation of office, pursuant to law or the Governance and Sustainability System.

The Board of Directors may propose the removal of an independent director before the passage of the period provided for in the By-Laws only upon sufficient grounds, evaluated by the Board of Directors after a report from the Appointments Committee, or as a consequence of takeover bids, mergers or other similar corporate transactions resulting in a significant change in the structure of the Company's share capital, as recommended by the Good Governance Code of Listed Companies.

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendment(s)
The Iberdrola group has an ongoing commitment to the development of its corporate governance. Along these lines, Iberdrola evaluates the operation of its governance bodies on an annual basis, and based on the conclusions obtained, identifies the principal areas of work for the coming year. More than 96% of the areas of work defined in the evaluation process from the prior year were met during 2020. The milestones that took place during financial year 2020 include the following: 1. COVID-19:

- New internal regulation to adapt the governance decision-making bodies to the COVID-19 situation. - Monitoring of the impact of COVID-19 on the Iberdrola group and on the markets in which it operates. 2. Environmental, social and governance issues during the year: - Reformulation and reorganisation of the Corporate Governance System into a Governance and Sustainability System, based on environmental, social and governance standards. - Regular staggered renewal of the Board of Directors with the appointments of Ms Nicola Mary Brewer, Ms Regina Helena Jorge Nunes and Mr Ángel Jesús Acebes Paniagua. - Supervision of the implementation by the subsidiaries of the Proposed Purpose and Values of the Iberdrola group. - Review of the new features included in the update of the CNMV Good Governance Code of Listed Companies and update of the Corporate Governance System (now the Governance and Sustainability System).

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated
The Appointments Committee coordinates the evaluation of the operation of the Board of Directors and of the committees thereof on an annual basis, and submits to the full Board of Directors the results of said evaluation together with a proposed action plan or with any recommendations to correct any potential detected deficiencies. The evaluation process has a broad scope, including new aspects that were added to the scope in 2019 after the publication of Technical Guide 1/2019 on Nomination and Remuneration Committees published by the CNMV. The evaluation for financial year 2020 used PricewaterhouseCoopers Asesores de Negocios, S.L. (PwC) as an external adviser in the process. The scope of the process in 2020 included the evaluation of the Board of Directors, of its committees, of the chairman & CEO and of each of the other directors of the Company from the viewpoint of the following dimensions of the study: (i) compliance with internal rules and with the CNMV Good Governance Code of Listed Companies, (ii) monitoring of corporate governance trends, and (iii) analysis of achievement of potential areas for progress defined in evaluations from prior years. The evaluation of the chairman & CEO was led by the vice-chair/lead independent director. This process included a comparative analysis of (i) 23 domestic and international companies considered to have best practices, and (ii) customary comparable companies.

This evaluation used more than 380 best practices indicators, which were assessed using objective and verifiable evidence. All of this was supplemented with interviews of the directors by the vice-chair/lead independent director in line with the recommendations of the Good Governance Code of Listed Companies and of Technical Guide 1/2019 on Nomination and Remuneration Committees published by the CNMV.

The process concluded with a Continuous Improvement Plan, with indicators that are evaluated for compliance the following financial year.

The conclusions of the evaluation process reflect compliance with practically all of the indicators, with an alignment of more than 96% in the application of the latest international trends and in the development of the areas for improvement identified during prior financial years.

The Continuous Improvement Plan 2021 deriving from the 2020 evaluation process focuses on advancing in the following areas, among others:

Operational aspects

- Continue with training programmes for the consultative committees in order to delve further into topics of interest and provide more varied presentations.
- Update the annual work plan of the committees every six months to ensure compliance in all areas of the Continuous Improvement Plan.

Agenda of the Board of Directors

- Implementation of strategy and preparation of corporate information based on environmental, social and corporate governance (ESG) criteria.
- Emerging business areas and contribution to sustainability and decarbonisation.
- Strengthening innovation and digitalisation.
- Monitoring diversity and inclusion.

At the same time, it is proposed to continue with the further development of the capacities of the committees, particularly:

- To continue improving the Internal Control over Non-Financial Information (ICNFR) System to a level of robustness similar to that of financial reporting.
- To continue adjusting published sustainability-related information to new standards and trends (Sustainability Accounting Standards Board, the Task Force on Climate-related Financial Disclosures, etc).
- Regular refreshment of the appointments matrix.

On 23 February 2021 the Board of Directors approved the results of the evaluation of financial year 2020 and the Continuous Improvement Plan for financial year 2021.

C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

Iberdrola has been assisted by an outside consultant for the last eleven years. In 2020 PwC's business relations with the Iberdrola group worldwide were approximately 23.1 million euros.
The total amount of billing by PwC for consulting services provided to the Board of Directors and the Office of the Secretary thereof in 2020 was 379 thousand euros.

C.1.19 Indicate the cases in which directors are obliged to resign.

Directors must submit their resignation from the position and formally resign from their position upon the occurrence of any of the instances of disqualification, lack of competence, structural and permanent conflict of interest or prohibition against performing the duties of director provided by law or the Governance and Sustainability System.

In this connection, the Regulations of the Board of Directors provide that the directors must submit their resignation to the Board of Directors in the following cases:

a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Governance and Sustainability System.

b) When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk of criminal liability for the Company or any of the companies of the group.

c) When there are situations that affect them, whether or not related to their conduct within the Company itself, that might harm the good standing or reputation thereof.

d) When they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a director of the Company.

   In particular, when the activities carried out by the director, or the companies directly or indirectly controlled by the director, or the individuals or legal entities that are shareholders of or related to any of them, or the individual representing a corporate director, may compromise the competence of the director.

e) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors.

f) When their continuance in office on the Board of Directors may for any reason, either directly, indirectly, or through persons related thereto, jeopardise the faithful and diligent performance of their duties in furtherance of the corporate interest.

g) When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested, or decided the appointment

thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment. h) When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law. The resignation provisions set forth under f) and g) above shall not apply when, after a report from the Appointments Committee, the Board of Directors believes that there are reasons that justify the director's continuance in office, without prejudice to the effect that the new supervening circumstances may have on the classification of the director.

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?

Yes X **No**

If so, describe the differences.

Description of differences
The Regulations of the Board of Directors require a majority of at least two-thirds of the directors present at the meeting in person or by proxy to approve the amendment thereof. The Regulations of the Board of Directors also state that directors must tender their resignation to the Board of Directors if they are seriously reprimanded thereby because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

Yes **No X**

C.1.22 Indicate whether the articles of association or Board regulations establish any limit as to the age of directors:

Yes **No X**

Remarks
The Regulations of the Board of Directors provide that the standards to take into account for selecting candidates for the position of director shall include, by way of guidance only, the appropriateness of the directors generally not exceeding the age of seventy years. Each of the non-executive directors has undertaken to tender their resignation to the Board of Directors at the first meeting it holds after they reach seventy years of age.

C.1.23 Indicate whether the articles of association or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

Yes ☐ **No X**

C.1.24 Indicate whether the articles of association or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

Pursuant to the By-Laws, all of the directors may cast their vote and give their proxy in favour of another director, provided, however, that non-executive directors may only do so in favour of another non-executive director.

The Regulations of the Board of Directors require that directors attend the meetings of the Board of Directors and when they cannot do so personally they must grant their proxy to another director, to whom they must give the appropriate instructions.

Directors may not grant a proxy in connection with matters in respect of which they have any conflict of interest.

The proxy granted shall be a special proxy for the Board meeting in question and may be communicated by any means allowing for the receipt thereof.

There is no maximum number of proxies provided per director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	9
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	1

Indicate the number of meetings held by each Board committee during the year:

Number of meetings held by the Audit and Risk Supervision Committee	11
Number of meetings held by the Sustainable Development Committee	11
Number of meetings held by the Appointments Committee	8
Number of meetings held by the Remuneration Committee	11
Number of meetings held by the Executive Committee	16

Remarks
Pursuant to the provisions of art. 45 of the By-Laws, the lead independent director coordinates, meets with and reflects the concerns of the non-executive directors, and also directs the periodic evaluation of the chairman of the Board of Directors and leads any process for the succession thereof. In the exercise of these powers, the lead independent director has held meetings with all of the non-executive directors, which meetings dealt with the evaluation of the chairman & CEO as well as initiatives to improve the performance of each of the directors.

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in which at least 80% of directors were present in person	9
Attendance in person as a % of total votes during the year	100.00
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	9
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100.00

Remarks
The Board of Directors has held 2 of its 9 meetings in writing and without a meeting. The attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2020 is detailed in the Annex to this Report.

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes X **No** ☐

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Chairman & CEO
MR JOSÉ SAINZ ARMADA	General Finance, Control and Resources Director (CFO)

Remarks
The Iberdrola group has established a certification process by which those responsible for financial information in the different areas of the Company (i.e. those responsible for the subholding companies and global corporate areas) certify that: (i) the financial information they deliver to Iberdrola for purposes of consolidation does not contain any material errors or omissions and provides a fair view of the results and

the financial condition within their area of responsibility, and (ii) they are responsible for establishing the Internal Control Over Financial Reporting (ICFR) system within their area of responsibility and have found, upon evaluation, that the system is effective. The text of these certifications is inspired by the form of certification established in Section 302 of the U.S. Sarbanes-Oxley Act.

The culmination of the process is a joint certification that the chairman & CEO and the CFO submit to the Board of Directors.

The process is carried out by means of electronic signature in a software application which manages the areas of responsibility and time periods and which serves as a repository of all the documentation generated, allowing for periodic review by the supervision and control bodies of the group.

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

The Regulations of the Audit and Risk Supervision Committee provide that it shall have the following duties, among others:

- Supervise (on an ongoing basis and specifically at the request of the Board of Directors) the process of preparing and presenting regulated financial information relating to the Company, both individual and consolidated with its subsidiaries, reviewing compliance with legal requirements, the proper delimitation of the scope of consolidation and the correct application of accounting standards, and submit recommendations or proposals to the Board of Directors to safeguard the integrity thereof.
- Supervise the clarity and integrity of the financial information regarding the Company and its group based on available sources of internal information (including reports from the Internal Audit Area and the Risk Management and Internal Assurance Division, reports from other areas or departments, or the analysis and opinion of the Company's management team itself) and external information (including reports from experts or information received from the statutory auditor), and reach its own conclusion as to whether the Company has properly applied the accounting policies.
- Establish appropriate relationships with the statutory auditor to receive information regarding matters that might entail a threat to the independence thereof, for examination by the Committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on statutory audit and in other legal provisions on auditing.
- The Committee must receive written confirmation from the statutory auditors on an annual basis of their independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on additional services of any kind provided to and the corresponding fees received from such entities by such statutory auditors or by persons or entities related thereto, pursuant to the legal provisions governing the auditing of accounts.

- On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the statutory auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders' Meeting. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding point, considered individually and as a whole, and in relation to the rules on independence or the legal provisions regarding the statutory audit.
- Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company; the Committee shall make sure that the interim statements are prepared in accordance with the same accounting standards as the annual accounts and, for such purpose, it shall consider the appropriateness of a limited review by the statutory auditor.
- Review the contents of the audit reports on the accounts and of the reports on the limited review of interim accounts, if any, as well as other mandatory reports to be prepared by the statutory auditor, prior to the issuance thereof, in order to avoid qualified reports.
- Assess the results of each audit of accounts and supervise the response of the members of senior management to the recommendations made therein.
- Act as a channel of communication between the Board of Directors and the statutory auditors, causing them to hold an annual meeting with the Board of Directors to report thereto on the work performed and the accounting status and risks of the Company.
- Evaluate any proposal made by the members of senior management regarding changes in accounting practices.
- Analyse the reasons why the Company may itemise certain alternative information on returns in its public information instead of the measures directly defined by accounting rules, the extent to which useful information is provided to investors and the level of compliance thereof with best practices and international recommendations in this area.
- Obtain information on significant adjustments identified by the statutory auditor or that result from revisions made by the Internal Audit Area and the position of the management team regarding said adjustments.
- Timely and properly attend to, answer and take into account any requests sent thereto by the National Securities Market Commission during the current financial year or in prior years, ensuring that the same types of incidents previously identified in said requests are not repeated in the financial statements.

In turn, the Regulations of the Board of Directors provide that:

- The Board of Directors shall meet with the statutory auditors at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.
- The Board of Directors shall use its best efforts to definitively prepare the accounts such that there is no room for qualifications by the statutory auditors. However, when the Board of Directors believes that

its opinion must prevail, it shall provide a public explanation of the content and scope of the discrepancy.

Pursuant to the above-cited rules, the Audit and Risk Supervision Committee reports throughout the year on the process of preparing and presenting and the clarity and integrity of the financial information (separate and consolidated) prior to the approval thereof by the Board of Directors and its submission to the National Securities Market Commission. The reports of the Committee, which the chair thereof presents to the full Board of Directors, are mainly intended to disclose such aspects, if any, as may give rise to qualifications in the audit report of Iberdrola and its consolidated group, making the appropriate recommendations to avoid any such qualifications.

Accordingly, the Committee submitted to the Board of Directors the following reports regarding the annual and half-yearly financial reports and the Interim Management Statements of the Company for financial year 2020:

- Report dated 27 April 2020 on the Interim Management Statement for the first quarter of 2020.
- Report dated 20 July 2020 on the financial information for the first half of 2020.
- Report dated 19 October 2020 on the Interim Management Statement for the third quarter of 2020.
- Report dated 22 February 2021 regarding the annual accounts of Iberdrola and its consolidated group for financial year 2020.

As disclosed in the information about Iberdrola posted on the website of the National Securities Market Commission (www.cnmv.es), the audit reports on the individual and consolidated annual accounts prepared by the Board of Directors have historically been issued without qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes ☐ **No X**

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
MR JULIÁN MARTÍNEZ-SIMANCAS SÁNCHEZ	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

MECHANISMS TO PRESERVE THE INDEPENDENCE OF THE AUDITOR.

The Regulations of the Audit and Risk Supervision Committee and the Statutory Auditor Contracting and Relations Policy, included within the Company's Governance and Sustainability System, provide that:

- The Committee's relations with the Company's statutory auditor shall respect the independence thereof.

- The Audit and Risk Supervision Committee must discuss with the statutory auditor any circumstance that might give rise to a threat to the independence thereof and evaluate the effectiveness of the protective measures adopted, as well as understand and evaluate the set of relationships between the Iberdrola group and the statutory auditor and its network that entail the provision of non-audit services or any other type of relationship.
- The Committee shall request from the statutory auditor an certification of independence of the firm as a whole and of the members of the team participating in the process of auditing the annual accounts of the Iberdrola group from the Company or entities directly or indirectly connected thereto, as well as a detailed breakdown of information regarding additional services (other than auditing) of any kind provided by the statutory auditor or by persons connected thereto, pursuant to the legislation governing the audit of accounts. In addition, the statutory auditor shall include in such certification a statement in which it reports on compliance with the application of the internal procedures of quality assurance and protection of independence that have been implemented.
- The statutory auditor shall provide to the Committee annual information regarding the profiles and the track record of the persons making up the audit teams working for the Company and the Iberdrola group, with specific mention of the changes in the composition of such teams compared to the immediately preceding financial year.
- On an annual basis and prior to the issuance of the audit report, the Committee shall issue a report setting forth an opinion on the independence of the statutory auditor. This report must contain an assessment of the possible impact on the independence of the statutory auditor of each and every one of the additional services (other than the legal audit) of any kind provided by the statutory auditor or by persons connected thereto, considered individually and as a whole.
- The Committee shall monitor the internal procedures for assuring quality and safeguarding independence implemented by the statutory auditor.
- The Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders' Meeting, for appointment as statutory auditor of firms for which it has evidence that they are affected by any circumstance of lack of independence, prohibition or disqualification pursuant to the legal provisions governing the audit of accounts, and in any event if the fees that the Company intends to pay it for any and all services are greater than five percent of its total domestic income during the last financial year.
- The Committee shall receive information on the hiring by any of the companies of the Iberdrola group of professionals coming from the statutory auditor.

The Audit and Risk Supervision Committee has also established a restrictive policy on the non-audit services by the statutory auditor to the Iberdrola group that can be authorised. Likewise, pursuant to the Regulations of the Audit and Risk Supervision Committee, in order for the Committee to authorise the provision of said services, it must assess whether the audit firm is the most appropriate firm to provide them based on its knowledge and experience, and in this case shall analyse: (i) the nature thereof and the circumstances and context in which it occurs, (ii) the status, position or influence of the provider of the service and other relations thereof with the Company; (iii) the effects thereof; and (iv) whether said services could threaten the independence of the auditor and, if applicable, the establishment of measures eliminating or reducing these threats to a level that does not compromise the independence thereof.

As regards financial year 2020:

- Iberdrola's statutory auditor, "KPMG Auditores, S.L." ("**KPMG**") appeared on fourteen occasions before the Audit and Risk Supervision Committee and on one occasion before the Board of Directors to report on various matters relating to the audit process. During these appearances, the statutory auditor did not report issues that might put its independence at risk.
- On 19 February 2020 KPMG sent to the Committee written confirmation of its independence with regard to the audit of the financial information for financial year 2019.
- On 20 July 2020 KPMG sent to the Committee written confirmation of its independence with regard to the limited review of the financial information as at 30 June 2020.
- On 17 February 2021 KPMG sent to the Committee written confirmation of its independence with regard to the audit of the financial information for financial year 2020.
- In the letters described above, the statutory auditor represents that it has implemented internal policies and procedures designed to provide reasonable assurance that KPMG and its personnel maintain their independence when so required by applicable legal provisions.
- The hiring of the statutory auditor for non-audit services is approved in advance by the Committee. Furthermore, prior to approval thereof, the director of Internal Audit, and if necessary the audit committee and internal audit division of the group company receiving the services, must state that the provision thereof does not generate threats to the independence of the statutory auditor. In requests for services directed by the Committee, the statutory auditor must confirm that there are no restrictions on independence for the performance of the work in question.
- In its statement of independence dated 17 February 2021, KPMG reported that one KPMG professional was hired by the Company since the date of its previous report on independence. However, they have confirmed that this professional was not the main auditor responsible for the audit work of the group's financial information, was not a statutory auditor and did not participate or have the ability to influence the final result of the audit work, for which reason KPMG considers that this hiring does give rise to any of the disqualifications provided for in Law 22/2015 of 20 July on the Auditing of Accounts, nor has it given rise to a threat that has compromised their independence as auditors. In its statement of independence dated 17 February 2021, KPMG also added that it had no evidence that any member of the teams participating in the audit of the financial statements for financial year 2020 had joined as a professional of Iberdrola or of the companies of its group.
- On 22 February 2021 the Committee submitted its report to the Board of Directors regarding the independence of the Company's statutory auditor. The Committee concluded that the statutory auditor

performed its audit work with independence from Iberdrola and from the companies of its group.

MECHANISMS TO PRESERVE THE INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES.

The principles which form the basis of the relations of the Company with financial analysts, investment banks, and rating agencies are contained in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors and are transparency, equal treatment, non-discrimination, truthfulness, and trustworthiness of the information supplied.

The Finance, Control and Resources Division, through the Investor Relations and Communication Division, manages their requests for information and requests submitted by institutional or retail investors (in the case of retail investors, through the Shareholders' Office). The Finance, Control and Resources Division gives mandates to investment banks. The Corporate Development Division gives the appropriate advisory mandates to investment banks within the scope of its activities, in coordination with the Finance, Control and Resources Division.

The independence of financial analysts is protected by the Investor Relations and Communications Division, which ensures the objective, fair, and non-discriminatory treatment thereof.

The Company has various communication channels to deliver on principles of transparency, equal treatment and non-discrimination, always in strict compliance with regulations regarding the securities market:

- Personalised assistance for analysts, investors and rating agencies.
- Publication of the information relating to quarterly results and other specific events, such as those relating to the submission of the Business Prospects or to corporate transactions.
- E-mail through the corporate website (accionistas@iberdrola.com).
- Toll-free line for shareholders (+34 900 100 019).
- In-person and broadcasted presentations.
- Release of announcements and news.
- Visits to Company facilities.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes ☐ **No X**

If there were any disagreements with the outgoing auditor, explain their content:

Yes ☐ **No X**

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes X **No** ☐

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	1,535	1,977	3,512
Amount invoiced for non-audit work/Amount for audit work (in %)	53.00	9.30	14.50

Remarks
83% (1,277 thousand euros) of the amount of non-audit work (1,535 thousand euros) corresponds to services relating to the limited review of interim financial information.

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

Yes ☐ **No X**

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	4	4

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	14.81%	14.81%

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes X **No ☐**

Details of the procedure
The Regulations of the Board of Directors provide that the required support shall be provided for new directors to become rapidly and adequately acquainted with the Company and its group, such that they can actively perform their duties as such and, if so appointed, as members of any of the committees of the Board of Directors as from their appointment as such. To this end, an Orientation Programme shall be made available to them through the directors' website.

They shall also be provided with the information needed to perform their duties, and access to training materials and sessions that allow them to continuously update their knowledge shall be encouraged.

The regulations of the consultative committees also provide that they shall have a periodic training plan that ensures the refreshment of knowledge relating to the purview of each of them.

In order to improve their knowledge of the group, presentations are made to the directors regarding the businesses thereof. In addition, a portion of each meeting of the Board of Directors tends to be dedicated to a presentation on economic, legal or political/social issues of importance to the group.

The directors have access to a specific application, the directors' website, that facilitates performance of their duties and the exercise of their right to receive information. This website includes information deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof in accordance with the agenda, the training materials intended for the directors, and presentations made to the Board of Directors.

In addition, the directors are given access through the directors' website to the minutes of the meetings of the Board of Directors and the committees thereof, as well as such other information that the Board of Directors approves.

Pursuant to the Regulations of the Board of Directors, there shall be an inclusion on the directors' website of such information as is deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof, in accordance with the agenda included in the calls to meeting.

In addition, the Regulations of the Board of Directors provide that a director is specifically required to properly prepare the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the committees of which the director is a member, for which purposes the director must diligently become apprised of the running of the Company and the matters to be discussed at such meetings.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

Yes X **No** ☐

Explain the rules
The Regulations of the Board of Directors set out the obligations and duties of the directors, including, as an expression of the duty of loyalty, the duty to submit their resignation to the Board of Directors in the event that supervening circumstances mean they are involved in an instance of disqualification or prohibition, loss of suitability, respectability, capability, expertise, competence, availability or commitment to their duties required to be a director and the other instances provided for in the Governance and Sustainability System. As provided by the Regulations of the Board of Directors, the director must inform the Company of any judicial, administrative or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, every director must inform the Company, through the secretary of the Board of Directors, in the event that the director is subject to an investigation, is arrested, or an order for the commencement of an oral criminal trial is issued against the director for the commission of any crime, and of the occurrence of any significant procedural steps in such proceedings. In such instance, the Board of Directors shall review this circumstance as soon as practicable and, following a report of the Appointments Committee, shall adopt the decisions it deems fit taking into account the interests of the Company. In addition, the director must inform the Company of any fact or event that may be relevant to the holding of office as a director. Directors must also submit their resignation to the Board of Directors and formally resign from their position in the events described in section C.1.19 of this Report.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

Yes ☐ **No X**

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Not applicable.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	28
Type of beneficiary	**Description of agreement**
Executive directors and officers	1. EXECUTIVE DIRECTORS Pursuant to the provisions of his contract, the chairman & CEO has the right to receive a severance payment in the event of termination of his relationship with the Company, provided that such termination is not the consequence of a breach attributable thereto or exclusively due to his own decision to withdraw. The amount of the severance payment is three times annual salary. Since 2011, contracts with new executive directors and with senior management include maximum severance pay equal to two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This is the system applicable to the Business CEO, who was appointed by the shareholders at the General Shareholders' Meeting held on 31 March 2017. Furthermore, in consideration for the executive directors' non-compete commitment for a period of between one and two years, they shall be entitled to severance pay equal to the remuneration for such period. 2. OFFICERS The employment contracts of officers of Iberdrola who, given their responsibilities, decisively contribute to the creation of value, contain specific clauses on severance payments. The purpose of such clauses is to obtain an effective and sufficient level of loyalty for the management of the Company and thus avoid a loss of experience and knowledge that might jeopardise the achievement of strategic objectives. The amount of the severance pay is determined based on length of service and the reasons for the officer's withdrawal from office, up to a maximum of five times annual salary. Notwithstanding the foregoing, the Senior Management Remuneration Policy provides since 2011 that the limit on the amount of the severance pay under new contracts with the members of senior management shall be two times their annual salary.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General shareholders' meeting
Body authorising the clauses	X	

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?	X	

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

AUDIT AND RISK SUPERVISION COMMITTEE

Name	Position	Category
MR XABIER SAGREDO ORMAZA	Chair	Independent
MR JOSÉ WALFREDO FERNÁNDEZ	Member	Independent
MS REGINA HELENA JORGE NUNES	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Remarks
Ms Georgina Kessel Martínez ceased to be a member of the Audit and Risk Supervision Committee on 20 October 2020. She had knowledge and experience in accounting and auditing.

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.

The Audit and Risk Supervision Committee is an internal informational and consultative body.

The Audit and Risk Supervision Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of

Directors upon a proposal of the Appointments Committee from among the non-executive directors who are not members of the Executive Committee. A majority of its members shall be independent, and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit and risk management.

Without prejudice to the foregoing, the Board of Directors and the Appointments Committee shall endeavour to ensure that all members of the Audit and Risk Supervision Committee, and especially the chair thereof, have the expertise, qualifications and experience appropriate for the duties they are called upon to perform in the area of accounting, auditing and management of risks, both financial and non-financial, that at least one of them has experience in information technology, and that as a whole the members of the Audit and Risk Supervision Committee have relevant technical knowledge in the finance and internal control area, as well as in relation to the energy sector.

The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The members of the Audit and Risk Supervision Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length. The chair shall hold office for a maximum period of four years, after which period the director who has held office as such may not be re-elected until the passage of at least one year from ceasing to act as such.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are provided and are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Audit and Risk Supervision Committee.

The most relevant activities performed by this Committee during financial year 2020 are described in the Activities Report of the Board of Directors and of the Committees thereof 2020, available at www.iberdrola.com.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Name of directors with experience	MR XABIER SAGREDO ORMAZA AND MS REGINA HELENA JORGE NUNES
Date of appointment of the chairperson	19/02/2019

SUSTAINABLE DEVELOPMENT COMMITTEE

Name	Position	Category
MS SARA DE LA RICA GOIRICELAYA	Chair	Independent
MS SAMANTHA BARBER	Member	Other external
MS NICOLA MARY BREWER	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.

The Sustainable Development Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors.

A majority of the members of the Sustainable Development Committee must be classified as independent. The Board of Directors shall appoint a chair of the Committee from among the members forming part thereof, as well as its secretary, who need not be a director.

The members of the Sustainable Development Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Sustainable Development Committee.

The most relevant activities performed by this Committee during financial year 2020 are described in the Activities Report of the Board of Directors and of the Committees thereof 2020, available at www.iberdrola.com.

APPOINTMENTS COMMITTEE

Name	Position	Category
MS MARÍA HELENA ANTOLÍN RAYBAUD	Chair	Independent
MR ANTHONY L. GARDNER	Member	Independent
MR ÁNGEL JESÚS ACEBES PANIAGUA	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.

The Appointments Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors.

A majority of the members of the Appointments Committee must be classified as independent. The Board also appoints the chair thereof from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, particularly in the following areas: corporate governance, strategic human resources analysis and evaluation, selection of directors and management personnel, and performance of senior management duties.

The members of the Appointments Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Appointments Committee.

The most relevant activities performed by this Committee during financial year 2020 are described in the Activities Report of the Board of Directors and of the Committees thereof 2020, available at www.iberdrola.com.

REMUNERATION COMMITTEE

Name	Position	Category
MR JUAN MANUEL GONZÁLEZ SERNA	Chair	Independent
MR MANUEL MOREU MUNAIZ	Member	Independent
MR IÑIGO VÍCTOR DE ORIOL IBARRA	Member	Other external

% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.

The Remuneration Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors.

A majority of the members of the Remuneration Committee must be classified as independent. The Board also appoints the chair thereof from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, and particularly regarding corporate governance, policy design and remuneration plans for directors and senior management.

The members of the Remuneration Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Remuneration Committee.

The most relevant activities performed by this Committee during financial year 2020 are described in the Activities Report of the Board of Directors and of the Committees thereof 2020, available at www.iberdrola.com.

EXECUTIVE COMMITTEE

Name	Position	Category
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Chair	Executive
MR JUAN MANUEL GONZÁLEZ SERNA	Member	Independent
MR MANUEL MOREU MUNAIZ	Member	Independent
MS SAMANTHA BARBER	Member	Other external
MR ÁNGEL JESÚS ACEBES PANIAGUA	Member	Independent

% of executive directors	20.00
% of proprietary directors	0.00
% of independent directors	60.00
% of other external directors	20.00

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.

The Executive Committee is assigned all the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions. The chairman of the Board of Directors and the chief executive officer, if any, are members in all cases. The secretary of the Board of Directors acts as secretary of the Committee.

The Executive Committee shall meet as many times as deemed necessary by the chair thereof. It shall also meet when so requested by a minimum of two of the directors forming part thereof.

Resolutions of the Committee shall be adopted by absolute majority of its members who are present at the meeting in person or by proxy.

The duties of this Committee consist of making proposals to the Board of Directors regarding strategic decisions, investments and divestitures that are significant for the Company or the group, assessing their conformity to the current budget and strategic plans and analysing and monitoring business risks. It also provides assistance to the Board of Directors in the ongoing supervision of compliance with the principles governing the organisation and the coordination of the group and the strategic goals thereof.

The most relevant activities performed by this Committee during financial year 2020 are described in the Activities Report of the Board of Directors and of the Committees thereof 2020, available at www.iberdrola.com.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2020		Year 2019		Year 2018		Year 2017	
	Number	%	Number	%	Number	%	Number	%
Audit and Risk Supervision Committee	1	33.33	2	50.00	2	50.00	2	50.00
Sustainable Development Committee	3	100.00	2	66.67	1	33.33	1	33.33
Appointments Committee	1	33.33	1	33.33	1	33.33	1	33.33
Remuneration Committee	0	0.00	1	33.33	1	33.33	1	33.33
Executive Committee	1	20.00	2	50.00	2	40.00	2	40.00

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.

The committees of the Board are governed by the Regulations of the Board of Directors. Each of the consultative committees also has its own regulations, available at www.iberdrola.com, where one can also find the Activities Report of the Board of Directors and of the Committees thereof.

Within the process of ongoing review of the Governance and Sustainability System, apart from technical improvements, there have been amendments of the regulations of the various consultative committees in order to regulate the holding of meetings by remote means of communication. The Regulations of the Audit and Risk Supervision Committee were updated to regulate the functional subordination of the Risk Management and Internal Assurance Division to this committee.

D RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.

Article 48 of the Regulations of the Board of Directors provides that:

1. Any transaction by the Company or the companies forming part of its group with directors, with shareholders that directly or indirectly own a shareholding interest that is equal to or greater than that legally regarded as significant at any time or that have proposed or caused the appointment of any of the directors of the Company, or with the respective related persons ("**Related-Party Transactions**"), shall be subject to the approval of the Board of Directors, or in urgent cases, of the Executive Committee, following a report from the Appointments Committee.
2. In the event that authorisation has been granted by the Executive Committee due to the urgency of the matter, the Executive Committee shall give notice thereof to the Board of Directors at its next meeting in order for it to be ratified.
3. The authorisation of Related-Party Transactions must be approved by the shareholders at the General Shareholders' Meeting in the instances provided by law, and particularly if it relates to a transaction having a value of more than ten per cent of the corporate assets.
4. As an exception, Related-Party Transactions with any of the listed companies of the group (as is the case of Avangrid, Inc. and Neoenergia S.A.) or with the subsidiaries thereof shall not be subject to the rules on Related-Party Transactions, provided that they have corporate governance rules similar to those of the Company.
5. The execution of a Related-Party Transaction puts the director engaging in said transaction or who is related to the person engaging in the transaction in a conflict of interest, for which reason the provisions of the Regulations of the Board of Directors in this area shall apply, to the extent applicable. This particularly includes the duties of communication and abstention.
6. The Board of Directors, through the Appointments Committee, shall ensure that Related-Party Transactions are carried out under arm's length conditions and with due observance of the principle of equal treatment of shareholders in the same situation. In the case of transactions to be carried out by companies of the group, the scope of authorisation of the Board of Directors, or that of the Executive Committee, if applicable, referred to in the preceding sections, shall be limited to the verification of compliance with such particulars.
7. In the case of customary and recurring Related-Party Transactions in the ordinary course of business, it shall be sufficient for the Board of Directors to give prior generic approval of the kind of transaction and of the conditions for performance thereof, following a report from the Appointments Committee.
8. If a Related-Party Transaction entails the successive performance of different transactions, of which the second and subsequent transactions are mere acts of execution of the first transaction, the provisions of Article 48 of the Regulations of the Board of Directors shall only apply to the first transaction carried out.

9. The authorisation shall not be required in connection with transactions that simultaneously satisfy the following three conditions: that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question, and that the amount thereof does not exceed one per cent of the consolidated annual income of the group.

10. The Company shall report Related-Party Transactions in the Half-Yearly Financial Report and in the Annual Corporate Governance Report, in the cases and to the extent provided by law. Likewise, the Company shall include in the notes accompanying the annual accounts information regarding the transactions by the Company or by the companies of the group with the directors and with those persons who act for the account of the latter when such transactions are conducted other than in the ordinary course of the Company's business or other than under normal arm's length conditions.

    To this end, the directors must give written notice to the secretary of the Board of Directors, on a semi-annual basis, within the first week of January and July of each year, regarding the Related-Party Transactions that they have engaged in. If they are not carried out, the directors shall so report. The secretary of the Board of Directors shall send a notice to the directors on a semi-annual basis requesting the appropriate information that must be sent to the Company.

11. The notice must include the following information: the nature of the transaction; the date on which the transaction originated; the conditions and periods for payment; the name of the person who carried out the transaction and the relationship, if any, with the director; the amount of the transaction; and other aspects, such as pricing policies, guarantees given and received, and any other feature of the transactions that allows for a proper assessment thereof, particularly such information as allows for verification that it has been carried out on arm's length conditions and in compliance with the principle of equal treatment.

12. The secretary of the Board of Directors shall prepare a register of Related-Party Transactions. The information set forth in such register shall be made available to the Compliance Unit when it so requests, and shall also periodically be made available to the Audit and Risk Supervision Committee through the Internal Audit Area.

D.2 Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name or company name of significant shareholder	Name or company name of the company or entity within its group	Nature of the relationship	Type of transaction	Amount (thousands of euros)
QATAR INVESTMENT AUTHORITY	IBERDROLA, S.A.	Corporate	Dividends and other distributed profits	224,025
QATAR INVESTMENT AUTHORITY	IBERDROLA Group	Corporate	Other	14

Remarks
Transactions by shareholders exercising a significant influence on participation in the entity's financial and operating decisions, with significant influence being understood as having a member of the Board of Directors, are deemed to be related-party transactions. Shareholders who are able to exercise the proportional representation system due to their interest in the capital of the Company are also considered to have such influence. As of the date of this report, only Qatar Investment Authority meets this condition, for which reason the amounts reflected in the period refer to transactions with this shareholder. The amount allocated for "Dividends and other distributed profits" corresponds to the Iberdrola Flexible Remuneration scheme and the bonus for attending the General Shareholders' Meeting, and "Other" corresponds to the income from cash investments made with Qatar National Bank by Scottish Power Ltd. At 31 December the outstanding amount was 97,950 thousand euros, maturing in January 2021.

D.3 Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name or company name of director(s) or manager(s)	Name or company name of the company or entity within its group	Relationship	Nature of the transaction	Amount (thousands of euros)
No data				N.A.

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

Remarks
Transactions with subsidiaries and companies in which the Company has an interest that have not been eliminated in the process of consolidation were made in the ordinary course of business of the Company, were carried out under arm's-length conditions, and are of little significance to accurately reflect the assets, financial condition and results of operations of the Company.

D.5 Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

D.6 List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Pursuant to the Regulations of the Board of Directors, a conflict of interest shall be deemed to exist in those situations provided by law, particularly when the interests of the director, either for their own or another's account, directly or indirectly conflict with the interest of the Company or of companies within the group and their duties to the Company. An interest of a director shall exist when a matter affects the director or a person related thereto or, in the case of a proprietary director, when it also affects the shareholder or shareholders that proposed or caused the appointment thereof or persons directly or indirectly related thereto.

The Regulations of the Board of Directors contain a list of persons deemed to be related for such purposes, distinguishing between an individual and a corporate director.

Conflicts of interest shall be governed by the following rules, without prejudice to the general duty imposed on all directors to take the measures necessary to avoid engaging in these situations:

a) Communication: once a director becomes aware of being in a situation of conflict of interest, the director must give written notice of the conflict to the Board of Directors, in the person of the secretary thereof. The secretary shall periodically submit a copy of the notices received to the Appointments Committee, in the person of the secretary thereof.

The notice shall contain a description of the situation giving rise to the conflict of interest, with a statement as to whether it is a direct conflict or an indirect conflict through a related person, in which case the latter person must be identified.

The description of the situation must describe, as applicable, the subject matter and the principal terms of the transaction or the planned decision, including the amount thereof or an approximate financial assessment thereof. If the situation giving rise to the conflict of interest is a Related-Party Transaction (as this term is defined in article 48 of the Regulations of the Board of Directors), the notice shall also identify the department or person of the Company or of any of the companies of the group with which the respective contacts were made.

Any question as to whether a director might be involved in a conflict of interest must be forwarded to the secretary of the Board of Directors, and the director must refrain from taking any action until it is resolved.

b) Abstention: if the conflict arises from an operation, transaction, or circumstance that requires any kind of operation, report, decision, or acceptance, the director must refrain from taking any action until the Board of Directors studies the case and informs the director of the appropriate decision.

To this end, the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members attending for purposes of the calculation of a quorum and majorities. At each meeting of the Board of Directors and of the committees thereof, the secretary reminds the directors, before dealing with the agenda, of this abstention rule.

c) Transparency: whenever required by law, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.

If the conflict of interest is, or may reasonably be expected to be, of a structural and permanent nature, it shall be deemed that there is a loss of the suitability required to hold office, which constitutes an event requiring the resignation, separation and removal of the director.

Conflicts of interest with officers are subject to the same rules of communication, abstention and transparency.

The Code of Ethics, which dedicates a specific section to conflicts of interest, applies to all professionals within the group, regardless of rank.

Furthermore, transactions between companies forming part of the group with significant shareholders or shareholders that have proposed the appointment of any of the directors and their respective related persons are also dealt with in the Regulations of the Board of Directors as explained in section D.1. They must be carried out on arm's-length conditions and be previously approved by the Board of Directors (or, in urgent cases, by the Executive Committee) or be approved by the

shareholders at a General Shareholders' Meeting if the value of the transaction exceeds 10% of the corporate assets. All of these transactions will be reported in the Annual Corporate Governance Report and in the Half-Yearly or Annual Financial Report.

D.7 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

Yes ☐ **No** X

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax risk.

Pursuant to the three lines model, Iberdrola's General Risk Control and Management Policy and the risk policies (corporate and those specific to the businesses) in development thereof are implemented within a comprehensive risk control and management system, supported by the group's Risk Committee and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon supporting procedures, methodologies and tools, suitable for the various stages and activities within the system, including:

a) The establishment of a structure of risk policies, guidelines, limits and indicators, as well as of the corresponding mechanisms for the approval and implementation thereof.

b) The ongoing identification of significant risks and threats, taking into account their possible impact on key management objectives and the accounts (including contingent liabilities and other off-balance sheet risks).

c) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the group as a whole.

d) The measurement and control of risks following homogeneous procedures and standards common to the entire group.

e) The analysis of risks associated with new investments, as an essential element in risk/return-based decision-making, including physical and transition risks related to climate change.

f) The maintenance of a system for monitoring and control of compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.

g) The ongoing evaluation of the suitability and efficiency of applying the system and the best practices and recommendations in the area of risks for eventual inclusion thereof in the model.

h) The audit of the comprehensive risk control and management system by the Internal Audit Division.

The foregoing is undertaken in accordance with the following main principles of conduct:

a) Integrate the risk/opportunity vision into the group's management, through a definition of the strategy and the risk appetite and the incorporation of this variable into strategic and operating decisions.

b) Segregate functions, at the operating level, between areas that assume risks and areas responsible for the analysis, control and monitoring of such risks, ensuring an appropriate level of independence between them.

c) Guarantee the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.

d) Inform regulatory agencies and the principal external players, in a transparent fashion, regarding the risks facing the group and the operation of the systems developed to monitor such risks, maintaining suitable channels of communication.

e) Ensure appropriate compliance with the corporate governance rules established by the Company through its Governance and Sustainability System and the update and continuous improvement thereof within the framework of the best international practices as to transparency and good governance, and implement the monitoring and measurement thereof.

f) Act at all times in compliance with the values and standards of conduct reflected in the Code of Ethics, under the principle of "zero tolerance" for the commission of unlawful acts and situations of fraud set forth in the Crime Prevention Policy and in the Anti-Corruption and Anti-Fraud Policy and the principles and good practices reflected in the Corporate Tax Policy.

The General Risk Control and Management Policy and the risk policies apply to all companies that make up the group, over which the Company has effective control, within the limits established by the laws applicable to the regulated activities carried out by the group in the various countries in which it operates.

Excluded from the scope of this policy are listed country subholding companies and the subsidiaries thereof which, pursuant to their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies. In any event, said risk policies must be in accord with the principles set forth in risk policies of the group.

At those companies over which the Company does not have effective control, the Company shall promote principles, guidelines, and risk limits consistent with those established in the General Risk Control and Management Policy and in its supplemental risk policies and shall maintain appropriate channels of information to ensure a proper understanding of risks.

Iberdrola believes that its comprehensive risk control and management system operates on a comprehensive and continuous basis, strengthening such management by business unit or activity, subsidiaries, geographic areas and corporate-level support areas.

E.2 Identify the bodies within the company responsible for preparing and executing the Risk Management and Control System, including tax risk.

1. BOARD OF DIRECTORS

In the area within its purview, and with the support of the Audit and Risk Supervision Committee, it must use develop all of its capabilities in order for the significant risks to all the activities and businesses of the group to be adequately identified, measured, managed and controlled, and to establish through the General Risk Control and Management Policy the mechanisms and basic principles for appropriate management of the risk/opportunity ratio. By virtue thereof, it defines the risk strategy and profile of the group and approves the risk policies.

2. EXECUTIVE COMMITTEE

In order to conform the impact of the risks to the established appetite, the Executive Committee, upon the proposal of affected business or corporate divisions and after a report from the group's Risk Committee, annually reviews and approves the specific guidelines regarding the risk limits of the corporate risk policies.

3. AUDIT AND RISK SUPERVISION COMMITTEE.

As a consultative body of the Board of Directors, this Committee is vested with various powers relating to the Comprehensive Risk Control and Management System, as set forth in articles 3, 5, 6 and 10 of the Regulations thereof.

This includes the following (by way of example and based on the importance thereof):

- Conduct a periodic review of the risk policies on at least an annual basis.
- Monitor the effectiveness of their internal control and risk management systems.
- Continuously review the internal control and risk management systems, such that the principal risks are properly identified, managed and reported.
- Obtain and analyse with the external auditor information regarding any significant deficiency in internal control that the statutory auditor detects.
- Ensure that the internal control policies and systems are effectively applied in practice.
- As regards the activities of the Risk Management and Internal Assurance Division, which is functionally controlled by the Committee: i) supervise the activities and ensure the effectiveness thereof, and ii) approve the direction and the annual management plan and its budget.
- Evaluate the various risk tolerance levels established in the risk policies in order to, if appropriate, propose the adjustment thereof.
- Promote a culture in which risk is a factor that is taken into account in all decisions.
- Endeavour to ensure that the group's internal control and risk management system identifies at least: i) the different types of financial and non-financial risks, ii) the establishment and review of the risk levels that the Company deems acceptable, iii) the measures planned in order to mitigate the impact of identified risks in the event they occur, and iv) the information and internal control systems used to monitor and manage the risks.
- Maintain appropriate relationships with the audit and compliance committees of the other companies of the group and promote a risk culture.
- Identify and evaluate emerging risks.
- Obtain creditable information as to whether the most significant risks are managed and maintained within the tolerance figures that have been established.
- Receive information from the Company's tax director regarding the tax guidelines applied during the financial year, and particularly regarding the level of compliance with the Corporate Tax Policy, as well as regarding the tax consequences of transactions or matters that must be submitted to the Board of Directors for approval when such consequences represent a significant issue.

4. BOARDS OF DIRECTORS AND AUDIT AND COMPLIANCE COMMITTEES OF COUNTRY SUBHOLDING AND HEAD OF BUSINESS COMPANIES

The country subholding companies adopt the group's risk policies and specify the application thereof, approving the guidelines on specific risk limits, based on the nature and particularities of the businesses in each country. The audit and compliance committees of such companies shall report to the Board of Directors on the internal control and risk management systems.

The management decision-making bodies of the head of business companies of each country or region must approve the specific risk limits applicable to each of them and implement the control systems necessary to ensure compliance therewith.

Pursuant to their special framework of strengthened autonomy, the listed companies of the group have their own risk policies, which are aligned with those of the group.

5. GROUP RISK COMMITTEE

The Risk Committee of the Iberdrola group is a technical committee that is chaired by the Risk Management and Internal Assurance Director and that performs executive duties in the customary management of risks and provides advice to the governance bodies of the group.

- It meets at least once a month, with the participation of the group's Risk Management director, the risk directors of the country subholding companies and corporate areas that have such a position, the Internal Audit Area and the Management and Control Division.

- It reviews new reported risks and the reports monitoring the main existing risks, and issues the Quarterly Risk Report of the group, which includes the main risk positions, the report on compliance with policies and risk limits and indicators, and the update of the key risks map.

It is supplemented by the credit risk and market risk committees, which report to the former, and which meet on a monthly basis to discuss and decide on credit and market (financial and commodities) risks.

E.3 Indicate the main risks, including tax risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

The group is subject to various risks inherent in the different countries, industries and markets in which it does business and in the activities it carries out, which may prevent it from achieving its objectives and successfully implementing its strategies.

In the "Principal risks and uncertainties" section of the Management Report of the Annual Financial Report for financial year 2020, there is a detailed description of the principal risks associated with the activities of the main businesses of the group, as well as the risks of the corporation.

Pursuant to the definitions established by the General Risk Control and Management Policy, risks at the group level are classified as follows:

- Corporate governance risks.
- Market risks.

- Credit risks.
- Business risks.
- Regulatory and political risks.
- Operational, technological, environmental, social and legal risks.
- Reputational risks.

Given the multidimensional nature of the risks, the group has a system that allows for the risks to be classified according to complementary risk taxonomies for improved monitoring.

The system also considers the classification variable of emerging risks, understood as possible new threats with an uncertain impact and with an undefined but growing probability that could become significant for the group.

The activities of the group during financial year 2021 and later years will be particularly affected by the following main risk factors:

- Changes in the exchange rate between the euro and the currencies of the principal countries in which the group does business.
- The evolution of commodity and electricity prices in these countries.
- The annual change in hydraulic, solar and wind resources with an impact on the production of electricity at the renewable generation plants of the group.
- Increased competition in the unrestricted market in Spain as a result of the entry of significant new players, and the current increased competition in the United Kingdom, with a possible impact on the annual accounts.
- The ability to implement the current major investment plan, in terms of cost and timing.
- Environmental, social and governance issues (commonly known as “ESG”), with potentially significant reputational impacts, including risks arising from climate change, pollution, fire, health and safety, labour and diversity issues, impacts on local communities, corporate governance, fraud and corruption.
- Financial and reputational risk arising from a potential increase in cybersecurity attacks or incidents. There are regular appearances before the Audit and Risk Supervision Committee of executive officers competent to report on this issue.
- The course of the COVID-19 pandemic and its vaccine and the economic recovery of the various countries in which the group has a presence.
- The integration of CEB Distribuição (in Brazil) y PNM Resources (in the United States).

Finally, in relation to possible risks with a reputational impact, the following is reported:

- The proceeding that commenced in April 2017 when the Public Prosecutor filed a claim against Iberdrola Generación España, S.A.U., bringing before the courts an adverse government ruling by the National Markets and Competition Commission (*Comisión Nacional de los Mercados y de la Competencia*) (“CNMC”), which was appealed to the contentious-administrative courts, relating to the price of bids for the Duero, Sil and Tajo hydroelectric management units between 30 November 2013 and 23 December 2013.

- The hiring of entities linked to the former police commissioner José Manuel Villarejo Pérez, a matter disclosed in the annex to this Report due to the limit on the number of characters in this section.

In relation to these types of risks, it should be noted that the group's comprehensive risk control and management system specifically identifies all risks with a reputational impact and establishes mechanisms for the monitoring, control and internal and external communication thereof.

Furthermore, Iberdrola has a Compliance System made up of a set of substantive rules, formal procedures and significant actions intended to ensure that conduct is in accordance with ethical principles and applicable law, preventing, avoiding and mitigating the risk of conduct that is improper or contrary to ethics or the law. The bodies and divisions directly entrusted with the implementation and further development thereof also form part of this System.

Elements of the system include the Code of Ethics (which is applicable to all professionals of the group, board members and suppliers) and the Compliance Unit, a collective permanent and internal body linked to the Sustainable Development Committee, which, among other things, spreads a preventive culture based on the principle of "zero tolerance" towards the commission of illegal acts and improper conduct. The System has been designed following the best domestic and international practices in the area of compliance, fraud prevention and the fight against corruption.

For more details regarding the risks to which the group is subject, see:
- Statement of Non-Financial Information-Sustainability Report 2020.
- The Integrated Report.
- Other sections of this Annual Corporate Governance Report.

E.4 Indicate whether the entity has risk tolerance levels, including for tax risk.

The Company's Board of Directors reviews and approves the risk tolerance level that is acceptable for the group on an annual basis. The General Risk Control and Management Policy, together with the policies that further develop and supplement it, qualitatively and quantitatively establish the annually accepted risk appetite, in a sufficiently detailed manner, both at the group level and at the level of each of its principal businesses and corporate functions, in accordance with the objectives established in the multi-year plan and the corresponding annual budgets.

By way of complement, the Management and Control Division, after considering such limits and guidelines, in order to verify the risk globally assumed in the annual profit and loss account, engages in a comprehensive probability analysis of the global risk remaining for the financial year at the time of approving the annual budget.

In addition, all new multi-annual plans are accompanied by their corresponding analysis of associated risk.

The General Risk Control and Management Policy is further developed and supplemented through the following policies, which are also subject to approval and update by the Company's Board of Directors, and which include the following risk limits and indicators:

Corporate Risk Policies:

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

Risk policies for the various businesses of the group:

- Risk Policy for the Networks Businesses of the Iberdrola group
- Risk Policy for the Renewable Energy Businesses of the Iberdrola group
- Risk Policy for the Liberalised Businesses of the Iberdrola group
- Risk Policy for the Real Estate Business

The General Risk Control and Management Policy, as well a summary of the risk policies in further implementation thereof, are available on the corporate website.

The limits and indicators of the risk policies should be consistent with the annual budget and the objectives set forth in the multi-annual investment plans. The numeric values of the limits and indicators set forth in the various policies are probabilistic in nature (like VaR and EBITDA at risk) or deterministic in nature, and are expressed in monetary units, indices or benchmarks based on which volumetric risks and/or values are generated, including:

- limits on the maximum overall credit risk exposure by type of counterparty;
- limitations on market risk proportional to the volume of activity of each business;
- strict overall limit on the discretional trading of energy;
- limitations on operational risk through preventative maintenance programmes and assurance programmes; and
- strict limitations on activities not associated with the main energy business.

The Corporate Tax Policy establishes the limits on tax risk by setting the tax strategy, the principles of conduct and the good tax practices assumed by the Company.

As described above, the Iberdrola group has a risk tolerance level (acceptable risk level) established at the corporate level, which is annually approved by the Board of Directors and its Executive Committee. The group's Risk Committee, the Operating Committee, the Audit and Risk Supervision Committee, the businesses, the corporate functions and the Risk Management and Internal Assurance Division also participate in the process.

E.5 Indicate which risks, including tax risks, have materialised during the year.

The activities of the Iberdrola group during 2020 were affected by various risks that materialised in the countries and markets in which it operates, and particularly by the COVID-19 pandemic.

Thanks to a diversification of activities, markets and geographical regions (which allowed the negative impacts on some businesses to be offset by favourable behaviour in others) and the measures adopted by the group as a result of Covid-19, the overall impact on the group's consolidated accounts has been limited.

The World Health Organisation classified the outbreak of the COVID-19 coronavirus as a pandemic on 11 March 2020. As a result, the main countries in which the IBERDROLA group operates have been gradually taking temporary measures to limit the spread of COVID-19, which include or have included restrictions on the free movement of people, quarantine requirements, isolation or confinement, border closures and the closing of public and private premises (except for essential and health care facilities), which have affected and will affect to a greater or lesser extent the economic activity of these countries and particularly the group's operations.

Since the start of COVID-19, the IBERDROLA group's distributors have taken numerous actions to maintain supplies to more than 32 million customers and to ensure the quality of service and the safety of customers as well as facilities and operations. These include:

- Activation of emergency plans, with special measures to protect the supply of critical facilities like hospitals, homes, the food industry, Defence Ministries, prisons, etc.
- Special service plans for hospitals, installing generators and inspecting the circuits serving essential facilities, to ensure the uninterruptibility of service. Special operations positions have been created to solely deal with health services, in collaboration with public bodies.
- In addition, customer service channels have been strengthened and service cuts for non-payment have been suspended, providing customers with payment schemes and resources to reduce energy use.

Furthermore, in order to mitigate the economic impact and facilitate a faster economic recovery, numerous governments and central banks have approved or announced various plans to support economic recovery, including liquidity plans, soft loans, tax relief, support measures for the most vulnerable groups and the most affected industries, as well as various regulatory measures.

As a result of COVID-19, the companies of the IBERDROLA group have faced, and are expected to continue to face, an increase in their traditional credit, market, financial, operational and regulatory risks.

It should be noted that the regulated network businesses in the countries in which the group operates have regulatory frameworks that provide adjustments to the regular tariffs for involuntary deviations in income and expenses, and provide extraordinary adjustments for deviations arising from force majeure, such as those resulting from the effects of COVID-19. Some of the impacts associated with the risks arising from COVID-19 will be covered, in full or in part, based on the specific characteristics of each of the regulatory frameworks and the law applicable in each country.

The main risks relating to COVID-19 that have materialised for the group derive from credit risk as a result of the increase in the cost of non-performing loans in our liberalised retail supply businesses and, to a lesser extent, in our network businesses in Brazil and, on the other hand, market risk as a result of the significant decreases in demand for electricity and gas in the various countries in which the group is present and the resulting decreases in electricity and gas prices.

Although it is not possible to know precisely the impact of COVID-19 on the financial statements, the group estimates that it has led to decrease of 238 million euros in Net profit, with an increase of 124 million euros in provisions, due to insolvencies, attributable to COVID-19.

For more information, see the 2020 Annual Financial Report.

Risks other than those arising from the COVID-19 pandemic that have materialised include:

- The UK government's cancellation of the announced reduction in corporation tax from 19% to 17%, with an estimated impact on the group's accounts of GBP 135 million due to lower deferred tax credits.
- Wind power resources in Spain 10% below the forecasted average value.

Positive developments include a gross capital gain of EUR 485 million on the sale of the group's 8.07% stake in Siemens Gamesa to Siemens AG in February 2020.

E.6 Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise

The comprehensive risk control and management system, together with the control and management policies that implement them, including the group's Risk Committee and the Company's Operating Committee, have allowed for the identification of risks and new threats sufficiently in advance, as well as for establishing appropriate mitigation plans, including those related to the COVID-19 pandemic.

The Company's Operating Committee meets on an approximately weekly basis.

The group's Risk Committee, which reviews the evolution of the various risks, meets on a monthly basis, and on a quarterly basis issues the Quarterly Risk Report of the group, which includes the main risk positions, the report on compliance with policies and limits approved, and the update of the key risks map.

On at least a quarterly basis, the Audit and Risk Supervision Committee of the Board of Directors supervises the evolution of the Company's risks:

– It reviews the group's Quarterly Risk Report submitted by the group's Risk director.

– It coordinates and reviews the Risk Report submitted on a regular basis (at least half-yearly) by the audit and compliance committees of the business subholding companies of the group.

– On at least a half-yearly basis, it prepares a Risk Report for the Board of Directors.

F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1 The entity's control environment:

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

Iberdrola's Board of Directors is ultimately responsible for implementing and maintaining a proper and effective internal control over financial information ("ICFR") system. The Boards of Directors of each of the country subholding companies and of the head of business companies also have this responsibility within their various purviews.

The heads of the country subholding companies and of the head of business companies, together with their respective heads of control, as well as the directors of the corporate areas, are in turn responsible for the design and implementation of the ICFR system. This responsibility is explicitly set forth in the certifications that said persons sign on a half-yearly basis in relation to the financial information for their respective areas of responsibility.

Pursuant to Article 31.6.d of the Regulations of the Board of Directors, the Audit and Risk Supervision Committee (hereinafter, "ARSC") is responsible for supervising the effectiveness of the internal control of the Company and of its group, as well as the risk management systems thereof. Article 31.6.f also provides that the duties of the ARSC include that of supervising the process of preparing and presenting mandatory financial information and submitting recommendations or proposals to the Board of Directors to protect the integrity of this information.

The ARSC is supported by the Risk Management and Internal Assurance Area and the Internal Audit Area in the performance of its powers with respect to the internal control and risk management systems. Any audit committees at the country subholding and head of business companies have these powers within their respective purviews.

The Risk Management and Internal Assurance Area became functionally subordinate to the ARSC in 2020 (according to the IIA 2020 "Three Lines Model" of The Institute of Internal Auditors, this area would be a "second line"). This area has the mission of ensuring the proper definition, implementation and maintenance of the ICFR system, assuring Senior Management and the Board of Directors, through the ARSC, that it is effective.

F.1.2. Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Board of Directors of Iberdrola defines the organisational structure at the first level. The heads of these top-level organisations, together with the Human Resources, General Services and Corporate Security Division, implement the deployment within their respective purviews.

Each top-level division prepares a proposed organisational structure, including a description of the mission, duties and responsibilities of the various organisations deployed, which must subsequently be validated by the Human Resources, General Services and Corporate Security Division, as well as by the Finance, Control and Resources Area.

The main responsibility for preparing financial information lies with the corporate Administration and Control Division. This division proposes the structure of heads of Control of the country subholding and head of business companies and deals with coordinating and supervising the conduct thereof.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

The Iberdrola group has a *Code of Ethics* that was first approved by the Board of Directors in financial year 2002, and that is regularly reviewed and updated.

The Code of Ethics is communicated and disseminated among the professionals of the Iberdrola group in accordance with the plan approved annually for this purpose by the Compliance Unit of Iberdrola (the "**Unit**"), which provides for various initiatives in the area of training (both on-line and in-person) and communication, addressed to the various groups of professionals based on their exposure to Compliance risks.

The Code of Ethics, which includes informational transparency among its general ethical principles and principles on relations with Iberdrola's stakeholders, expressly states the following in article B.6.:

"1. The group shall provide true, proper, useful and consistent information regarding its programmes and actions. The transparency of the information required to be disclosed is a basic principle that must govern the conduct of all directors, professionals and suppliers of the group.

2. The economic/financial information of the group (especially the annual accounts) shall faithfully reflect its economic and financial position and its net worth, in accordance with generally accepted accounting principles and applicable international financial reporting standards. For such purposes, no directors, professional or supplier shall conceal or distort the information set forth in the accounting records and reports of the group, which shall be complete, accurate and truthful.

3. A lack of honesty in the communication of information, whether within the group (to professionals, subsidiaries, departments, internal bodies, management decision-making bodies, etc.) or externally (to auditors, shareholders and investors, regulatory entities, the media, etc.) is a breach of this Code of Ethics. This includes delivering incorrect information, organising it in an incorrect manner or seeking to confuse those who receive it".

The Unit, which is a collective permanent and internal body linked to the Sustainable Development Committee of Iberdrola, controls the effective operation of the Company's Compliance System, with powers in the area of compliance. The duties of the Unit include ensuring the application of the Code of Ethics and of the other rules of the group in the compliance area, and the spread of a preventive culture based on the principle of "zero tolerance" towards the commission of unlawful acts. It also approves the "General Compliance System Framework of the Iberdrola group", which contains the basic principles of structure and operation of the group's Compliance System as well as the duties and responsibilities of the various bodies involved. The Unit also evaluates and prepares an annual report on the effectiveness of the Compliance System of Iberdrola and of the Iberdrola group. The report is submitted to the Sustainable Development Committee, which issues its opinion and forwards it to the Board of Directors.

The Unit is also in charge of investigating grievances and potential improper activities in order to determine whether a professional of Iberdrola has acted contrary to the provisions of applicable law or the Code of Ethics, and if applicable, to submit its conclusions to the Human Resources, General Services and Corporate Security Division for it to decide on the application of disciplinary measures in accordance with the offences and penalties system set forth in the collective bargaining agreement to which the professional belongs or in applicable labour law. The Compliance divisions of the other companies of the group perform this same function at each of them.

Pursuant to Article F.5.1 of the Code of Ethics, directors, professionals of the companies of the group and the suppliers thereof expressly accept the rules of conduct established therein that are applicable thereto.

Pursuant to Article F.5.2, professionals who hereafter join or become part of the group and suppliers contracting with companies of the group shall also expressly accept the rules of conduct to which they are subject as set forth in sections D (for professionals of the group) and E (for suppliers), respectively, of the Code of Ethics.

Likewise, directors shall receive a complete copy of the Code of Ethics, for which they shall deliver a signed receipt.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported.

Iberdrola has various ethics mailboxes based on the sender: (i) ethics mailboxes for the professionals of the group; (ii) the mailbox available to shareholders and investors; and (iii) the suppliers' mailbox, accessible from the Employee Portal, from the OLS "On Line Shareholders" system or their mobile app, and from the Supplier Portal, respectively. These channels allow for communicating and complaining of 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 the Code of Ethics or to ask questions regarding any issue with respect to compliance.

Identification of the complaining party or whistle-blower is not required to send a complaint through these mailboxes (complaints may be anonymous), and if one does so Iberdrola guarantees absolute confidentiality with respect to both the information provided and the personal data of the reporting party. The group naturally states its commitment to not retaliate against any professional making a complaint, unless there is bad faith on the party of the complaining party.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

Training is key in the Iberdrola's human resources policy and is an essential element for adapting new professionals to Iberdrola and the proper performance of their jobs, as well as to keep the group's employees updated regarding any changes that occur within the group itself as well as the environment within which it does business.

As an example of the commitment to training, Iberdrola has a corporate campus with multiple training centres in various countries, including the International Corporate Campus in San Agustín de Guadalix (Madrid). Training in all areas is provided at these facilities by internal professionals, outside entities, universities, outside experts, etc.

Specifically, the personnel directly or indirectly involved in the preparation and review of financial information and in the evaluation of the ICFR system, based on their different responsibilities, receive regular training on accounting standards, internal control and risk management, which is intended to give them the knowledge needed for the optimal performance of their duties as well as to anticipate, to the extent possible, the proper alignment of the group with future rules and best practices. Most of these courses are provided by outside entities: business schools, universities and consultants specialising in economic/financial matters.

In addition, and on a general basis, these professionals regularly take coursework to improve their qualifications in the use of the computer-based tools required to perform their duties, mainly excel and database management.

They also attend various conferences, symposia and seminars in the areas of accounting, tax and internal audit, at both the domestic and international level.

Furthermore, in order to pool best practices and analyse the challenges facing the group in these areas, various meetings between the professionals of these areas from the different countries and country subholding companies are organised on an annual basis. Specifically, in 2020 there were, among other events, the annual II International Internal Audit Planning Days and "XIII Global Control Committee", which analyse the most significant issues affecting the function, like new accounting rules, with special attention on reviewing and evaluating the group's ICFR system.

Most of the activities and actions mentioned above have been carried out virtually, due to the situation caused by COVID-19 since March.

In addition, although not considered specific training activities, the Accounting Practice Division, which reports directly to the director of Administration and Control, who is responsible for defining and updating the accounting policies, publishes a quarterly bulletin that is broadly distributed within the group regarding new accounting developments with respect to International Financial Reporting Standards ("IFRS"), which includes updates on standards (standards that have entered into effect, drafts issued, standards issued, standards approved by the European Union, new standards and expected drafts, as well as existing standards) and accounting questions asked internally, together with the conclusions with respect thereto.

F.2 Assessment of risks in financial reporting

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

The process of identifying risks of error in financial information is one of the most important steps within the methodology used for internal control over financial information at Iberdrola, documenting both the objectives and performance thereof as well as its results.

The methodology, developed and updated by the Risk Management and Internal Assurance Area, starts with an analysis of the consolidated financial information of the Iberdrola group and of the various country subholding companies, in order to select the most significant accounting headings and notes, pursuant to quantitative (materiality) and qualitative (business risk and third-party visibility) standards. The headings and notes selected are grouped into management cycles or large processes in which the selected information is generated. The cycles are analysed and a high-level description of each of them is prepared as a means for identifying the potential risks of error in the financial information in relation to attributes like integrity, presentation, valuation, cut-off, recording and validity. The risks identified are subject to a process of assessment, selecting the most significant ones, applying professional judgement regarding a number of indicators (existence of documented processes and controls, intervention of systems that automate the process, occurrence of incidents in the past, familiarity with and maturity of the process, and need for the use of judgement to make estimates). The risks of fraud are not subject to explicit identification, although they are taken into account to the extent that they can generate material errors in the financial information.

Once the most significant risks have been selected and the main aspects to be controlled are identified, the controls required for the mitigation or management thereof are selected and designed, with these controls being subject to monitoring and documentation within the scope of the ICFR system.

The Risk Management and Internal Assurance Area provides specialised knowledge regarding internal control and carries out duties of support and coordination throughout the process described above, endeavouring to ensure the consistency and homogeneity of the model within the group, as well as the efficiency and effectiveness thereof.

The selected risks are reviewed at least annually within the framework of the assessment of the effectiveness of the internal control system performed by those responsible for it with the support and coordination of the Risk Management and Internal Assurance Area. This review is intended to update the risks to the changing circumstances in which the Company operates, especially given changes in the organisation, computer systems, regulation, products or the status of the markets.

The above controls, together with the risks they mitigate, are systematically reviewed by the Internal Audit Area.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

As mentioned above, the cycles or large processes in which financial information is generated are reviewed at least on an annual basis to identify potential risks of error in relation to attributes like validity (existence and approval), integrity, valuation, presentation, cut-off and recording.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

The scope of consolidation is identified on a monthly basis, and is used to produce an updated map of companies, expressly identifying the changes that have occurred each period. The scope of this review is the totality of all companies in which Iberdrola or any of its subsidiaries has an interest, regardless of the significance thereof. Furthermore, following the provisions of section 529 of the Companies Act, the Regulations of the Board of Directors provide that the purview of the Board of Directors includes, among other things, approving the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the group. In any event, the making of such decision requires a prior report of the ARSC, as provided in its Regulations. Pursuant to specific internal procedures in effect (conforming to the current corporate governance model), the initiative relating to the creation or acquisition of an interest in a special purpose entity or an entity domiciled in a tax haven is within the purview of the management of the group or of the country subholding company or head of business company or subsidiary thereof that intends to create or acquire a company of this nature. In the event that such transactions are carried out by listed country subholding companies of the group or by subsidiaries thereof, the audit and compliance committee or similar body of such listed country subholding company shall be responsible for issuing the relevant report.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The process of identifying risks of error in financial information takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they significantly affect the financial statements. These risks are assessed and managed by various corporate units such

as the Risk Management or Legal Services, among others. However, there is no express identification of such other types for the categorisation of financial information risks.

- The governing body within the company that supervises the process.

The governing body that supervises the process is the ARSC, which is supported by the Risk Management and Internal Assurance Area and the Internal Audit Area in the performance of this duty.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.

On 15 December 2020, Iberdrola's Board of Directors updated the Iberdrola group Financial Information Preparation Policy that applies to all companies of the group, and which further develops the process for preparing the consolidated financial information and clearly defines the powers vested in the ARSC and the audit and compliance committees of the other companies of the group.

"Consolidated financial information" means the information appearing in the consolidated annual accounts, in the interim management statements corresponding to the results of Iberdrola and its consolidated group for the first and third quarter, and in the Half-Yearly Financial Report.

The policy provides that the financial information required for the preparation of the "consolidated financial information" must be prepared in accordance with the accounting standards established in the Accounting Policies Handbook and the models approved by Iberdrola's Administration and Control Division.

The policy provides which management decision-making body of each company shall be responsible for preparing the financial information relating to its respective company that may be required to prepare the "consolidated financial information". By analogy, the management decision-making bodies of the country subholding companies shall be responsible for approving the "financial information for consolidation" within which the information regarding the company itself and that of the subsidiaries forming part of its subgroup are included.

Thus, the management decision-making bodies of the country subholding companies, following a report from their respective audit and compliance committees, and based on the information received from their subsidiaries, shall prepare and approve the financial information for consolidation corresponding to each subgroup, and once such information has been verified by their external auditor within the context of its review of the consolidated financial information, they shall send it to Iberdrola's Administration and Control Division prior to the date indicated thereby, in order to prepare the consolidated financial information and submit it for formulation or approval by Iberdrola's Board of Directors, as appropriate, after a report from its ARSC.

Furthermore, the process or structure of certification of the financial information managed and coordinated by the Risk Management and Internal Assurance Area, which is formally carried out on a half-yearly basis, coinciding with the interim and annual close, reflects the form in which the financial information is generated within the group.

In this structure, the heads of the country subholding companies and the heads of the head of business companies, together with their respective heads of control, as well as the heads of the global corporate areas, certify both the reliability of the financial information regarding their areas of responsibility (which is the information they provide for consolidation at the group level) and the effectiveness of the internal control system established to reasonably guarantee such reliability. Finally, the chairman & CEO, as the top responsible executive, and the General Finance, Control and Resources Director (CFO), who is responsible for the preparation of the financial information, certify to the Board of Directors the reliability of the consolidated annual accounts and the Half-Yearly Financial Report.

The ARSC, with the support of the Risk Management and Internal Assurance Area and the Internal Audit Area, supervises the entire process of certification, submitting to the Board of Directors the conclusions obtained from this analysis at the meetings during which the accounts are formally prepared.

As regards the description of the ICFR system to be published in the securities markets, the procedure for the review and approval thereof is the same as the one used for all disclosures of an economic and financial nature in the Annual Corporate Governance Report.

The documentation of the Internal Control over Financial Reporting (ICFR) System includes high-level descriptions of the cycles for generating the selected relevant financial information, as well as detailed descriptions of the prioritised risks of error and of the controls designed for the mitigation or management thereof. The description of the controls includes the evidence obtained for the implementation thereof, which is necessary for their review.

Each of the accounting close processes at the businesses is considered a cycle, and the same occurs with the group of accounting close activities at the corporate level, with the global consolidation process and with the process of preparing the notes to the financial statements. This means that all of these activities are subject to the methodological process described in the section relating to risks.

Furthermore, the specific review of critical accounting judgements, estimates, valuations and relevant projections is subject to specific controls within the model, as these types of issues involve risks of error in the various cycles in which they are made. The evidence of the specific controls is the support for such reviews in many cases.

Independently of the process of certification followed in the countries, businesses and corporate areas, the ARSC, with the support of the Internal Audit Area, performs a quarterly global review of the financial information, ensuring that the half-yearly financial reports and quarterly management statements are prepared using the same accounting standards as the annual financial reports, and verifies the proper definition of the scope of consolidation and the correct application of generally accepted accounting principles and international financial reporting standards.

F.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.

The controls considered to mitigate or manage the risks of error in financial reporting include some relating to the most significant software applications, like the controls relating to user access permissions or those relating to the integrity of the transfer of information between applications, control of operations and change management.

In addition, the Iberdrola group has internal control guidelines and procedures regarding IT systems in relation to the acquisition and development of software, the acquisition of systems infrastructure, the installation and testing of software, change management, management of service levels, management of third-party services, security of the systems and access thereto, incident management, transaction management, continuity of operations and the segregation of functions.

These guidelines and procedures (which in some cases are different based on geographic area or type of solution, and are in a process of progressive homogenisation) are applied to all IT systems that support the relevant process of generation of financial information, and to the infrastructure required for the operation thereof.

The Iberdrola group also has an Information Technologies (IT) Policy that contemplates the management of risks associated with the use, ownership, operation, participation, influence and adoption of specific information technology or the processes for the management and control thereof.

Thus, there is a model of general controls integrated within the risk management model that allows for a global evaluation of the risks related to information technology.

Both the risk model and the IT controls are based on and aligned with market best-practices, like COBIT5 and COSO. The evolution thereof over the long term is maintained by including the new needs arising from the changing regulatory compliance framework that applies to the IT systems and services, as well as the recommendations and guidelines of auditors and relevant third parties.

As part of the general IT controls model, there is a regular evaluation of the effectiveness of the information technology controls in the area of financial systems, adopting the appropriate measures if any incident is detected.

On an annual basis, the heads of the IT systems of the Iberdrola group certify the effectiveness of the internal controls established regarding financial information. This certification covers all systems declared to be within the scope of the external financial auditing, as well as others deemed to be relevant, by the corresponding business organisations within the group.

For financial year 2020, the total number of systems covered by the IT controls system was 51, on which a model of 26 controls was applied, most of which are evaluated and applied by the Systems Division, and in some cases by other business organisations. The frequency of the evaluation is annual or biannual, depending on the nature of the control, and it is performed using a principle of sampling of all of the relevant evidence in each case. The entire process of evaluating the IT controls is supported by a GRC system and is supervised annually by the Internal Audit Area.

F.3.3. Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

In general terms, the Iberdrola group does not have significant functions subcontracted to third parties with a direct impact on financial information. The evaluations, calculations or assessments entrusted to third parties that could materially affect the financial statements are considered to be activities relevant to the generation of financial information leading to the identification of any priority risks of error, which involves the design of associated internal controls. These controls cover the internal analysis and approval of fundamental assumptions to be used, as well as the review of the evaluations, calculations or assessments made by outside parties, by comparing them to the calculations made internally.

F.4 Information and communication

Report on whether the company has at least the following, describing their main characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Accounting Practice Division, which reports to the Administration and Control director, is responsible for defining and updating the accounting policies, as well as for resolving questions or conflicts arising from the interpretation thereof. It maintains fluid communication with the heads of operation of the organisation, and particularly with the heads of the accounting functions.

It publishes a bulletin on a quarterly basis that is broadly distributed within the group regarding new accounting developments deriving from the IFRS, which includes updates on standards (standards that have entered into effect, drafts issued, standards issued, standards approved by the European Union, new standards and expected drafts, as well as existing standards) and accounting questions asked internally, together with the conclusions with respect thereto.

The Accounting Practice Division is also responsible for keeping the Accounting Policies Handbook of the group continuously updated and ensuring the appropriate dissemination thereof.

The accounting policies handbook is continuously updated. For this purpose, the Accounting Practice Division analyses whether the new developments or changes in the accounting area have an effect on the group's accounting policies, as well as the date of entry into force of each of the standards. When a new provision, or new interpretations thereof, are identified having an effect on the accounting policies of the group, it is included in the handbook, and also communicated to the parties responsible for preparing the financial information of the group through the quarterly bulletins mentioned above, and the application supporting the handbook is also updated.

The updated version of the handbook is available in an application on the internal network of the group. This application is also accessible by users via remote access and can be connected to e-mail. Any change or upload of a document of the handbook generates an e-mail notice to all users.

F.4.2. Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.

The mechanism for capturing and preparing the information supporting the main financial statements of the Iberdrola group is mainly based on the use of a unified management consolidation tool (called BPC), which is accessible from all geographic areas, that is currently deployed throughout the group.

A large part of the information supporting the breakdowns and notes is included in the consolidation tool, with the rest being captured by homogeneously formatted spreadsheets, called reporting packets, that are prepared for the half-yearly and yearly close.

F.5 **Supervision of the functioning of the system**

Report on at least the following, describing their principal features:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

The ARSC is supported by the Risk Management and Internal Assurance Area and the Internal Audit Area in the performance of its powers with respect to the internal control and risk management systems.

The ARSC's supervision of the ICFR system mainly includes:

i. monitoring compliance with the certification process by the various persons responsible for financial information;
ii. reviewing the design and operation of the internal control system to evaluate the effectiveness thereof, with the support of the Risk Management and Internal Assurance Area and the Internal Audit Area; and
iii. regular meetings with the external auditor, the Administration and Control Division, the Risk Management and Internal Assurance Area, the Internal Audit Area and senior management to review, analyse and comment on the financial information, the boundary of companies that it covers and the accounting criteria applied, as well as any significant weaknesses in internal control that have been identified.

The Risk Management and Internal Assurance Area performs functions that include, among others, monitoring, supporting, coordinating and homogenising the implementation of the IFRS, establishing the methodology, criteria and reporting method, as well as the operational monitoring of controls and the regular assessment of the effectiveness of the IFRS.

The parties responsible for preparing the financial information of each country subholding company, each head of business company and each corporate area must engage in an annual process, coordinated by the Risk Management and Internal Assurance Area, of reviewing the design and operation of the internal control system within their area of responsibility in order to evaluate the effectiveness thereof.

There is thus an analysis of whether, based on the changing circumstances in which the group acts (changes in organisation, systems, processes, products, regulation, etc.), changes in the risks identified and prioritised and/or new risks identified should be included. There is also an analysis of whether the design of the existing controls to mitigate or manage the risks that may have changed is appropriate, as well as whether they have operated satisfactorily in accordance with their design.

The conclusions from this annual review process, with respect to both the deficiencies identified (which are classified as high, medium or low, based precisely on their potential impact on the financial information) and the action plans to fix them, are presented at an annual specific meeting attended by the group's heads of Control and of the various country subholding companies, the heads of the main corporate areas, the Risk Management and Internal Assurance Area and the Internal Audit Area. Conclusions are made at this meeting regarding the effectiveness of the internal control system within each of the different areas of responsibility, and globally for the entire group.

Thereafter, the most significant conclusions regarding the review are submitted to the ARSC within the framework of the regular meetings it holds with the Risk Management and Internal Assurance director.

Apart from what is described in the preceding paragraphs, the Internal Audit Area, in support of the ARSC, undertakes an independent review of the design and operation of the internal control system, identifying deficiencies and preparing recommendations for improvement. The Internal Audit Area is functionally subordinate to the ARSC, and pursuant to the Basic Internal Audit Regulations has the main duties of assisting this committee in the exercise of its powers and objectively and independently supervising the effectiveness of the group's internal control system, which is made up of a set of risk management and control mechanisms and systems.

Based thereon, the Internal Audit Area engages in ongoing monitoring of the action plans agreed to with the various organisations to correct the deficiencies detected and to implement the suggestions for improvement agreed to with the organisations.

The period that the Internal Audit Area plans for in-depth review of the entire internal control system is five years.

Specifically, 16 cycles were reviewed during financial year 2020. These are cycles corresponding to the companies Iberdrola México, S.A. de C.V., Scottish Power Ltd., Iberdrola España, S.A.U., Neoenergia S.A and Iberdrola Energía Internacional S.A.U., as well as corporate cycles.

In addition, on a half-yearly basis, coinciding with the half-yearly and yearly close, the Internal Audit Area performs a review of the operation of the internal controls that are considered to be most critical, to which there should be added the annual review of all the SOX Key Controls of Avangrid, Inc.

The combination of regular reviews, together with the half-yearly reviews of the most critical controls, allows the Internal Audit Area to perform an evaluation of the internal control system (both design and operation) and issue an opinion regarding the effectiveness of the internal controls established to ensure the reliability of the financial information, which it submits to the ARSC within the framework of their regular meetings.

F.5.2. Whether there is a discussion procedure whereby the statutory auditor (pursuant to the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

In general terms, the procedure for discussion regarding significant internal control weaknesses that have been identified is based on regular meetings with the various agents.

Thus, the ARSC holds meetings, both at the half-year and yearly close, with the external auditor, the Risk Management and Internal Assurance Area, the Internal Audit Area and the officers responsible for preparing the financial information, in order to discuss any relevant aspect of the preparation process and of the resulting financial information.

Specifically, as established in its Regulations (scope of powers), Iberdrola's ARSC has, among other powers, that of obtaining information regarding any significant deficiency in internal control that the statutory auditor detects while carrying out its audit work. For these purposes, the statutory auditor appears before such Committee on an annual basis to present recommendations in connection with the internal control weaknesses identified during the review of the annual accounts. Any weaknesses noted by the statutory auditor are continuously monitored by the Committee with the support of the Internal Audit Area. Management responsible for preparing the consolidated accounts also holds meetings with the external auditors and with the internal auditors, at both the half-yearly and yearly close, in order to discuss any significant issues relating to the financial information.

F.6 **Other relevant information**

Iberdrola has an Internal Control over Financial Reporting (ICFR) system or model that is intended to reasonably guarantee the reliability of the financial information. The development of the model, which began in 2006, was not the result of a legal requirement but rather the conviction, by both the Board of Directors and the Company's senior management, that within a context of growth and internationalisation as was already forecast for the group, an explicit and auditable internal control system would contribute to maintaining and improving its control environment and the quality of the financial information, while at the same time increasing the confidence of investors due to its effects on the transparency, reputation and good governance of Iberdrola and of the companies making up the group.

The ICFR system has two main sides: certification, and internal control itself.

Certification is a half-yearly process managed and coordinated by the Risk Management and Internal Assurance Area in which those responsible for financial information in the different areas of the Company certify that: (i) the financial information they deliver to Iberdrola for purposes of consolidation does not contain any material errors or omissions and provides a fair view of the results and the financial condition of the Company within their area of responsibility, and (ii) they are responsible for establishing the ICFR system within their area of responsibility and have found, upon assessment, that the system is effective. The text of these certifications is inspired by the form of certification established in Section 302 of the U.S. Sarbanes-Oxley Act.

The culmination of the half-yearly process is a joint certification that the chairman & CEO and the General Finance, Control and Resources Director (CFO) submit to the Board of Directors for purposes of approval of the Half-Yearly Financial Report or the formulation of the annual accounts.

The process is carried out by means of electronic signature in a software application which manages the areas of responsibility and time periods and which serves as a repository of all the documentation generated, allowing for periodic review by the supervision and control bodies of the group.

The other side of the model, that of internal control itself, is inspired by the leading framework described in the "Internal Control Integrated Framework" report of the "Committee of Sponsoring Organizations of the Treadway Commission (COSO)", and is mainly focused on providing a reasonable level of security in achieving the goal of reliability of financial information.

The methodology used by Iberdrola for the development and continuous update of internal control, the development, maintenance and update of which is the responsibility of the Risk Management and Internal Assurance Area, has the following stages or steps: (i) analysis and selection of significant financial information; (ii) the grouping thereof within cycles or large processes in which it is generated; (iii) the identification, evaluation and prioritisation of the risks of error in financial information within the selected cycles; (iv) the design and operation of controls to mitigate or manage the selected risks; and (v) the monitoring and update of the foregoing steps to continuously adapt the model to the circumstances of the business activity.

One of the main characteristics of the design of the model is that it attempts to ensure the quality of the financial information during each month of the year, and is not only limited to the periods corresponding to the annual or half-yearly close.

This characteristic is strengthened with the use of a specific software application internally developed by the group, which allows for the monitoring of the status of the controls at all times.

Another important characteristic of the model is that it extends the culture of internal control to all the organisations, both corporate and business, that significantly contribute to the generation of financial information, by personally assigning responsibility in the implementation and documentation of controls.

All significant documentation regarding Iberdrola's ICFR system, including both the certification process and the internal control itself, is stored in this software application.

The people responsible for implementing the controls input into the software application evidence showing the performance thereof, and evaluate the results obtained, classifying them as satisfactory or unsatisfactory. This allows for monitoring of the internal control situation in real-time, permitting quick action regarding any deficiencies detected.

Additionally, on an annual basis, the various heads of control at the country subholding and head of business companies, as well as the heads of the corporate areas, review the design and operation of the ICFR system, as a systematic process for the update thereof to the changing circumstances of the business activity.

The annual review is coordinated by the Risk Management and Internal Assurance Area, which is also tasked with administering the software application and with coordinating the development of the ICFR system within the various businesses and corporate areas of the group, as well as maintaining the homogeneity of the ICFR system throughout the group. Based on this review, the Risk Management and Internal Assurance Area issues its opinion on the effectiveness of the IFRS, which is communicated during the annual meeting of the Control Committee and to the ARSC.

Furthermore, the Internal Audit Area, which is responsible for the independent supervision of internal control in support of the ARSC, undertakes an independent review of the design and operation of the ICFR system, identifying deficiencies and preparing recommendations for improvement. This review is performed applying a mixed model of selecting cycles based on risk and a minimum rotation of five years.

In addition, on a half-yearly basis, the Internal Audit Area undertakes an independent review of the effectiveness of the internal controls established to ensure the reliability of the financial information. It also reviews the process of certification of the financial information on a half-yearly basis. The conclusions from these reviews are submitted to the ARSC, which, if applicable, makes them its own and forwards them to the Board of Directors.

Based on materiality standards, the current scope of the ICFR system covers the entire Iberdrola group. More than 1,600 people from the group use the software application, both to document the evidence showing the implementation of more than 3,000 controls —which mitigate or manage more than 1,300 risks of error in the financial information deemed priority— and to monitor, analyse, adjust and evaluate the ICFR system.

In addition, the approximately 135 department heads who participate in the process of certifying the correctness of the information for which they are responsible do so using an electronic signature directly within the software application.

All of the above allows for the final result of the certification process, which is supported by the situation of internal control itself, to be reviewed by Iberdrola's Board of Directors as one of the major guarantees of reliability in connection with the formulation of the annual and interim financial information of the group.

F.7 **External auditor's report**

Report:

F.7.1. Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The information on the ICFR system sent to the markets has not been subject to review by the external auditor consistent with the fact that the other information contained in the Annual Corporate Governance Report is only subject to review by the external auditor in relation to the accounting information contained in said Report. Furthermore, it is believed that externally reviewing the information on the ICFR system sent to the markets would in a certain way be redundant, taking into account the review of internal control that the external auditor must perform in accordance with technical auditing standards within the context of the statutory audit of accounts.

G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. **That the articles of association of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies ☐ Explain X

Article 29.2 of the By-Laws provides that "No shareholder may cast a number of votes greater than those corresponding to shares representing ten (10%) per cent of share capital, even if the number of shares held exceeds such percentage of the share capital. This limitation does not affect votes corresponding to shares with respect to which a shareholder is holding a proxy as a result of the provisions of article 23 above, provided, however, that with respect to the number of votes corresponding to the shares of each shareholder represented by proxy, the limitation set forth above shall apply".

Section 3 of such article adds: "The limitation set forth in the preceding section shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholders that are entities or companies belonging to the same group. Such limitation shall also apply to the number of votes that may be cast collectively or individually by an individual and the shareholder entity, entities, or companies controlled by such individual. A group shall be deemed to exist under the circumstances provided by law, and also when a person controls one or more entities or companies".

Iberdrola believes that the limitation on the maximum number of votes that may be cast by a single shareholder, or by several shareholders belonging to the same group or, if applicable, acting in concert, is a measure to protect shareholders at companies with dispersed share ownership, whose investment is thus guarded from any transaction that is contrary to the corporate interest. In this regard, most shareholders, especially including but not limited to small retail investors, who represent approximately one-fourth of Iberdrola's capital, have little room to manoeuvre and respond to a potential shareholder owning a non-controlling interest and not reaching the threshold requiring a takeover bid but seeking influence over the Company and whose own interest is not totally in line with the corporate interest.

It should also be noted that such voting limitation has been in effect since 16 June 1990, the date on which the General Shareholders' Meeting was held at which it was resolved, by unanimous vote of the attendees, to bring the By-Laws of the Company (then doing business as Iberduero, S.A.) into line with the consolidated text of the Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December. This shows the level of corporate consensus that has existed on such voting limitation from the very beginning, which has been confirmed by the fact that such limitation has remained unchanged through various by-law amendments passed by the shareholders at General Shareholders' Meetings. In turn, it reflects the will of the shareholders to increase their bargaining power in the event of hostile offers or transactions.

In any event, Article 50 of the current By-Laws establishes the instances of removal of such voting limitation in the event that the Company is the target of a takeover bid that receives the required shareholder approval, in which case the provisions of Section 527 of the Companies Act prevail. Pursuant to the foregoing, it cannot be deemed that the limitation on the maximum number of votes that may be cast by a shareholder constitutes an obstacle to a takeover bid.

2. **That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:**

   a) **The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.**

   b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

3. **That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:**

   a) **Changes that have occurred since the last General Shareholders' Meeting.**

   b) **Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.**

Complies ☐ Complies partially ☐ Explain X

This information is continuously available to shareholders through the corporate website. In view of the special circumstances, the 2020 General Shareholders' Meeting was held exclusively online. It was therefore deemed appropriate to shorten the meeting, dispensing with any non-mandatory items already available on the website.

4. **That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.**

   And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and

corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies X Complies partially ☐ Explain ☐

5. **That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.**

   And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies X Complies partially ☐ Explain ☐

6. **That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:**

   a) **Report on the auditor's independence.**

   b) **Reports on the workings of the audit and nomination and remuneration committees.**

   c) **Report by the audit committee on related party transactions.**

Complies X Complies partially ☐ Explain ☐

7. **That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.**

   And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies X Complies partially ☐ Explain ☐

8. **That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.**

Complies X Complies partially ☐ Explain ☐

9. **That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.**

   And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies X Complies partially ☐ Explain ☐

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

a) Should immediately distribute such complementary points and new proposals for resolutions.

b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.

c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies X Complies partially ☐ Explain ☐

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Meets X Explain ☐

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

a) Is concrete and verifiable;

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and

c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies X Complies partially ☐ Explain ☐

15. **That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.**

    And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies X Complies partially ☐ Explain ☐

16. **That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.**

    This criterion may be relaxed:

    a) In large-cap companies where very few shareholdings are legally considered significant.

    b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies X Explain ☐

17. **That the number of independent directors should represent at least half of the total number of directors.**

    That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Meets X Explain ☐

18. **That companies should publish the following information on its directors on their website, and keep it up to date:**

    a) Professional profile and biography.

    b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.

e) Company shares and share options that they own.

Complies X Complies partially ☐ Explain ☐

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable X

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable X

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of association unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Meets X Explain ☐

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the

nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies X Complies partially Explain

23. **That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.**

    Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

    This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies Complies partially Explain Not applicable X

24. **That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.**

    And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies X Complies partially Explain Not applicable

25. **That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.**

    And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies X Complies partially Explain

26. **That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.**

Complies X Complies partially Explain

27. **That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.**

Complies X Complies partially □ Explain □

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies □ Complies partially □ Explain □ Not applicable X

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies X Complies partially □ Explain □

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies X Explain □ Not applicable □

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies X Complies partially □ Explain □

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies X Complies partially □ Explain □

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies X Complies partially □ Explain □

34. That when there is a coordinating director, the articles of association or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies X Complies partially □ Explain □ Not applicable □

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Meets X Explain

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity in the composition and skills of the Board of Directors.

d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies X Complies partially Explain

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies X Complies partially Explain Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies X Complies partially Explain Not applicable

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies X Complies partially Explain

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control

systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies X Complies partially Explain

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies X Complies partially Explain Not applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) **Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.**

e) **Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.**

Complies X Complies partially ☐ Explain ☐

43. **That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.**

Complies X Complies partially ☐ Explain ☐

44. **That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.**

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

45. **That the risk management and control policy identify or determine, as a minimum:**

a) **The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.**

b) **A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.**

c) **The level of risk that the company considers to be acceptable.**

d) **Measures in place to mitigate the impact of the risks identified in the event that they should materialise.**

e) **Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.**

Complies X Complies partially ☐ Explain ☐

46. **That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:**

a) **Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.**

b) **Actively participating in drawing up the risk strategy and in important decisions regarding risk management.**

c) **Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.**

Complies X Complies partially Explain

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies X Complies partially Explain

48. That large-cap companies have separate nomination and remuneration committees.

Complies X Explain Not applicable

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies X Complies partially Explain

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Proposing the basic conditions of employment for senior management to the Board of Directors.

b) Verifying compliance with the company's remuneration policy.

c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.

d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.

e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies X Complies partially Explain

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies X Complies partially Explain

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

a) That they be composed exclusively of non-executive directors, with a majority of independent directors.

b) That their chairpersons be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and their minutes be made available to all directors.

Complies X Complies partially Explain

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies X **Complies partially** **Explain**

54. The minimum functions referred to in the foregoing recommendation are the following:

a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.

c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.

d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.

e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies X Complies partially Explain

55. That environmental and social sustainability policies identify and include at least the following:

a) **The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct.**

b) **Means or systems for monitoring compliance with these policies, their associated risks, and management.**

c) **Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.**

d) **Channels of communication, participation and dialogue with stakeholders.**

e) **Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies X Complies partially ☐ Explain ☐

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies X Explain ☐

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies X Complies partially ☐ Explain ☐

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) **Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.**

b) **Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.**

c) **Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.**

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies X Complies partially ☐ Explain ☐ Not applicable ☐

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the

contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies ☐ Complies partially X Explain ☐ Not applicable ☐

Contracts with executive directors and senior officers signed as from 2011 provide severance pay for contractual termination equal to a maximum of two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This is the case of the Business CEO.

The Company included guarantee clauses of up to five years in contracts with its key officers in the year 2000. Subsequently, in 2001, when the current chairman & CEO joined Iberdrola, he received the treatment in effect for such officers, in order to achieve an effective and sufficient level of loyalty. As chairman & CEO, he is currently entitled to three times his annual salary for this item, plus another two times annual salary for his non-compete commitment.

The Board of Directors has analysed this situation, the treatment of which is necessarily collective in nature. Any reduction in the salary multiples would carry high costs for the Company, for which reason the Board of Directors believes that it is most appropriate not to change the status quo. Any proposed reduction in the salary multiples would have a higher cost for the Company, as the amount of the contingency will gradually decrease due to the passage of time, resulting in payments far smaller than any possible reduction in the agreed severance payment, taking into account the average age of the affected group and the low likelihood of the guarantees being enforced. In this regard, it should be pointed out that the number of officers with a right to severance pay greater than two years continues to decrease without the execution of any guarantee clause. There were only 17 left at the close of financial year 2020.

H FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

   Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010.

On 20 July 2010 the Company adhered to the Code of Good Tax Practices approved by the full Forum of Large Businesses (*Foro de Grandes Empresas*) established on 10 June 2009 at the behest of the National Tax Administration Agency (*Agencia Estatal de la Administración Tributaria*).

Pursuant to the provisions of Sections 1 and 2 of the Code of Good Tax Practices and Sections 3 and 4 of the Corporate Tax Policy, the Company reports that it has complied with the text of said Code as from the time of approval thereof.

In particular, it is reported that during financial year 2020, the Company’s tax director appeared before Iberdrola’s Audit and Risk Supervision Committee on 24 February and 22 February to report on, among other issues, the level of compliance with the Corporate Tax Policy, which includes the good tax practices contained in said Code, all of which has been reported to the Board of Directors.

The annex contains a description of the attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2020. Proxies granted with specific voting instructions are considered to be attendances.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 23/02/2021.

Indicate whether any director voted against or abstained from approving this Report.

Yes ☐ No X

Annex to ACGR 2020:

SECTION C.1.26

Below is the data on attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2020. Proxies granted with specific voting instructions are considered to be attendances.

Directors	Board	Committees				
		EC	ARSC	AC	RC	SDC
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	9/9	16/16				
MR JUAN MANUEL GONZÁLEZ SERNA	9/9	12/12			11/11	
MR IÑIGO VÍCTOR DE ORIOL IBARRA	9/9			7/7	6/6	6/6
MS SAMANTHA BARBER	9/9	16/16				11/11
MS MARÍA HELENA ANTOLÍN RAYBAUD	9/9			8/8		
MR JOSÉ WALFREDO FERNÁNDEZ	9/9		11/11			
MR MANUEL MOREU MUNAIZ	9/9	16/16			11/11	
MR XABIER SAGREDO ORMAZA	9/9		11/11			
MR FRANCISCO MARTÍNEZ CÓRCOLES	9/9					
MR ANTHONY L. GARDNER	9/9			8/8		
MS SARA DE LA RICA GOIRICELAYA	9/9					11/11
MS NICOLA MARY BREWER	6/6					5/5
MS REGINA HELENA JORGE NUNES	6/6		7/7			
MR ÁNGEL JESÚS ACEBES PANIAGUA	1/1	3/3		1/1		
MS INÉS MACHO STADLER	3/3	4/4			5/5	
MS GEORGINA KESSEL MARTÍNEZ	8/8		9/9			
MS DENISE MARY HOLT	3/3		4/4			

Notes:
The denominator indicates the number of meetings held during the period of the year in which the director served as such or as a member of the respective committee.
EC: Executive Committee.
ARSC: Audit and Risk Supervision Committee.
AC: Appointments Committee.
RC: Remuneration Committee.
SDC: Sustainable Development Committee.

SECTION E.3.

ACTIONS OF IBERDROLA, S.A. AND IBERDROLA RENOVABLES ENERGÍA, S.A.U. RELATING TO THE HIRING OF CLUB EXCLUSIVO DE NEGOCIOS Y TRANSACCIONES, S.L. (CENYT)

As reported by the Company, since the day following the appearance of the first news reports in certain media regarding the hiring of “Club Exclusivo de Negocios y Transacciones, S.L.” (“**CENYT**”) during the month of June 2018, Iberdrola, S.A. (Iberdrola) has conducted various investigations accordance with the provisions of its Governance and Sustainability System and its Compliance System.

Both systems define and describe the powers assigned to the various companies of the group and their corresponding governance bodies, and particularly the Audit and Risk Supervision Committee, the Sustainable Development Committee, the Executive Committee and the Board of Directors of Iberdrola, and the Board of Directors of Iberdrola Renovables, S.A.U. (Iberdrola Renovables), in relation to the facts referred to in said news reports.

The content of the meetings of Iberdrola’s governance bodies reflects the impetus given to all of the investigations performed, the supervision of the performance thereof without any limitation in scope, and the guarantee that all internal areas responsible for performing them had the required human and material resources at all times and acted free of any type of internal or external interference.

The internal investigations performed at both companies covered all available documentary evidence, in whatever media they may have been stored. However, it should be noted that in certain cases, whether due to the nature of the services provided, the time since they were provided (which well exceeded the six-year period legally provided for maintaining business documentation) or the lack of cooperation of certain former employees, complete documentation was not available.

In this regard, it should be noted that Iberdrola’s Compliance Unit has been advised by “Pricewaterhousecoopers Asesores de Negocio, S.L.” (“PwC”), which performed an independent investigation, with neither supervision nor control of internal bodies or outside lawyers, and which made a commitment to make its findings available to the judicial authorities, whatever those findings may be. PwC dedicated more than 5,000 hours of work to this investigation, processing 5.14 TB of information (and reviewing more than 300,000 files and more than 3,000 invoices.

After the aforementioned investigations and based on the results of PwC’s collaboration on the terms and with the intensity described above, no payments to companies directly or indirectly linked to Mr Villarejo have been identified other than those corresponding to the 17 invoices issued by CENYT to the group: 14 to Iberdrola, between 2004 and 2009, in the total amount of 1,017,824.14 euros, and 3 to Iberdrola Renovables, issued between 2012 and 2017 (in the total amount of 114,200.00 euros).

In addition, all of the payments made to CENYT correspond to invoices received for which the information has been entered into the Iberdrola group’s internal records, as the Management System (SAP) does not allow for the making of payments that do not correspond to the entry of the respective invoice. Specifically, the payments to CENYT were made in accordance with the internal procedures at all times in effect within the group, which require that the service be requested and the corresponding invoice be approved by a person duly authorised to do so by reason of the subject matter, and approved by a controller other than the requesting party.

In any case, no evidence has been identified that the services referred to in the invoices reviewed were not provided, nor has there been an identification of evidence of any illegal conduct or conduct contrary to the rules that make up the Governance and Sustainability System in relation to these engagements.

The Company has also been actively cooperating with Central Investigation Court number 6, which is handling the judicial investigation of these facts, although neither the Company itself nor any other company of its group is under investigation or otherwise a party to the proceedings. However, three former executives who have left Iberdrola and two executives who continue to provide their services to Iberdrola are under investigation in the aforementioned judicial proceedings.

In this regard, it should be noted Iberdrola's Compliance Unit has subsequently been increasing the initial scope of the aforementioned investigations following the lifting of the secrecy of the aforementioned legal proceedings, which was approved on appeal by the Criminal Division of the National High Court (*Audiencia Nacional*) on 20 July, as more information has become available on the facts investigated in said proceedings due to publication in various media.

This information has allowed for expansion of the already extensive search parameters applied since the start of the investigations into the Company's records, systems and equipment, as well as the number of people affected by the investigation.

In particular, the Compliance Unit has reviewed the scope of the commercial relationship (including the corresponding hiring, accounting and payment processes) of Iberdrola and the other companies of the Group with all of the companies that have provided them with security and intelligence services during the years related to the facts investigated by Central Preliminary Examining Court No. 6, including Kroll Associates Iberia, S.L., K2 Intelligence Iberia, S.L. (the hiring of both companies having appeared in the media) and a number of other entities related to the latter and, based on the information available thereto, no evidence has been identified of any illegal conduct or conduct contrary to the rules that make up the Governance and Sustainability System in connection with such engagements.

Therefore, as of the date hereof, based on available internal information as well as the external events of which the Company has become aware, the facts referred to above cannot be considered legally relevant for the Company, such that the impact thereof, if any, would be limited to the reputational area.

Along these lines, Iberdrola's Sustainable Development Committee and Board of Directors have been monitoring changes in corporate reputation and no impairment in the general reputation of the group or negative impact in relation to its professionals, customers, shareholders or suppliers has been detected. The aforementioned news reports have also not had a negative effect on the group's financial performance.

Statement of Non-Financial Information.

Sustainability Report

2020

This document is part of the Consolidated Management Report and is subject to the same criteria for approval, deposit and publication as the Consolidated Management Report and is submitted separately to the National Securities Market Commission (CNMV) and can be consulted on the website www.cnmv.es in the "Other relevant information" section as well as on Iberdrola's website (www.iberdrola.com).

Annual Financial Report

Statement of responsibility

2020

ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY 2020

The members of the Board of Directors of IBERDROLA, S.A. state that, to the best of their knowledge, the individual annual accounts of IBERDROLA, S.A. (balance sheet, profit and loss statement, statement of change in shareholders' equity, statement of cash flows and notes), as well as the consolidated annual accounts of IBERDROLA, S.A. and its subsidiaries (consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated notes) for the fiscal year ended on December 31, 2020, issued by the Board of Directors at its meeting held on February 23, 2021, and prepared in accordance with the applicable accounting standards, present a fair view of the assets, financial condition and income of IBERDROLA, S.A. as well as of its subsidiaries included within its scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual accounts and the *Statement of non-financial information. Sustainability report* contain a fair assessment of the corporate performance and of the position of IBERDROLA, S.A. and of its subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

Bilbao, February 23, 2021

Mr José Ignacio Sánchez Galán
Chair & Chief Executive Officer

Mr Juan Manuel González Serna
Vice-chair and Lead independent director

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms Samantha Barber
Director

Ms María Helena Antolín Raybaud
Director

Mr José Walfredo Fernández
Director

Mr Manuel Moreu Munaiz
Director

Mr Xabier Sagredo Ormaza
Director

Mr Francisco Martínez Córcoles
Business CEO

Mr Anthony Luzzato Gardner
Director

Ms Sara de la Rica Goiricelaya
Director

Ms Nicola Mary Brewer
Director

Ms Regina Helena Jorge Nunes
Director

Mr Ángel Jesús Acebes Paniagua
Director

Certificate drafted by the secretary of the Board of Directors to put on record that the directors Ms Nicola Mary Brewer, Ms Samantha Barber, Ms Regina Helena Jorge Nunes, Mr Anthony Luzzato Gardner and Mr José Walfredo Fernández, do not sign by reason of them attending to the meeting using remote communication systems, with the director Mr Juan Manuel González Serna signing in lieu of the directors Ms Nicola Mary Brewer and Ms Samantha Barber, the director Ms María Helena Antolín Raybaud signing in lieu of the directors Ms Regina Helena Jorge Nunes and Mr Anthony Luzzato Gardner and the director Mr Xabier Sagredo Ormaza signing in lieu of the director Mr José Walfredo Fernández, all following the express instructions issued for such purposes by the referred directors, who attended the meeting using remote communication systems.